

13. UK

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Overview

UK reforms can be characterized within two broad phases. From the early 1980s until 1997, reforms were driven by a concern to **introduce competitive and contractual challenges into public services**. This entailed a strong push towards **delegation of managerial responsibility** resulting in discrete, focused management units with **strengthened accountability for performance**. This first phase corresponded to the period from the economic crisis of the 1970s and the election of the Conservative Thatcher government in 1979, to the election of the Blair government in 1997.

The post-1997 phase has built on this towards a system based more on **partnership and collaboration** between different parts of the public sector. The focus has shifted **from outputs to outcomes**, and there is a drive to take a **longer-term view in policymaking** and a **consumer view in service delivery**.

The main elements of this second phase are: devolution of power to Scotland, Wales and Northern Ireland; reform of the House of Lords; Freedom of Information legislation; reform of market-based structures in the National Health Service; legislation to modernize local government for example replacing compulsory competitive tendering with requirement to consult local people about the provision of “Best Value” in services; changing executive structures and extending powers to plan for community well-being; and comprehensively reviewing all government expenditure and priorities, resulting in the system of Public Service Agreements.

The sequence of reforms

It is not really accurate, except in retrospect, to talk of the changes from 1979-97 as a reform program. While underlying themes are observable, the individual elements were introduced piece-by-piece, rather than planned as a coherent program. It reflects a pragmatic, progressive approach. Most of the changes, for the civil service at least, were introduced by administrative action without recourse to legislation. This made for great flexibility and reduced the need, for example, to argue a philosophical approach through Parliament. The setting up of the executive agencies was very influential, with three quarters of civil servants now working in agencies. This can be seen as the catalyst for the introduction of market-testing and standard setting within central government - but it was not introduced with that in view.

The underlying theme, to make the public sector more efficient, had broad public support although there was extensive opposition to privatization. Public administration per se and particularly the details of civil service reforms has not been of significant interest to the

¹ The views expressed in this section represent the personal opinions of the author and should not be construed as representing the views of the UK Government.

public, though the state of the National Health Service and schools certainly has. Measurement of performance and publicizing of results in these services has been promoted by both Conservative and Labour governments.

The Labour government has been particularly active in publicizing its reforms, with modernization and the delivery of results that matter a key theme. However, the government has done little to publicize reform processes as such, but instead has focused on changes the public will notice, such as making open commitments to improvements in health services and schools and reporting on them, and pointing to specific examples of changes in public services. In that sense, although the plans and vision have been clearly laid out and explained, government is simply proceeding pragmatically with reforms and expecting that people will realize the value of the process once they have benefited from its results.

Box 1 Key reform milestones in the UK

Phase 1	
1979	Introduction of efficiency scrutinies - reducing the scale of the public sector by questioning and redefining the role of the state. Privatizations and, managerially, a focus on efficiency and economy.
1982	The Financial Management Initiative within the Civil Service, with requirements on managers to take more responsibility for planning and managing their own budget and measuring their output.
1984	Requirement imposed on local government to submit service provision to Compulsory Competitive Tendering .
1988	The Efficiency Unit report, Improving Management in government: the Next Steps , followed by the announcement from Mrs. Thatcher of the policy to restructure the civil service into management units to deliver executive functions, with managerial responsibilities delegated to a Chief Executive, with direct accountability to the Minister for delivering specified performance targets. Implementation of Next Steps policy led to break-up of national pay and grading systems in the Civil Service and major developments in financial management, e.g. commercial-style accounting in agencies. Executive activities reviewed in a 5-yearly cycle.
1991	The launch of the Citizens Charter , a policy to improve public services by introducing standards of service and measurement their achievement; and to respond better to service users.
1991	The introduction of Competing for Quality : the formal requirement on central government to review its activities with a view to using competition for supply as a means to improve quality, effectiveness and value for money.
1991	Within the National Health Service , organizational changes based purchaser/provider split.
1993	Announcement of policy to introduce Resource Accounting and Budgeting across government.
Phase 2	
1999	The Modernizing Government White Paper set out the government's

	<p>overarching approach to the reform and modernization of public services and administration. Announced as a long-term program covering all 5 million public servants across the public sector. Main themes; “joined-up government” and collaboration; focus on the user and on outcomes; using information technology to change the nature and delivery of services; re-establishing the value of public service. Program based on five commitments:</p> <ul style="list-style-type: none"> • to make policy making more evidence-based • to make services more responsive, more coherent public and focused on the user; • to deliver high quality, efficient public services; • to introduce information age, on-line government including the first corporate IT strategy for government; • to value and reward public service with a program of Civil Service reform and greater diversity in recruitment.
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Reformers' concerns

Like many industrialized countries, the United Kingdom suffered from **high inflation and low growth** during the 1970s. Economic hard times led to pressures to reduce public spending as a proportion of GDP and to reduce the Public Sector Borrowing Requirement as a means to stimulate greater economic activity.

Margaret Thatcher’s diagnosis of the country’s ills had direct implications for the public sector. The **state was regarded as too big** and involved in inappropriate areas; the private sector was clearly preferred to the public sector; and the civil service was considered to be overly bureaucratic and unhelpful, with its own agenda. This critique of the public sector led to a strong acceptance of “**managerialist**” ideas for reform. From 1979 to 1983 the primary goals of reform were greater efficiency and economy, including staff reductions. **Senior business figures were invited to play key roles** in public sector reform.

The Next Steps policy of 1988 was based on an analysis that civil service managers lacked incentives to deliver quality services and were impeded rather than helped by centralized bureaucracy. Policy was to free managers in return for tighter accountability. For local government, the 1980s model was an imposed requirement to contract out.

Autonomous agencies were a source of some concern with worries about the proliferation of non-departmental public bodies or “quangos” and about their performance.

Institutional starting points

The UK has a tradition of a single strong central agency in the HM Treasury. It also has a strong tradition of single party majority, with Westminster-style, first-past-the-post electoral arrangements.

Under the Anglo-Saxon administrative tradition, UK public administration is very little based on statute, so changes were carried through administratively rather than through new laws. This is a major factor in allowing a flexible and pragmatic approach.

There was extensive trade union membership in the public sector, although it was declining from before the time of major downsizing, with changes in terms and conditions.

Constitution/political system

The UK is a unitary state with some limited devolution to regional jurisdictions (establishment of the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly) since the election of the Blair administration in 1997. Central government has enjoyed sweeping powers to constrain the activities of local governments. Thus, in practice, the UK remains a highly centralized state, although the current administration has a clear view on the need to strike a balance between clear central direction and responsiveness to local needs, and the need for the center to step in when services fail and to encourage managerial freedom.

The UK's political system is strongly majoritarian. In this first-past-the-post electoral system, two main parties (Conservative, Labour) in the lower house dominate electoral politics. A single party, with strong party discipline, provides the political base of the Prime Minister. "The unusual dominance of a single party form of executive under the British system gives governments an equally unusual ability to realize their reform desires, even when these are controversial in Parliament or unpopular in the country" (Pollitt and Bouckaert 2000).

The upper house of Britain's legislative branch, the House of Lords, may delay, but cannot block passage of legislation approved in the House of Commons. The House of Lords is being reformed to weaken its hereditary basis.

Structure of government

The public service of the UK generally refers to the central government, both civil servants and others in non-departmental public bodies ("quangos") and public corporations, as well as local government including social services and teachers, the National Health Service, the police and armed forces.

The civil service refers to the staff of all of the central government departments working for Ministers and for the executive agencies of government departments. Civil servants carry out the work of the government under the direction of Ministers and advise Ministers on policy. The UK civil service is non-political. When Ministers and the government change, civil servants remain to serve the government of the day. Not included in the civil service are members of the armed forces, teachers, officers working for local authorities, the police, those working for the National Health Service or for non-

departmental public bodies (“quangos”), or remaining nationalized industries/public corporations like the Post Office.

Formally, the government comprises a body of Ministers responsible for the conduct of national affairs and the day-to-day business of heading the departments of state. Ministers (currently 109) are appointed by the Queen on the advice of the Prime Minister, whom she appoints on the basis of being the leader of the party that commands a majority in the House of Commons. Ministers co-ordinate their work through the Cabinet (22 members) and Cabinet Committees and within departments.

The executive consists of (i) the government – the Cabinet and other Ministers; (ii) government departments and agencies, (iii) local authorities; and (iv) public corporations.

Parliament has three elements, the Queen, the House of Lords and the House of Commons. These elements are constituted on different principles and meet together only on occasions of symbolic significance. The agreement of all three elements is normally required for legislation (but that of the Queen is given as a matter of course).

There are 22 Cabinet Ministries in the government, plus 8 other Ministerial departments (and 24 non-ministerial departments). Within departments there are approximately 135 executive agencies. There are a total of 465,000 civil servants, over 70% of whom are in executive agencies.

Apart from the civil service, UK central government consists of about 300 "quangos" (non-departmental public bodies) and public corporations (Post Office, BBC), totaling another 500,000 public employees.

Box 2 Cabinet Ministers in the UK¹

<ul style="list-style-type: none"> • Prime Minister, First Lord of the Treasury and Minister for the Civil Service • Deputy Prime Minister and First Secretary of State • Chancellor of the Exchequer • President of the Council and Leader of the House of Commons • Lord Chancellor • Secretary of State for Foreign and Commonwealth Affairs • Secretary of State for the Home Department • Secretary of State for Environment, Food and Rural Affairs • Secretary of State for the 	<ul style="list-style-type: none"> • Secretary of State for Transport, Local Government and the Regions • Secretary of State for Health • Secretary of State for Northern Ireland • Secretary of State for Wales • Secretary of State for Defence • Chief Secretary to the Treasury • Secretary of State for Scotland • Leader of the House of Lords • Secretary of State for Trade and Industry • Secretary of State for Education and Skills • Secretary of State for Culture, Media and Sport
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<p>International Development</p> <ul style="list-style-type: none"> Secretary of State for Work and Pensions 	<ul style="list-style-type: none"> Parliamentary Secretary, Treasury and Chief Whip Minister without Portfolio and Party Chair
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Local (municipal) government is directly elected in the UK. In England, metropolitan districts, London boroughs and unitary councils, some provide all local services. In other areas, responsibilities are shared between county, district and in some cases, parish councils. Local government officers serve all elected members, of whatever party. There are about 1.2 million local government employees. Approximately 90% of local budgets are funds channeled from central government. Responsibility for education is split between central and local government, as is that for health services and the police. Education and health services each account for some 1.2 million public servants, with a further 400,000 police and armed forces.

The government has introduced a major program of local government modernization since 1997. The Local Government Acts of 1999 and 2000 provide mechanisms for:

- **Councils’ decision-making processes to be efficient, transparent and accountable;**
- Continuous improvement in the efficiency and quality of the services for which they are responsible (the “Best value” policy);
- **The active involvement and engagement of the community in local decisions;** and
- Local authorities to have the powers to work with other bodies to ensure that resources are deployed effectively to improve the well-being of their area.

Central agencies and reform management

There are two major departments at the center of government: the Cabinet Office and the Treasury. However, the Prime Minister's Policy Unit in No. 10 Downing Street, although formally part of the Cabinet Office, has a strong identity of its own. Each of these has a role in coordinating the activities of other departments.

Ministers in charge of departments have formal responsibility for the discharge of government business. The three central organizations’ coordinating activities follow from their particular responsibilities:

- No. 10 Downing Street provides support and advice to the Prime Minister on all government business. It gives strategic direction to departments on the basis of the Prime Minister’s views and orchestrates the presentation of government policy.
- The Cabinet Office aims to ensure that the government delivers its priorities. It does this by supporting collective consideration of key issues by Cabinet and its Ministerial Committees, and by working with departments to modernize and co-ordinate government, aiming at excellence in policy making and responsive, high quality public services.
- The Treasury manages public spending and aims to get the best public service outputs and outcomes for the resources the country can afford. It pursues this by setting

spending plans; agreeing departmental objectives and targets in Public Service Agreements and Service Delivery Agreements; and promoting cross-departmental work where it is likely to deliver better value for money.

Some of the oldest central functions are core activities such as the Treasury's management of the relationship with Parliament on public spending matters and the role of the Cabinet Secretariat in supporting collective government. The center also manages some cross-cutting support services including managing pension arrangements (Cabinet Office) and accountancy advice services (Treasury's Financial Management Reporting and Audit Directorate). Some smaller central agencies include the Office of government Commerce that provides purchasing advisory services.

Much of the recent growth and development of the center of government has been in activities that are designed to add value to the work of individual departments. The **center provides *strategic direction* by ensuring that departmental objectives are aligned with the government's overall strategic priorities**; and that the wider public is well informed on the government's actions. Public Service Agreements (PSAs) set out the key objectives and targets for each department.

Strategic direction also means the center taking the lead on policy issues which span a number of departments, for example social exclusion, drugs strategy and women's issues. More generally the center promotes policy coherence and rigor, through central mechanisms for coordination of government business and collective knowledge, and resolution of disputes.

The center aims to *support departments* in delivering improvements in performance for the end users of services. This includes developing tools and advice (e.g. Civil Service reform, better business planning, use of the Excellence Model, Charter Mark, benchmarking and leading the drive to electronic government) and facilitating corporate learning (e.g. through peer review and policy evaluation).

The center also challenges departments to make sure their approach to key issues is robust (e.g. Better Quality Services, consumer focus, Service Delivery Agreements and impact of regulations). The center has a continuing role in ensuring that standards such as those set out in the Civil Service Code, are maintained.

A report published in 2000 by the Cabinet Office's Performance and Innovation Unit, "Wiring It Up", listed three preconditions for effective intervention by the center of government:

- It should not try to do everything itself but should draw upon the expertise and knowledge from business units and beyond;
- It needs to understand the business units well enough to avoid destroying value by the wrong sort of intervention;
- It needs the right sort of skills, e.g. facilitation, cross-cutting working.

The center must be clear about its own objectives and must be able to communicate them to the rest of government. It has to be selective in its interventions, because the individual units in the three central organizations are mostly very small and should not second-guess everything departments do; and, more importantly the primary responsibility for delivery still rests with individual departments.

The center aims to:

- Work in partnership with departments wherever relevant;
- Limit the number of new initiatives;
- Introduce new activities only where they add value;
- Think carefully about delivery/implementation; and
- Take account of departments' needs, especially in terms of timing and timetable.

The civil service reforms of the 1980s enjoyed strong political and ideological leadership from the then Prime Minister, Margaret Thatcher. She appointed a businessman to report to her as head of the new Efficiency Unit. HM Treasury led on privatizations. When Mrs. Thatcher announced the government's policy for creating executive agencies in 1988, she took the innovative step of appointing an official to report directly to her as Project Manager, giving him responsibility to take the reforms through. This official was moved from the Treasury to head the Office of Public Service (then the Office of the Management of the Civil Service), in the Cabinet Office; and these two departments were the main agents of change. One of the principal consequences of the Next Steps policy was the delegation of responsibility for civil service pay and grading matters from the Treasury, first to agencies and then to departments, with the residual central responsibilities passed from the Treasury to the Cabinet Office. The following Prime Minister, John Major, also took a personal interest in reform policy, and announced the Citizens Charter policy, but he was less directly involved in implementation.

The current Modernizing Government program is championed by the Prime Minister, Tony Blair, but led by Cabinet Office Ministers who report to him. Sir Richard Wilson, the official head of the service, leads civil service reform. This leadership from an official rather than a politician is a corollary of the political impartiality of the UK civil service. The Chancellor of the Exchequer and the Chief Secretary to the Treasury have led on the Spending Reviews and the introduction of the Public Service Agreements that are a key component of current reform. Ministers in the Department of Health, the Department for Education and Employment and the Department of the Environment, Transport and the Regions have led on the parallel reforms in the health service, education and in local government respectively. Parliamentary Select Committees have taken an interest in and reported on all aspects of the reform program.

Politicization

The UK civil service has developed into a permanent, impartial (non-political), merit-based body that works to serve the elected government of the day. Approximately 80 Special Advisers (political appointees) work directly for Ministers and can and do act

politically. Local government staffs serve all elected officials. There is a model contract for Special Advisers setting out the principal terms and conditions of their employment.

Reform activities

Summary

Managerial flexibility has been a touchstone of the New Public Management reform agenda. The Next Steps agency model was posited on the idea that managers who were freer of external constraints would be more effective at delivering results and getting better value for the resources invested, within a close framework of accountability. The key freedoms sought had to do with personnel management – recruitment, pay and grading and training for the particular job to be done; and financial regimes, looking for more flexibility within budget heads and between years. During the 1990s the UK **abandoned national civil service uniformity on pay**, recruitment (within framework set by Civil Service Commissioners), grading, and training. Official heads of department and executive agency chief executives are directly accountable to the Minister for results. (In practice, some agency chief executives account to the head of department or another senior civil servant.) Heads of department, Accounting Officers, and Agency Chief Executives are accountable to Parliament via the Public Accounts Committee for the proper use of resources.

The targets for executive agencies opened up civil service performance data to Parliamentary and public scrutiny in ways not seen previously. However, there is some question whether the level of detail published on targets and achievement actually enhances real scrutiny. There may be too much. In a number of executive agencies, there has been noticeable change in the nature of performance measures year-on-year, as officials have tried to identify those that are the most effective. This has caused problems in plotting performance variation between years.

Clarity of expectations regarding agency outputs has not always led to an improved focus on the policy goals of the Minister. In part the system of Public Service Agreements seeks to remedy this by providing an overarching framework of policy objectives for the government and the individual Ministry, within which the targets for the agency activity make a direct contribution to the delivery of the desired outcomes. The fact that the number of targets in the PSAs has been reduced in the second round reveals a determination to avoid proliferation; and work is in hand to develop a performance information strategy to measure progress towards outcomes

The National Audit Office (NAO) oversees central government expenditure and (with the Audit Commission) health expenditures. The Audit Commission oversees performance of local government and the education and health authorities. Independent regulators also have a role in certain sectors (e.g., the Office for Standards in Education (OFSTED) in the education sector).

Not all reforms have been internal to the public service. Various external influences have shaped the reform program, including the increasing coherence of the European Union,

encouraging cross-country comparisons of governance and services, and the dramatic increase in the use of the Internet. The developing role of the Audit Commission, reporting on the performance of the local government and health sector and publishing league tables, and of the NAO, auditing government and reporting to the Public Accounts Committee, coupled with greater scrutiny by Parliamentary Select Committees, has empowered the public to monitor service quality and demand improvements. Legislation on Freedom of Information is also pushing in this direction, but this influence should not be overstated: as yet it is far less important than the publishing of league tables of performance. Similarly, in the longer term the passing of the Human Rights Act has significant implications for public administration, but has shown little impact yet.

Reforms to the organizational structure of government

Approximately 75% of all civil servants now work in executive agencies. However, this is not tantamount to decentralization since they remain part of government departments and directly accountable to the Minister for their performance. Government authority in the UK remains highly centralized. However, the Labour government's approach to service delivery has been clearly articulated: services that meet the needs of citizens not the convenience of service providers; and a determination to strike the right balance between intervening where services fail and giving successful, organizations more scope to manage and excel.

Cutting back the programs undertaken by government

In the 1980s in local government, the UK relied on compulsory, competitive tendering and a strong preference for private sector supply where practical, whether through strategic contracting out or market testing. There is currently more emphasis on **public/private partnerships**. **Organizational program reviews** in central government (Better Quality Services) and local government (Best Value) have now been adopted.

Within the civil service, all activities are subject to a quinquennial organizational review to determine the best structure and arrangements for the function, first introduced a part of the Next Steps policy. Whereas under the previous administration there was an order of preference in the available options, i.e. abolition, privatization, strategic contracting out, market testing, agency status, there is currently a more pragmatic approach and a level playing field. Central government is also subject to the Better Quality Services initiative, to test the best supplier of services.

Local government in England is subject to a program called Best Value. The Local Government Act of 1999 placed a new duty on local authorities. To meet this duty, the authority is required to consult local people, review all its functions periodically, measure its performance and produce a performance plan that will be audited by an independent auditor. Local authority services are also liable to inspection - and the Secretary of State can take action to remedy failing services. In reviewing its functions, the authority is required to consider whether it should be exercising the function, its objectives in doing so, its performance, how competitive that is and to consult other authorities for

comparison. In summary, the approach is: challenge, compare, consult, compete and collaborate.

Since the election of the Labour government, there has been a clear shift away from a contractual paradigm to one based more on partnership, and the delivery of broader outcomes, seeking collaboration between organizations within the public sector and beyond in pursuit of government goals.

Civil service and personnel reforms

There is very little civil service legislation in the UK. The current Labour government has announced its intention to introduce a Civil Service bill and create statutory footing for civil service; but no timetable has been set.

From 1970, in response to the “Fulton” report on the civil service, a “Senior Open Structure” was recognized as a senior management group, more likely to move between departments. A 1994 White Paper, Taking Forward Continuity and Change, noted the greater diversity and reduced uniformity of the civil service, following such measures as the establishment of executive agencies and delegation of managerial and financial responsibilities. It proposed the recognition of a wider group of around 3,000 of the most senior posts to represent the cohesiveness of the Service and to maintain and promote shared values. This **Senior Civil Service** (SCS) came into being in 1995. Unlike other civil servants, each member of the SCS has signed an individual, indefinite contract with an employing department. They are responsible for serving the collective interest of government, with a focus and loyalty wider than their own department or agency.

The size of the civil service peaked in 1976 at 750,000. This total had fallen to 630,00 by the mid 1980s and 566,000 by 1990. By the turn of the century, the total had dipped to 465,000 before rising to 475,000 by 2000. This deep reduction was achieved through privatization, abolition of functions, contracting out and partnerships with the private sector.

All civil servants are recruited, promoted, and rewarded according to merit principles. The UK Civil Service Commissioners are charged with maintaining this principle and requiring departments to satisfy them that they have done so.

There is continuing pressure in 2000 to increase value for money and effectiveness across public sector. Modernizing Government committed the government to deliver high quality public services : “we will not tolerate mediocrity”. Government’s approach is to:

- Review all central and local government services and activities over five years to identify the best supplier in each case;
- Set new targets for all public bodies, focusing on real improvements in the quality and effectiveness of public services;
- Monitor performance closely so that the right balance is struck between intervening where services are failing and giving successful organizations the freedom to manage.

All civil service pay includes some performance-related element. However, the amounts are a very small share of total civil service pay, partly reflecting a view of performance pay as divisive within the UK public sector.

Not all rewards are monetary. Under the Citizens Charter, a recognition scheme, the Charter Mark, was introduced and this has been further developed by the Labour government, which has placed a strong emphasis on recognition of excellence, new management tools (e.g. the European Foundation for Quality Management Excellence Model - EFQM), and on identifying and spreading good practice (Beacon schemes). Beacons operate both in local and central government and the key feature is that those recognized as beacons of excellence should be proactive in seeking to spread it to other public sector organizations.

Not all the quality schemes used in the public service are run by government. And although individual quality schemes concentrate on specific aspects of quality, they need not operate in isolation. The EFQM provides an overall framework for an organization's activities, while Investors in People (good people management) and ISO 9000 look in more detail at different ways of improving aspects of performance.

Ministries and executive agencies have discretion on pay policy within the overall business plan agreed with HM Treasury. The Labour government is examining new proposals looking at the entire compensation pay package (e.g., work/life balance), and making use of comparative pay/benefits surveys.

Ethics is recognized and treated as important area in the UK. An independent Committee of Standards in Public Life makes recommendations to the Prime Minister. It was set up in 1994 to examine concerns about standards of conduct (and its remit was extended in 1997 to cover funding of political parties). The Committee has produced six reports:

1. MPs, Ministers and Civil Servants and Executive Quangos;
2. Standards of governance in local public spending bodies;
3. Standards of conduct in local government;
4. A review of action on the previous reports;
5. Funding of political parties; and
6. Further considerations on the first report and on special advisers.

The recommendations of the Committee have led to the establishment of the Parliamentary Commissioner for Standards and of the Commissioner for Public Appointments.

The civil service is embodied with a **strong and coherent public service ethos**. There is a high public sensitivity to **conflicts of interest**, which severely restricts political activity.

The Civil Service Code, introduced in 1996, was slightly revised recently. It is a concise statement of the role and responsibilities of civil servants, setting out the constitutional framework within which all civil servants work and the values they are expected to

uphold. It forms part of the Civil Service Management Code, a much longer document setting out the central framework for the management of the civil service

Within the UK public service, there are now Codes of Conduct for Ministers, civil servants, Board members of advisory and executive quangos, staff of quangos and National Health Service Boards.

The UK civil service has now been imbued with performance management and business planning concepts for some years. More recently, the UK government has promoted a shift toward a more open and diverse civil service personnel model, bringing in more staff and talent from outside.

The Head of the Home Civil Service submitted to the Prime Minister in December 1999 a proposed civil service reform program that is now under way. There are targets to increase the representation of women, those from an ethnic minority background, and those with a disability in senior posts.

There will be a radical new performance management system for the Senior Civil Service and reviews are in hand of such systems for other staff in all civil service organizations. Business planning, diversity awareness and leadership are other key aspects.

In part, this program is a response to a concern to improve performance of main civil service functions: delivery of services and development of policy. A new Center for Management and Policy Studies (CMPS) has been established in the Cabinet Office to act as central resource of knowledge, expertise, and evidence from around world to assist Ministers and civil servants in policymaking. Now subsumed within the CMPS, the UK Civil Service College remains the primary institution in Britain for in-service training.

Budget process changes

One of the key starting points of civil service reform during the 1980s was the introduction in 1982 of the Financial Management Initiative. This introduced more systematic resource planning and allocation on the basis of planned activity and the delegation of budgetary responsibilities to managers within departments. The Next Steps program from 1988 moved much further in this direction, tying the allocation of resources to each executive agency to performance against published annual output targets. This opened up much civil service activity to closer public scrutiny and provided a “bottom line” for performance, in return for managerial delegations. (Arguably there was more output information than could be usefully handled.)

Executive Agency managers pressed for financial reforms such as the capacity to move resources between budget heads and carry some resources over between years. The Executive Agency reforms led the way towards the introduction of “commercial-style” accounting. Three-year rolling public expenditure settlements were supplemented in the 1990s by fundamental (zero-based) review of government expenditure.

The reforms of the current administration are centered on the framework of performance management provided by the Public Service Agreements (PSAs), introduced following a Comprehensive Spending Review in 1997-8. These agreements are struck between Ministers in charge of departments and the Treasury. Taken together, the PSAs set out the government's priorities for delivery and its spending decisions. Each agreement is based on a **three-year resource allocation**. It sets out the policy outcomes and objectives the department aims to achieve and the measures against which it will report. The number of objectives in the second round of PSAs has been reduced from 630 to some 160 as an attempt to simplify performance information overall and make it more useful, in part taking a lesson from experience of agency targets. All PSAs are published.

Ministers account to a Ministerial committee, which is advised by the Treasury and Cabinet Office. A new performance information framework and strategy has been developed by these two departments and will be published during the spring of 2001. PSAs are underpinned by Service Delivery Agreements setting out more detail of how the department will go about its business. The PSAs provide the framework for business planning within departments and resource allocation to executive agencies and the setting of their performance targets, and are therefore reflected in the personal job plan of individual civil servants, including the head of the department. They provide a basis for assessing performance and determining some element of the department head's remuneration. The government has recently introduced a series of pilot Local PSAs with local authorities.

A system of Resource Accounting and Budgeting (RAB) is being fully introduced across all government from 1 April 2001. It involves producing the equivalent of the main financial statements from commercial accounts, in particular, a balance sheet and the equivalent of a profit and loss statement and using this as the basis for planning, controlling and reporting on public spending. It means public expenditure for all government departments will be managed on the basis of: (i) a resource budget measuring ongoing operations in accruals terms; (ii) a capital budget for new investment in accrual terms; and (iii) a combined cash requirement to cover the preceding two elements. There has been a careful preparation process, following the launch of the policy in 1993. Resource accounting was introduced in all departments from 1998-99. Resource accounts were published from 1999-2000 alongside Appropriation Accounts. The Spending Review 2000 was conducted on a resource basis. There was a dry run of the full accrual system across government in 2000-01. RAB will be fully implemented for 2001-02.

E-government

Information age government is one of the five priorities of the Modernizing government initiative (1999) of the Labour government.

The IT strategy for government has put in place cross-government co-ordination machinery on issues such as the use of digital signatures and smart cards, web sites and telephone call centers, and benchmark progress against targets for electronic services.

The government's E-strategy includes having all government services offered online by 2005 (currently 42% are available). Every citizen who wants it is to have access to the Internet by 2005. A key goal is to make the UK an ideal environment for e-business.

A senior official has been appointed as "E-envoy" to lead this aspect of reform, based in the Cabinet Office. Each department has an "information age champion" at official level.

The launch of UK Online – a portal to government services on line is underpinned by the concept of providing services to match the "life episodes" that happen in real life when clusters of public services are needed at one time (e.g. starting school, finding or changing a job, having a baby, suffering a bereavement, starting a business). This consumer-focused approach is recognized as having considerable implications for the organization of public services.

Reform outcomes

One yardstick of the impact of the two phases of UK reforms is that, at the start, it would have been unthinkable for prisons to be run by a private company. By the end, it had been thought of and was being done, although not necessarily without elements of curiosity and hostility.

There has been a marked shift towards a **contractual paradigm** within government. This has been accompanied by a growth in the supporting regulations to arbitrate between the contracting parties – to the degree that some observers have pointed to regulation as the growth sector of public administration in the UK. The Modernizing Government initiative of the current Labour government has sought to build on this acceptance of contracting with a greater emphasis on **collaboration and partnership**, moving on in rhetoric at the very least from the managerial agenda of the 1980s to one which put the user of services and the outcomes they needed at the heart of further change.

The administrative reforms of the 1980s and early 90s strengthened the performance orientation of the public sector and increased technical efficiency. However, the public service ethos in the UK, as well as staff morale, may have suffered in the process. "League tables" for schools and hospitals have proved very popular with the public; but much other performance data goes unused.

To sum up, the 1980s saw the development of a model of public administration that was focused on the efficiency of business processes, on the idea of the distinction between policy and operations and the multiplying of performance indicators.

This model delivered significant advances and is still at the heart of further improvement. But in many respects this model can be said to have come up against limits. Recent government analysis identified problems in terms of horizontal co-ordination and of capacity to tackle the deep seated social problems that cut across traditional Ministerial and organizational portfolios. The analysis suggested the limitations of the paradigm for the new information age, IT environment; and raised questions concerning its impact on the motivation of public servants.

Modernizing Government was launched as an 8 to 10 year program. The UK has reached the end of year two. The UK seems to have adapted to a **continuous process of public administrative reform since the start of the 1980s**, learning and adjusting as it goes along. The pace is now hotter thanks to IT, and the need to restore trust in government and to manage an increasing flow of data and knowledge, and the restructuring in the Cabinet Office suggests that the UK is now more consciously looking outwards to learn and to share.

The **new model** that is taking shape is not so much driven by inputs of money or technology, or narrowly defined functional outputs, as it is **by outcome, result for the user in terms of their life or business and for the government in terms of social or economic or political change.**

The new model is not based solely on aligning strategies, structures and systems but also on combining widely shared missions, adaptive processes and empowered people – and the right incentives. The Public Service framework and the powers of local authorities to work with a wider range of partners to promote community well-being are part of this.

Postscript

The June 2001 UK general election was won by the Labour party with Tony Blair remaining Prime Minister and leading his second administration. Soon afterwards he announced a number of organisational changes at the centre of government, including some within his own office, coupled with changes in Ministerial and departmental portfolios, designed to strengthen the effectiveness of government and its capacity to deliver its priorities. He also made a keynote speech in July 2001 setting out the themes of his approach towards the delivery of public services.

Changes at the centre included the setting up of an Office of the Deputy Prime Minister within the Cabinet Office. The Deputy Prime Minister chairs a number of key Cabinet Committees, oversees the delivery of manifesto pledges and deals with important cross-departmental issues including, for example, social exclusion. The Regional Co-ordination Unit, the Government Offices in the Regions and the Social Exclusion Unit report to the Deputy Prime Minister.

Three new units have been established to strengthen the Government's ability to deliver change in public services:

- A Prime Minister's Delivery Unit has been set up to ensure that the Government achieves its main objectives in the four key areas of public service identified in the Queen's Speech: health, education, crime reduction and transport. The Unit will work closely with the Treasury to ensure that the agreed targets are achieved. The Delivery Unit reports to the Prime Minister.

- A new Office of Public Services Reform has responsibility for advising the Prime Minister on taking forward the Government's commitment to radical reform of the Civil Service and public services, including those provided by central and local government. The Unit is located within the Cabinet Office and reports to the Prime Minister through the Cabinet Secretary.
- A Forward Strategy Unit has been established in Number 10 to do "blue skies" policy thinking on issues of current and future concern to the Prime Minister and to undertake strategy projects. The Unit will draw on the resources of the Cabinet Office's Performance and Innovation Unit and work closely with departments.

All three units will bring in members from outside central government and draw in experience from beyond the public sector, thus building on one of the approaches of the first Blair administration.

Changes in Ministerial portfolios and the structure of departments provide for closer co-ordination of the Government's priorities and take forward ideas of "**joined-up**" government. Changes include, for example:

- A new Department for the Environment, Food and Rural Affairs, focusing on green issues and the countryside. In addition to taking over responsibility for agriculture, the food industry and fisheries from the previous Ministry of Agriculture, Fisheries and Food, the new department has taken on the environment, rural development, countryside, wildlife and sustainable development responsibilities of the former Department of the Environment, Transport and the Regions (DETR).
- The new Department for Transport, Local Government and the Regions gives more focus to the previous DETR's responsibilities for transport, as well as local government, housing, planning, regeneration, urban and regional policy.
- The Department of Trade and Industry has taken over the Regional Development Agencies where they sit alongside the Department's regional economic responsibilities. The shared responsibility of the Department of Trade and Industry and the Foreign Office for British Trade International (trade promotion) has been reinforced by the appointment of a single Minister of State with lead responsibility for its work, holding office in both departments.
- The Home Office has been streamlined to focus on tackling crime, reform of the criminal justice system and asylum. As part of this, the UK Anti-Drugs Co-ordination Unit has transferred into the Home Office from the Cabinet Office, and the Lord Chancellor's Department has taken on the Home Office's previous wider constitutional responsibilities including Freedom of Information, Data Protection and Human Rights.
- A new Department for Work and Pensions brings together the previous Department of Social Security and the Employment Service to establish a new the Working Age Agency (to be called Jobcentre Plus) with a single and clear line of Ministerial accountability. The Department combines the employment and disability responsibilities of the former Department for Education and

Employment with the welfare and pensions responsibilities of the former Department of Social Security.

These changes show how the UK Government is taking forward its commitment to better, **more coherent policy-making and delivery and to tackling cross-cutting issues.**

The list of Ministerial portfolios as at July 2001 is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Deputy Prime Minister and First Secretary of State
Chancellor of the Exchequer
President of the Council and Leader of the House of Commons
Lord Chancellor
Secretary of State for Foreign and Commonwealth Affairs
Secretary of State for the Home Department
Secretary of State for Environment, Food and Rural Affairs
Secretary of State for the International Development
Secretary of State for Work and Pensions
Secretary of State for Transport, Local Government and the Regions
Secretary of State for Health
Secretary of State for Northern Ireland
Secretary of State for Wales
Secretary of State for Defence
Chief Secretary to the Treasury
Secretary of State for Scotland
Leader of the House of Lords
Secretary of State for Trade and Industry
Secretary of State for Education and Skills
Secretary of State for Culture, Media and Sport
Parliamentary Secretary, Treasury and Chief Whip
Minister without Portfolio and Party Chair

Also Attending Cabinet :

Minister of State for Work
Lords Chief Whip and Captain of the Gentlemen at Arms
Minister for Transport

A few weeks after his election victory, Prime Minister Blair made a speech, under the heading called, Reform of Public Services (16 July 2001). This set out so clearly the approach the new Labour government intended to take in respect of the reform of administration and public services that extracts are reproduced below to show the current position in the UK:

“Let me start with an analysis of why our public services need radical improvement.

First expectations have risen enormously yet public services designed for a previous age find it difficult to respond. Unlike 1945, people don't put up with the basics. In a consumer age, they expect quality, choice and standards and too often don't experience them.

Secondly, the demands on the systems have risen: more people live longer; more diseases are treatable; more go to nursery and to university; more people use public transport.

Thirdly, there has been chronic under-investment that has run down the essential infrastructure, buildings, equipment, track and trains in transport.

Fourth, staff recruitment is so much harder with employment at record levels and the spectrum of private sector jobs, many with higher pay, is so much greater; and where in many key public service jobs, there is real and growing stress.

...

Across all services there are three pillars to reform.

First, the role of the centre will be to set a framework of national priorities and then a system of accountability, inspection, and intervention to maintain basic standards across the country....

Secondly, however, within those national priorities, the essential structural change will be to... devolve power to the frontline professionals and set them free to innovate and develop the services needed.

Third, because front line staff will have more power, their terms and conditions of employment should be geared to proper recognition for the work they do, real incentives for better performance, higher morale and greater fulfillment.

....

So our strategy for public service reforms is: national standards, local innovation and more and better rewarded staff."

ⁱ For a complete list of Ministerial Responsibilities including executive agencies, see the Cabinet Office website at: www.cabinet-office.gov.uk/central/2001/lmr0101frp.pdf