Innovating out of Austerity in Local Government: A SWOT analysis

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PPG undertakes pure and applied research, policy evaluation and consultancy for government bodies, international organizations and major corporations active in the fields of public sector innovation and productivity, digital era governance and e-government, citizen redress, survey or focus group research, public opinion, and the design of election systems.

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INNOVATING OUT OF AUSTERITY IN LOCAL GOVERNMENT

In public services (as in other spheres of life), innovation can be thought of as 'new ideas that work' (Mulgan and Albury, 2003: 3). More specifically innovation is a combination of 'invention, adoption, diffusion, and evaluation' (Institute for Government, 2009: 1), encompassing the creation of new products and services, or the implementation of new organisational structures and management processes (Walker, 2006: 313-4). Introducing changes in delivery-level public services critically depends on consulting with services users and achieving a deep understanding of citizens' needs and expectations: a strategy of more intensive 'customer engagement' that has already born fruit in many different localities and NHS provider areas. Effective innovation also (of course) depends on getting past central government permissions, and on securing active buy-in from the strong occupational groups (professions and trade unions) present in public services. In many instances, it also now requires engaging external contractors and suppliers (whether private firms or NGOs and charities) in the new patterns of provision.

The period to 2015 raises some unique challenges for public services across the UK, and especially for English local government as the central government's austerity drive (allied with a cap on council tax increases) creates a period of unprecedented financial pressure on budgets, with up to 25 per cent cuts in spending predicted. While NHS services have been most protected, and schools somewhat so, local authority services will bear the brunt of public spending cutbacks. Welfare benefits reductions and unemployment for many public sector workers are likely to compound problems for councils, especially in northern English cities where local economic dependency on public sector jobs is high. Additionally, with an aging population, the pressures of globalisation and international migration, and ever increasing levels of public expectation, there is a need for long-term strategically focussed change in the design and implementation of public services that is not simply as a result of budget cuts and efficiency savings.

As a background for innovation, large-scale cutbacks and austerity drives are undoubtedly unfavourable in many respects. Funding is so intensively rationed and apportioned that resources for new projects, pilots or start-ups are generally starved out and different directorates and authorities tend to 'hunker down' mentally and try to wait out lean times – perhaps accumulating ideas but not acting on them until the fiscal climate improves. However, the net impact of radical reductions might be more ambiguous, since councils are not able to merely try and 'stretch the envelope' to protect all their services. Instead they may be forced to consider not only axing out of date or 'luxury good' provision, but also some risky or painful cost-cutting measures, such as service shutdowns or radical reorganizations of provision, that in happier times they might have shunned. A quota of these reorganizations may help usher in innovative services, while others may just degrade the quality of provision. Optimists hope that the impact of the positive changes forced through during this period of radical thinking may be enough to offset any service declines through fiscal rationing.

The Conservative-Liberal Democrat coalition government argues that expenditure reductions are also taking place from a relatively high point of public spending, and that immediate reductions will be helped by special measures needed to combat the UK's acute public borrowing spike, including the two-year freeze on public sector pay. Coalition ministers believe (and some local government professionals broadly agree) that substantial reductions are achievable without radically impairing services quality, although greater priority-setting and new business processes are likely to be widely necessary across local government. Critics argue that while reductions of around 15-20 per cent over four years would be feasible, the imposition of deeper cutbacks (some as much as 40 per cent in particular public service areas) is unrealistic. They also fear that rapid, large-scale reductions in public employment and contracting will simply perpetuate economic malaise, blighting hopes of any speedy recovery from recession (Van Reenen, 2010).

Ministers have promised a wide range of changes designed to foster a 'new localism' agenda by reducing the burden of central government controls on councils, and creating more freedom to experiment and to vary service arrangements across localities (Walker, 2010). The abolition of the Audit Commission along with reduced targets in the NHS are perhaps the most obvious signs of this commitment to action. In addition, the Prime Minister's 2010 election pledge to build a 'big society' has sparked an effort in Whitehall to put flesh on the bones of a rather vague aspiration, seeking to revitalise and re-encourage the involvement in public services of charities, NGOs and new forms of self-organization amongst public service workers (Rainford and Tinkler, 2010). Again the importance and effect of both the 'localism' and 'big society' changes are widely questioned by critics. But at least the coalition's broad strategies for seeking to encourage innovations and not just cutbacks are now broadly established.

In the rest of this paper then we focus on analysing the strengths, weaknesses, opportunities and threats for local government innovation – a so-called SWOT analysis. It is important in this approach to rather firmly delineate the line separating strengths and weaknesses – which are current, already existent attributes – from opportunities and threats, which are future possibilities or potentials. Similarly strengths and opportunities are positively valued attributes or potentials, whereas weaknesses and threats are negatively

valued. Our synoptic SWOT view is shown in Figure 1, and in the remainder of the paper we discuss each of the four quadrants in turn, drawing extensively on the contributions made in two LSE Public Policy Group series of seminars on 'Innovating out of Recession in Public Services' (2009-10) and 'Innovating through Design in Public Services (2010-11).

A. Strengths

Compared to central government, there are good reasons for expecting local government to be a zone of faster innovation. Existing studies have shown that achieving innovation in Whitehall departments is made difficult by their remoteness from the delivery interface and the large scale of changes needed when centralized services are redesigned (NAO, 2005). By contrast, councils operate in well-understood local areas. Their closeness to customers and citizens means that they enjoy the advantage of real time engagement with their local communities. Allied with this, councils have a democratic mandate, albeit one rather flawed by the many limitations of first past the post voting in England and Wales (Dunleavy, 2010b). (Scottish local government has shifted to proportional representation.)

Figure 1: A SWOT analysis of the position of English local government to innovate in public services provision

	Positively valued for innovation	Negatively valued for innovation

Current relevant traits	**STRENGTHS**
	• operating at the delivery interface
	• close to customers
	• strong professional communities and interchange of ideas/solutions
	• diversity of solutions
		WEAKNESSES
		• strong 'regimentation' factors, Including:
		  – central controls
		  – professional integration/pooling
		  – nationalized media focus on service disparities
		  – weaker ICTs record in general
		  – past record of isolated but significant 'service delivery disasters'
		  – deficiencies in redress system, especially for outsourced services

Future potentials	**OPPORTUNITIES** • large-scale spending cuts imply more radical business process innovations – including 'organic' structural changes and service-pooling between areas • 'new localism' agenda allied with ministers tolerating more diversity of provision increases innovation potential for radical 'digital era governance' changes and 'radical dis-intermediation' • public health role transferred to local government produces new policies • elected police commissioners strengthen local government's involvement in law and order services • 'big society' initiatives open up public services delivery to new NGO and community ideas and energies • 'open book government' increases public scrutiny of costs and solutions and enhances information for small local businesses	**THREATS** • infeasible demands for spending reductions produce across-the-board or chaotic cutbacks in 'shoe-pinching' mode • government dependence upon 'zombie new public management' approaches lead to a lack of a strategy for positively motivating public sector workers • the coalition's localism push proves to be modest, temporary or fake • dialectic of service delivery disasters and reactions against poor redress and weakened accountability • inter-regnum effects from NHS reorganizations slows co-operation along the social care/NHS boundary • schools reorganizations further weakens local authority involvement with education

In addition, policy-level staff working for councils are overwhelmingly members of strongly developed professional communities, and often move across different authorities in the course of their career progression. Within all the local government professions there are well developed systems for quickly surfacing innovative ideas and practices, evaluating them, and disseminating information about successful solutions to all local authorities. There are some constrictions on the flow of ideas introduced by party political controls, but these functions act mainly to increase the diversity of solutions available, and to increase the competition of ideas and new approaches. All of these features mean that many optimistic observers see local government in a prime position to be 'drivers of... innovation', acting

as 'an incubator for testing, development and improving new approaches to public services provision' (IDeA, NESTA and the Beacon Scheme, 2010: 16).

Most recent innovative thinking in local policy-making has involved combating some of the earlier faults of local government services, especially the siloing of services between departments within authorities, and between councils and other agencies with strong community roles – such as the NHS primary care and hospital networks, police agencies and authorities, the Department of Work and Pensions paying out welfare benefits, and development agencies at regional level. Using local partnerships, there has been a strong push towards creating more 'holistic' local governance structures, involving the co-working of more or all local agencies. This landscape of innovation has many diverse elements, ranging from service-level co-operation across agencies (for example on child protection) through to more ambitious attempts at service integration, such as budget pooling or the sharing of chief executives across local authorities and primary care trusts (Dunleavy, 2010c). We cannot cover all the many innovations undertaken here, but will instead look at two important cases.

Our first example is the 'Gateway' framework adopted by Kent County Council in 2005 under its previous chief executive Peter Gilroy. This was essentially an ambitious effort to create one-stop shops for all public service provision in Kent. The Gateway concept brings all the main

service-providing agencies together in one place in high-use or central locations, greatly increasing communication and cooperation across agencies and local authority departments, while making services more accessible and convenient for customers. Kent now operates Gateways in seven locations across the county and a £10 million saving for the county council has resulted through the speedier resolution of complex cases and better integration of public provision to cope with problems. A great deal of the innovative push in Kent clearly came from the chief executive himself, especially in persuading other agencies like the health service bodies to take part (Gilroy, 2009).

Our second example concerns the Total Place pilot scheme launched in 2009, which sought to encourage the reintegration of services and foster innovation in procurement, investment and citizen engagement that took into account local conditions and realities. The scheme tracked expenditure flows from central government to the localities and then correlated 'the finance received with the tasks being undertaken by local governments, NHS bodies, police authorities, quasi-government agencies and central government departments and executive agencies' (Dunleavy, 2010a: 20). By creating such a concrete link between costs and productivity, Total Place pilots raised key issues of whether

public authorities were providing value for money and highlighted areas of overlap and duplication in service provision that in places ran as high as 25-35 per cent. Some lessons learned here seem to have been transferred into the coalition government's introduction of Community Based Budgets. But it remains to be seen whether the Total Place initiative will survive the considerable turmoil following from NHS and schools reorganizations (see 'Threats' below).

B. Weaknesses

There are some key weaknesses of local government in relation to fostering policy and administrative innovations. Although claims are routinely made for diversity and experimentation, many critics have pointed out that in fact local authorities in the UK are not all that differentiated from each other. Walk into a public library in any part of the country and you are likely to find a similar set-up. For instance, there are 110 local library authorities in England, but informed estimates suggest that at least 80 per cent of their book stocks are exactly the same countrywide (Dunleavy, 2009a). Similarly local authorities' approaches to many different kinds of services are actually quite strikingly similar, operating within very inclusive and large-scale concepts of good practice as well as to largely common service standards in areas as varied as child protection and refuse collection.

In other words, despite the *potential* for diversity, there are actually strong factors operating to 'regiment' local authorities into delivering essentially rather standard-pattern services. Central government controls have traditionally been cited as the primary 'strait-jacketing' influence, and not without reason for the UK central government is probably the most intrusive national government across western Europe, except for Ireland (which inherited a British pattern of central controls, compounded by colonial government practices). Yet it is also important to acknowledge that often central controls and targets are responding to movements of opinion about good practice or acceptable service standards in the strong local government professions with ministers intervening to mandate that 'laggard' localities catch up with better performing ones in many different dimensions – such as efficiency, environmental sustainability, treatment of employees, or practices on child protection. Much central intervention serves to codify what professional staffs and council leaders already predominantly do in concert, so that it only speeds up or regularizes a pooling of ideas and practices that would anyway tend to reduce diversity and to channel innovations into a few areas of limited divergence.

Especially in local government and the NHS, many employees and professional groups are also strongly driven by 'mission commitment'. They have a strong public service dedication to their occupation and their concern to do a

professional job for the public can substitute for somewhat lower salaries or sparser material rewards than in the private sector. In many ways and in many contexts, employing mission-committed staff brings considerable benefits, that have only just started to be re-evaluated by economists. It is often allied with attracting mission-committed users, as with the drawing in of energetic parents and hard-working children to successful local schools. Yet there is often a downside to such strong staff and citizen attachments to existing centres of service provision – namely a stronger staff conservatism and defensiveness about change proposals, often backed by users, that militates strongly against innovations.

The UK (and especially England) also has one of the most nationalized media systems in the western world, and in particular one of the most politico-ideologically-influenced newspaper systems. This configuration leads to twin patterns of the national media giving very little coverage to local services and issues, *except* when mistakes occur or where a locality goes 'out on a limb' with a service innovation or pattern of provision that can be sucked into party political controversy. The result is a kind of 'wolf-pack' media coverage of local affairs, in which there are few if any rewards for successful innovations and potentially severe penalties and reputational damage involved in undertaking service changes that produce service disparities or 'postcode lottery' effects in access to standard pattern services. Undertaking more radical

experiments that do not work out, or which can be represented as 'barmy' by opponents, is especially penalized by the UK's media.

An important aspect of contemporary service change involves putting services online, moving towards electronic transactions and information-seeking. Despite the valiant efforts of SOCITM and many thousands of staff working in council IT departments, the provision of online local government services remains at best patchy. A recent comparative study of local governments' generally weaker roles in developing information and communication technologies (ICTs) argued that the core reason to be sceptical about e-government and decentralization in OECD states remains the fact that the sophistication and quality of e-government sites tends to decline overall from national to regional governments, and from regional to local government (Dunleavy, 2009b). In other words, in most countries e-government provision normally gets worse the smaller the spatial scale of the government unit that is running it – usually because their ability to invest in new equipment and to attract talented staff able to run advanced or up-to-the-minute services is reduced the smaller and more regionally peripheral a local authority is. Of course, exceptions to this pattern exist – there are always a range of excellent local government websites and online services provision. And it is quite feasible for *some* large and well-resourced cities to be able to reproduce in e-government terms the same standards of IT professionalism

as those of state or regional governments. But these are exceptions to the rule and the rule applies very extensively.

In the past it was plausible to represent the generally poorer quality of e-service provision in lower-tier governments as perhaps a historical or legacy problem, soon to be overcome by the spread of knowledge about how to run online provision, in the same way that local government professionalism in the twentieth century took time to catch up with central government standards. But we have had many years of experience with e-services and e-government and the differences across levels of government now seem too enduring for this to be a realistic expectation. It is also now clear that the movement towards 'digital-era governance' (DEG) is a more long-lasting process with many decades still to run, and with a wide range of 'second wave' developments, where most UK local authorities are currently lagging badly behind the next wave of important ICTs. To take one small but telling example, ebooks and ebook reader sales increased again over the recent Christmas period – but virtually no English local library authority has even begun to think about making provision for ebooks as part of their public library service. Why has this anomalous situation come about? The strong conservatism of UK library professionals has closely allied with the limited view of an aging public library user community to create a huge blindspot on provision – and of course national government (which should have arranged a national ebook

provision system on which localities could draw) is equally as unsighted and inactive on many new technology trends as fragmented councils.

Even within the provision of 'standard-pattern' services, local governments (and local NHS bodies and police agencies) have a recurring history of what have been termed 'service-delivery disasters' (SDDs). These are not policy fiascos or ill-fated major policy choices intentionally committed, but rather implementation-level mistakes that grow and cumulate so as to adversely affect many citizens or customers, or which affect only a few customers but in a very intense and severe way. Child protection scandals in local children's departments, and poor protection of those in social care or the elderly infirm in council care have been amongst the most conspicuous of such local government SDDs.

It is important to stress that these occur elsewhere in British government, not just in local authorities. Central departments and agencies in the UK have a poor record of SDDs, with mistakes at the national level often affecting many thousands of people in tax and benefits cases. Equally some larger-scale cases of service delivery disasters have occurred in local NHS hospitals, as in the deterioration of care in Mid Staffordshire in 2005-08 (which may have cost up to 400 people their lives), or the outbreak of *C.Diff* in the Maidstone and Tonbridge Wells hospital trust (where 95 people died and nearly 1,000 suffered a serious infection) in 2004-06. Local authority problems are certainly never of

this scale. But where vulnerable individuals – such as children, people with physical or mental handicaps or elderly people – are concerned, even individual cases can have severe implications for social workers and councils. Actions to protect against SDDs account for much of the 'audit explosion' noted in recent years, as checks and balances and stronger audit routines are inserted into services most at risk. Anti-disaster processes, however, often tend to create more organizational conservatism, more general rule-following, and less capacity for innovations or diversified responses.

A final area of relative weakness in local government services has been redress systems – that is, the full spectrum of complaints processes, appeals, attempts to involve regulators, ombudsmen, legal cases and judicial review – by which citizens can attempt to get 'a second look' at a decision that adversely affects them. Local government does have some well-used appeals processes, especially planning appeals, schools appeals panels and the Local Government Ombudsman route, but these all in different ways involve cases being escalated from the local level for adjudication by a central government-run process. Within local authorities themselves, complaints processes are often un-systematized, with little data being collected, no data publicly published and councils having little information available that would show whether they were doing

a good job in terms of not generating complaints or in responding effectively to complaints received (Tinkler, 2011). Local authorities (along with police authorities) are clearly lagging in this aspect compared with central government departments and the much-reorganized but still well-defined NHS complaints and redress system.

Of course councillors themselves, along with local political competition, provide an important channel for handling complaints and grievances, on which local government advocates put much store. However, needing to bid up smaller issues will put most citizens off going to councillors and so a political route to redress is not generally effective protection against operational-level service deficiencies. Redress system weaknesses also show up especially strongly in the case of outsourced services, where citizens and customers are often being left to shuttle to and fro between the funding/contracting council denying responsibility for the operational delivery of services, and the service provider disinclined to meet public sector standards of responsiveness.

C. Opportunities

In their 2010 election manifestos both the Conservative party and Liberal Democrats expressed strong support for greater decentralization of powers to local government, freeing up councils from overly restrictive central targets and supervision

powers. In government this stance has translated into a 'new localism' agenda: 'The Localism Bill will herald a ground-breaking shift in power to councils and communities overturning decades of central government control and starting a new era of people power' (Pickles, 2010). The Localism Bill outlines the transfer of greater powers to local authorities and the Secretary of State for Communities and Local Government has announced the abolition of the Audit Commission, and with it the system of annually assessing all councils' performance. Ministers have also indicated in many statements that they are relaxed about tolerating diversity of local government provision if it reflects increasing levels of innovation and is responsive to local needs. Fear of postcode lotteries, with some councils stagnating as others innovate, cuts less ice with current ministers than with their Labour predecessors.

Some observers see a capacity for 'radical efficiency' changes in which local innovations play a key role. A report by the Innovation Unit for NESTA looks forward to a radical reinvigoration of local autonomy through the liberation of '"innovators" from within and beyond the old system', with 'organizations closest to the citizen design(ing), develop(ing) and deliver(ing) new public services', but with a 'clear agenda and direction based on the pursuit of long-term goals, such as quality of life and sustainable economic growth' provided

by the central government (Innovation Unit, 2010: 4). Outcomes and productivity could be measured by an 'aspiration framework' that creates a 'shared conception of the outcomes to which all (UK citizens) can collectively aspire. This approach would replace more technocratic targets, performance indicators and performance management that have dominated public services for the past 30 years' (Innovation Unit, 2010: 4). The inference here is that performance reporting, regulation and audit responsibilities were previously stifling innovation in public services (Dunleavy and Tinkler, 2010).

Advocates of the coalition's changes argue that the new localism provisions encapsulate the principle of 'lesser government, bigger society' (Guardian, 2010b). They allow for councils to share costs, diversify risks, prevent duplication and collaborate with (and thereby learn from) the wider business and voluntary sectors who are engaged in fields of shared interest. Local Enterprise Partnerships are set to replace Regional Development Agencies and will allow local councils and businesses to work closely with universities and colleges in setting up 'partnerships that reflect their expert knowledge of local economies and local conditions', and they will be free to 'develop their own strategies for growth' (Prisk, 2010: 3).

In addition, decentralization is not just to local councils but also to community groups,

so as to create the 'necessary infrastructure (the investment, support, methods and relationships)' that would allow for innovation to be focussed in a 'systematic way', combining the 'experiences of the public, private, and third sectors... draw(ing) on the insights of citizens and consumers' (IDeA, NESTA and the Beacon Scheme, 2010: 11-2). This correlates with the drive to embrace cooperatives, social enterprises and the pathfinder mutual scheme launched by Francis Maude at the Cabinet Office, seeking to capture the spirit of entrepreneurialism and innovation by allowing public sector staff, citizens and private investors to take control of their own services.

The effort to disengage Whitehall from micro-managing local services, combined with the severe austerity measures of the next four years, may also open up some potential for a more 'organic' process of structural change in local government itself. Tony Travers has remarked that austerity may lead to various forms of 'forced marriages' between cash-strapped neighbouring authorities. For instance, it could lead to the emergence of 'super-councils' in London and perhaps elsewhere through the mergers of neighbouring authorities, or other measures to share key departments (especially child protection and social services, but also leisure or environmental services) or key personnel between different councils (Travers, 2010). There are 11 shared chief executives in England already and this number may grow,

along with service-pooling arrangements designed to maintain scale economies and yet minimize back office costs.

Optimists in the local government sector are also hopeful that large-scale spending cuts will not be so destructive as to extinguish the flowering of greater localism. They see a chance to create a virtuous circle where radical business process innovations across the sector become more likely, simply because necessity is the mother of invention and the old ways are unsustainable. The Innovation Unit for NESTA claimed to identify four key components of faster innovation that could flourish under the new localism: 'new insights (where ideas come from), new customers (reconceptualising customers), new suppliers (looking again at who is doing the work and reconsidering the role of the customer), new resources (tapping into latent resources locked up in the people, assets and organizations that are often taken for granted)' (Innovation Unit, 2010: 3). Their report calls for several radical efficiency zones to be set up which would be free from performance reporting by localities to Whitehall. Instead local organizations would be allowed to create and publish the own outcome measures. Taking a similar approach, Philip Blond of (think tank) ResPublica has contended that the 'provision of services… should be completed through an e-bay style auction' while 'customer reviews would stand in as a way of ensuring quality' (Dunleavy and Tinkler, 2010).

In some areas, such as the development of e-services and online information-giving and transactions, there is a clear 'following wind' for local authorities to adopt many new technologies, to save time and money currently spent on providing 'luxury goods' that might not be missed if they were withdrawn. For instance, most local authority library services still renew books and other borrowed items principally by phone or in person. Here energetically promoting online renewal and self-service book borrowing to library users could be quicker and more convenient for most customers, while costing far less to operate. Some ICT experts have stressed that the period of austerity calls for an appropriate 'ICE (innovation, cuts and efficiency) balance' (Institute for Government, 2009: 2). Yet they also recognize some common features that tend to tilt the balance in favour of the latter two, including 'a culture of risk aversion... delivery pressures and administrative burdens... a cultural reluctance to integrate new technologies... short term budget and strategic outlook' and poor 'change management' (Institute for Government, 2009: 1).

Achieving greater integration across local authorities' often highly siloed departments is one area where councils have explored other ways of cutting back office staff, while preserving 'front-line' services. Some Conservative councils have sought to reintegrate their services by bringing in a primary contractor to run them all. In September 2010, Suffolk

County Council announced plans to transform itself into a 'virtual' authority that will outsource all but the most democratically-linked services, shaving 30 per cent off its budget and reducing staff numbers from around 27,000 to the low hundreds. The Council will then act as an 'enabler', commissioning private and third sector organisations to carry out services that will be auctioned off in stages, with 'lifestyle' choice services, such as libraries, youth clubs and country parks, the first to be put out to tender (Guardian, 2010).

While public-private partnerships (PPP) are already established in local government for certain services – rubbish collection and recycling for example – these plans represent a considerable shift in the pace and scale of reorganization changes. However, it is important to note that such changes are also controversial, not least on the grounds that cost savings are harder to realize than has been predicted, as past experience of some information technology outsourcing and PPP infrastructure deals have shown. There are also considerable public accountability concerns. A similar previous scheme started by Essex County Council was scrapped quite quickly after failing to realize intended cost savings.

More generally though, the future development of online governance technologies is likely to follow practice in many parts of the private sector, where radical 'dis-intermediation' has essentially meant 'cutting out the middle man' – as when shoppers buy direct from online

retail sites rather than pay higher prices in high streets or shopping centres, or buy holidays or travel directly from providers instead of using travel agents. The same idea of 'the stripping out or slimming down or simplification of intermediaries in the process of delivering public services' (Dunleavy, 2010a: 7) has a great many applications in the local government sphere. Shifting more service transactions and providing information online can also help in joining up services by 'significantly and visibly reducing the complexity of the institutional landscape that citizens confront in trying to access, draw on and improve public services' (Dunleavy, 2010a: 7).

In the 'digital era governance' paradigm there are four fundamental stages to this process of restructuring services. The first stresses reintegration – that is the joining up and de-siloing – of government departments and delivery bodies that had been fragmented under the new public management model that strongly held sway in the UK from late 1980s to the early 2000s. Reintegration requires 'partnership working, developing new central processes, squeezing process costs, sharing services and simplification' (Institute for Government, 2009: 4). The second stage encompasses a needs-based holism and a 'customer focussed radical disintermediation' in which departmental and agency boundaries are blurred in favour of a citizen- or customer-centred orientation (Dunleavy, 2010a: 26). Radical solutions here often require co-decisions

with customers (as with personalizing care budgets) and co-production of outputs, rather than top-down imposed changes to provision: a stance consistent with the 'big society' idea close to ministers' hearts. The digitalisation of public service delivery is the third stage of the DEG model, with an emphasis on improving IT and increasing the online provision of services.

Systematically developing 'information leverage' involves the ways in which 'better use of IT should lead to central management of information, new information structures and knowledge hierarchies, information democratisation, and information led empowerment' (Institute for Government, 2009: 4).The idea here is that some things should be centralized and get done once, like research and development of generally useful solutions, and this should be handled by central government. For instance, it makes no sense to have 110 library authorities in England each developing new strategies on how to handle the issuing of ebooks – this should clearly be a central responsibility acting in concert with local authorities. But equally, in terms of how to pay for and deliver the centrally developed service, different localities could experiment with varied solutions. CLG has already signalled its intention to 'pull together the collective expertise and knowledge of all of our analytical professions as well as seeking more opportunities to work collaboratively with analysts and scientists

across Whitehall and in the wider research and academic community' (Communities and Local Government, 2010: 4). This, it is hoped, will encourage a greater exchange of ideas, the setting of clear priorities and the building up of a 'robust evidence base' to 'underpin effective policy options and reliably measure the impact and success that our policies have for society and its members' (Communities and Local Government, 2010: 3). Government ministers also rest a great deal of hope on the potential for redesigning procurement to cut waste and duplication and deliver better services (Cox and Rainford, 2010).

Currently a second wave in DEG that embraces 'all-online solutions' through the 'so-called Web 2.0 developments towards social networking, cloud computing and very rich forms of media handling' offer some potentially important benefits for local governments (Dunleavy, 2010a: 26). In particular, some of the previous ICT handicaps that have held back local government may be overcome by the use of social media and networking, in many ways tailor-made for local community use.

An emphasis on co-producing services in close co-operation with service users and community organizations also fits well with the Conservatives' 2010 election message of fostering the 'big society'. Although not yet worked out in any detail, ministers' ideas are that the government and local authorities will commission services from a range of providers.

Smaller and more flexible provider types – such as social enterprises, co-operatives, mutuals or employee-owned companies – will presumably choose to work across a particular sector and with a particular user group in order to deliver a localised and targeted service. This initiative fits well with the austerity climate – for instance, Oxfordshire has recently suggested that it could offer half of its public libraries to community groups to run with exclusively volunteer labour in future, without having specific council-employed library staff. We have already noted that existing library services tend to be a very standard-pattern across the country. The hope amongst optimists is that more volunteer involvement in local libraries could stimulate more innovation, for instance combining libraries with other community facilities.

The coalition government has also placed a good deal of faith in a shift towards a more 'open book government' approach in local authorities as well as across central departments and agencies. The new focus on 'transparency' is justified as enhancing the public scrutiny of costs and solutions, and additionally making information about local service needs and costs more accessible to small/local businesses, increasing their ability to compete more effectively for public sector contracts. In August 2010 Eric Pickles, Secretary of State for CLG, released details of all expenditures over £500 for his department, with all English local councils legally mandated to follow suit by November of the same year. This information is to be published

at the data.gov.uk domain, which, while technically not an innovation in itself, is designed to 'promote innovation through encouraging the use and re-use of government data sets' by public sector officials and local citizens alike (www.data.gov.uk). Such loosening of top-down control, complemented by the abolition of Comprehensive Area Assessments, certainly represents a large shift in emphasis towards grass-roots control.

Finally, amidst the general climate of austerity, optimists note that local government's sphere of influence has been expanded by the coalition government in a number of ways. Local councils will gain something of an additional competency to carry out policies in the general interests of their communities. And the Department of Health has transferred the lead role in public health to local authorities, accompanying the move with a ring-fenced fund of around £4 billion which will be available for a widened range of more innovative and community-based 'nudge' programmes, designed to improve local health conditions. The introduction of elected police commissioners across England will also tend to increase the involvement of local politicians in debating and setting policing budgets and influencing overall crime-reduction strategies. It may in future mesh with a trend towards strong mayor systems, which have worked very well in London and have been successful in the minority of other English towns that have adopted this innovation.

D. Threats

The list of potential threats to local authorities' capacity to sustain service innovations is also a long one, however. It is dominated by the risk that the government's demands for spending reductions are actually infeasible, so that local authorities seeking to implement them have no alternative but to produce across-the-board or chaotic cutbacks in 'shoe-pinching' mode – where drastic cutbacks are made until and unless either public protests or service delivery disasters compel the attempted cuts to be restored. There are many serious economists who believe that the government's programme of cuts is too fast and too deep to be either realizable or to stop the economy from lurching into permanent slow growth or even deflation (Van Reenen, 2010). In a more detailed way, cuts that lead to staffing freezes, allied with the random out-migration of the most skilled staff to private sector jobs, tend to create a process of public agencies losing their most important and dynamic staff in a random 'swiss cheese' pattern – leading to service quality declines, and an especially strong lapsing of innovative changes.

Conservative ministers out of office since 1997 are still operating under the influence of outdated ideas from that earlier period, depending upon 'zombie new public management (NPM)' approaches and lacking any strategies for positively motivating public sector workers (Dunleavy, 2010c). In its heyday from the 1980s to the early 2000s NPM emphasized three key strategies:

- *disaggregation*, splitting up large bureaucracies via agencification at central government level, and via micro-local agencies (such as autonomous schools) at local level;

- *competition*, which moves away from bureaucratic monopoly providers and introduces alternative suppliers; and

- *incentivisation*, actions to discourage reliance on public service ethos and instead the more pervasive use of economic or pecuniary motivations to encourage actors or organizations to make 'the best use of resources' (Dunleavy, 2010a: 24-5).

The paradox of Conservative ministers' strong adherence to this model is that its third strand (incentivisation) is fundamentally undermined by the austerity drive, with its promise of job losses and a two year public sector pay freeze (not to mention the increased workloads) for those who remain. Taking into account inflation and the VAT rise this will effectively amount to pay cuts of perhaps 5 per cent a year for two years at least (Dunleavy, 2010c). In addition, the Conservatives' particularly strong criticism of high top pay levels in local government means that the pool of talent available in the austerity period is likely to shrink: 'No one ambitious or career- minded can see a high income or prosperous future in the public services' (Dunleavy, 2010c).

There is therefore a critical imperative for the government to find a more coherent approach to the potential problems of creating a demoralized and disincentivised workforce that is unlikely to foster innovative impulses. Instead of alienating staff, ministers will need to retain and nurture '*internal* allies' if the government is to stand a chance of spreading its message, gaining support and winning over skeptics (Dunleavy, 2010c). The US academic Steven Kelman has argued that organizational change requires initial positive support from 25-30 per cent of employees, who will then need to be active in convincing the passive 'wait and see' grouping of a further 40 per cent to commit to the reforms. Once this critical mass of support can be reached, the

organization's leadership can withstand and overcome the resistance of a minority of staff and outside stakeholder opposition groups who seek to block or delay the changes (Kelman, 2005).

Some critics of the government's reform package for local government argue that the coalition's localism push does not stand up to any critical inspection, and its component measures instead prove to be modest. The concentration of cutbacks means that the poorest parts of the country are being affected disproportionately, with little effort at compensation or inter-area fairness (Besley, 2010; Hill, 2010). There is a risk that forced cuts will trigger a familiar dialectic of service delivery disasters, where pressures on funding or staff create gaps in services provision through which the weakest and poorest groups slip until a tragedy occurs and the resulting scandals and wave of redress claims produce a policy correction. The Local Government Association has outlined many areas where councils are under significant pressures to provide services but where they have limited control over what policy they must implement, including redundancy payments, demand for adult social care, flood management duties etc. (Local Government Association, 2010).

Other commentators argue that ministers' enthusiasm for localism is either strictly temporary (and especially unlikely to survive sweeping Labour gains in 2011 and 2012) or fake (something that helped the Conservatives in the 2010 election but has no real basis

in Conservative thinking). In this view the Localism Bill remains restrictive and inconsistent in its attitude to local governments, giving them only minor freedoms. Councils will still be subject to top-down diktats and will be denied badly-needed fiscal devolution at the local level (Walker, 2010). Even the alleged localism measures actually tend to undermine local government by introducing a creeping centralization of many more policy areas away from local authority control. Ministers are essentially promoting 'sub-localism', taking powers from councils allegedly to give to 'big society' actors below the local authority level, but ineluctably sucking up key control functions to Whitehall at the same time (Jones, 2010).

The local government sector needs to be wary of destructive innovation as much as it needs to embrace constructive innovation, especially in relation to the 'big society'. Cooperatives, social enterprises and mutuals are not neat substitutes for government and cannot be expected to fill the breach if funding and central support is absent or insufficient. There have already been cuts to co-produced projects such as the Future Jobs Fund, provoking deep suspicions that these proposed reforms are simply 'cover for an ideological programme of service cuts and privatization' that will lead to massive job losses and will have highly adverse effects on those parts of the UK that already struggle to attract external investment (Guardian, 2010). There is also an issue of accountability. Councillors cannot simply abdicate the responsibility to

their communities that is a condition of their democratic mandate. Sub-contractors will be delivering services for which they are not clearly accountable and there are grave sensitivity issues surrounding provisions that relate to social care or protection services.

For organizations in the voluntary sector, there is the risk that 'acting as an agent of the state, taking reward for meeting the state's objectives may compromise (their) ability to advocate for (their) clients' interests and damage independence' (Litmus, 2010: 19). Moreover, voluntarism, however well intentioned, ultimately 'relies on goodwill and on patronage, carries the potential for patchy provision and stigma, and simply cannot provide a guarantee of justice for all' (Litmus, 2010: 19). The '"big society" must not be seen as a way to introduce voluntary labour in place of the existing, trained, skilled workforce' and local authorities should protect specialist services (Parckar, 2010: 27). The state must therefore still have a key role in 'establishing a clear agenda and direction based on the pursuit of long-term goals such as quality of life and sustainable economic growth' (Innovation Unit, 2010: 4). 'The Public want choice but with appropriate support and safeguards. Local control of services is popular but only within the context of proper equality and accountability frameworks' (Foster, 2010: 16).

Moreover, ministers' encouragement of the self-creation of outcome measures by councils and providers is remarkably open to

misinterpretation and abuse. 'What happens when citizen redress is ignored by the newly freed providers is left unexplained' (Dunleavy and Tinkler, 2010). Additionally the concept of a universally agreed aspiration framework fails to distinguish between broadly shared sentiments over general societal aims (safer communities, greater prosperity etc.) and the fundamental disagreements that exist over the means by which these are achieved. The 'big society' term in this view is so nebulous and uncritically utopian as to be meaningless. It is clearly a fallacy to think that 'in austerity conditions we can make great savings or "radical" efficiencies by loading priority-setting onto often vulnerable service users', and that this would constitute some sort of long-term strategy (Dunleavy and Tinkler, 2010). The arguments made in favour of the government's approach provide 'no far-reaching response to the problems of innovating in big-scale government that could really cut costs without damaging services', instead providing 'a few tangential changes that themselves require considerable investment to succeed' (Dunleavy and Tinkler, 2010).

Finally, it is important to note that some of the largest reorganization efforts being made by the government have a huge potential to create backwash effects if they go wrong that are highly unfavourable for the development of innovation in local government. The Health Secretary, Andrew Lansley, has embarked on the abolition of all Primary Care Trusts in England and their replacement by more numerous GP

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commissioning consortia. The government estimates that this change will cost £1.7 billion, despite having very little professional or management support across the health service, and being strongly opposed by most professions, trade unions and patients groups. External estimates of the cost are twice as high as the government's numbers, at £3.5 billion. And the whole fabric of existing local authority and PCT linkages – especially along the NHS-social care interface – is likely to be put in danger of being lost, or at least having to be rebuilt. The key danger is that during the inter-regnum that the reorganization induces, the existing levels of partnership and integration between councils and the local NHS will either fall away, or at the very least not make progress. In particular, further innovations in partnership working are unlikely while the managers and professions in one key arm of the partnership are applying afresh for jobs and setting up new administrative arrangements from scratch. The transitioning of most or all acute hospitals to Foundation Trust status may also have adverse effects on co-operation.

Local government therefore faces a time of both crisis and opportunity. The period of austerity will challenge conventional wisdom and existing practice and may pave the way for the pulling down of barriers and inspire new and innovative thinking. It is always difficult to forecast changes in public policy systems. But a safe rule is that although ministerial and government initiatives are important influences on developments, it will be those innovations that have a following wind behind them (in terms of support from other forces and other factors) that are most likely to succeed. Framed in these terms we expect to see most change in the next five years slanted towards 'digital era governance' innovations:

- pushing towards the de-siloing and reintegration of services;

- the close involvement of citizens in co-production and more holistic forms of provision (including individual and community budget-holding and priority-setting);

- shared services across policy or organization boundaries; and

- a range of 'second wave' digitization changes, shifting away from 'luxury goods' provision of services in person or by phone that can be delivered better online. Or making more use of 'cloud' provision and open-source software, and developing local uses of social media by councils and community groups.

Depending on whether the 'big society' idea acquires worthwhile meaning or not, some of

these changes might see an appreciable shift in local service provision away from councils and towards greater provision of services by community organizations, especially in rural areas and perhaps in the most financially hard-pressed urban local authorities.

Local authorities will no doubt embrace a range of different strategies in deciding how to address the challenges of responding to funding cuts and austerity conditions. But some generally applicable recommendations can still be offered:

- Budget cuts and service reorganizations may initially make joining up across service or organizational boundaries harder. However, in austerity conditions pooling resources and combining efforts will be even more vital. Past, rather expensive forms of local partnerships may have to give way to more cost-efficient forms of joint working, sharing services and pooling staff. But these changes (supported by better IT and digital services) can also enhance learning across agencies and help address many areas of dislocation and inefficiencies tolerated in more prosperous times.

- Thorough and embedded redress systems will be key to ensuring that service delivery disasters are averted. Citizens and users are a key source of 'free information' that can allow service delivery chains to be streamlined in the least painful ways.

- Innovation in procurement and provision methods should encourage more open and

transparent competition between a wider range of providers. It is very important that the bureaucratic barriers to voluntary sector suppliers competing for work be absolutely as low as possible, with expert support for these new suppliers facing high transactions costs in starting to deal with government bodies. Standards will increase, costs will be cut, and government organizations will be able to more fully harness their buying power.

- In every hierarchical organization, front line staff know the most about services and their delivery, yet their views are often not sought. Actively looking for ideas for change and sustaining staff 'mission commitment' becomes even more important in today's difficult conditions for the public services.

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