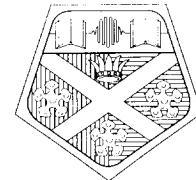


# STRATHCLYDE PAPERS ON GOVERNMENT AND POLITICS



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## *THE UNEVEN STAIRCASE: Measuring up to Next Steps*

*by*

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## What is Next Steps?

The Next Steps initiative in British central government raises a number of important issues about management autonomy in the public sector, financial and political accountability, the use of performance indicators and responsibility to customers or consumers of public services. These issues will be explored after outlining the introduction of the Next Steps initiative.

The Next Steps initiative, publicly launched in February 1988 following a report to the Prime Minister the previous year, has involved the establishment of 'executive agencies' to deliver public services. The official announcement (*House of Commons Debates*, 18 February 1988, vol. 127, col. 1149) refers to the establishment of 'units clearly designated within Departments', though as we shall see some agencies do not fit easily into such a description. This paper will also show that there is considerable variety in the characteristics of agencies.

### *Why 'next'?*

The Next Steps initiative is a major development in British public administration, but is it a completely fresh start? Next Steps is an incremental development from the pre-existing structure of government, at least in the tactics of its introduction, if not in its ambitions. It can be seen as following on from other developments concerned with public expenditure and public management introduced by the Conservative government which came into office in Britain in 1979. These included the Rayner exercises, named after Lord Rayner, who headed an efficiency unit in the Cabinet Office. The exercises were largely concerned with carrying out existing activities more effectively rather than reviewing policies (see Gray and Jenkins, 1985, 116-22).

The Rayner scrutinies looked at individual areas of government activity, but the next development, the Financial Management Initiative (FMI), was concerned with management across central government. The Financial Management Initiative, launched in May 1982, was designed to be flexible in its implementation, but was concerned with:

- (a) clearer setting of objectives and where possible measure-

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ment of outputs and performance.

(b) clearer responsibility within departments for costs.

(c) improvement in financial information within departments.

Although it might be an exaggeration to talk about a managerial revolution within Whitehall as a result of the Financial Management Initiative, there was certainly a dramatic change in awareness of the running cost implications of government activities (see Gray and Jenkins, 1986).

The Next Steps Report was explicitly seen as the further development of the FMI. This is shown in its title, *Improving Management in Government: The Next Steps* (Jenkins, Caines and Jackson, 1988). The Next Steps Report is also commonly referred to as the Ibbs Report, after Sir Robin Ibbs, the Prime Minister's adviser on efficiency, even though the published version does not list him as one of the authors! The Next Steps initiative takes its name from the title of Ibbs Report. The roots of the idea of separate executive units, though, can be traced back to the Fulton Report of the 1960s (Cmnd 3638, 1968; see also Goldsworthy, 1991, 2). Even leaving aside non-departmental bodies, there is a long tradition of non-ministerial executive departments, of which Inland Revenue and Customs and Excise are the most important.

The main recommendation of the Report was the establishment of agencies as discrete areas of work with a chief executive personally responsible to the minister for day-to-day management. The minister would delegate managerial independence within a preset budget. An important focus was on results, with rewards for success and penalties for failure, applying to the chief executive at least. This emphasis on results did include concern to satisfy the 'customers' of government services, though the main targets continued to be costs and throughput. Another consideration was the view that individual employees would be able to identify and feel responsible for agency activities to a greater extent than those of the broader department or the Civil Service as a whole (for evidence on the effectiveness of this last point, see Price Waterhouse, 1992, 12-13). It is important to stress that Next Steps agencies remain part of the departments (though to confuse matters some of

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them were already separate non-ministerial departments). Though dramatic in a British context, the establishment of agencies simply brings Britain closer to the Swedish and United States models.

### *Why 'steps'?*

There was no attempt to bring about an immediate and complete changeover to agencies throughout the government. Nor was there a grand plan with a timetable of named agencies to be set up by each date. Instead sections of departments were identified for their suitability as agencies on an *ad hoc* basis. Not surprisingly, some of the early agencies covered already clearly defined activities with specialist technical or administrative tasks. But 'steps' also because there was not a single burst of agencies, but a continuing establishment of batches of them. The growth of agencies and the number of civil servants employed by them is shown in Table 1. The first agency to be established was the Vehicle Inspectorate, which was set up on 1 August 1988. The target for all executive activities to be in agencies by end of 1993 was first set in 1991 in the Citizen's Charter White Paper (Cm 1599, 1991).

*Table 1 The development of Next Steps agencies*

Year (April)	Number of UK agencies	UK civil servants		
		In agencies	Including 'Next Steps lines'*	As % of all UK civil servants
1989	3	5,800	5,800	1
1990	26	60,800	60,800	11
1991	48	177,000	204,000	37
1992	66	197,000	287,000	51

Source: derived from *Civil Service Statistics* (HMSO, annual).

Note: \* The 'Including Next Steps lines' column adds staff of Customs and Excise (from 1991), which has 30 executive units, and Inland Revenue (from 1992), which has 34 executive offices. These units and offices are not included in the count of number of agencies. Excludes 6 Northern Ireland agencies by April 1992 and staff of agencies who are not UK civil servants.

The step-by-step approach to establishing agencies caused some concern for the Treasury and Civil Service Committee of the House of Commons, which said 'It would not be satisfactory if a

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major change in the structure of the civil service were to be introduced piecemeal, without proper opportunity for full public discussion' (HC 496, 1990-1, xii).

### **Features of the introduction of Next Steps**

#### *Style of introduction*

The British Civil Service is notorious for allowing reforms directed at it to evaporate without outright resistance. Since the Next Steps initiative did not involve a clear blueprint there was a danger that this would happen if responsibility for implementation lay solely at departmental level. A related danger is that the formal requirements of a reform are complied with, but the underlying commitment to the substance is lacking or subsequently evaporates. To avert these dangers a Project Manager for Next Steps, Peter Kemp, was appointed with second permanent secretary status, with a small Next Steps team working under him. This clear identification of 'ownership' of the initiative was important in itself, but also important was the committed and vigorous approach of Peter Kemp, who was prepared to argue the case for Next Steps to audiences of civil servants, MPs or academics. Peter Kemp's style was clearly important in giving impetus to the launch of Next Steps, but eventually proved too abrasive for the British civil service, and he was put into early retirement in July 1992. His place as Project Manager and permanent secretary was taken by Richard Mottram. The momentum of establishing agencies has been maintained, and the expectation is that all agency candidates will be announced by the end of 1993 and be launched as agencies by the middle of 1995 (Cm 2111, 1992, 7). More difficult to assess is whether the change of Project Manager will affect the enthusiasm of agencies to develop innovative management styles.

The political commitment at Prime Ministerial level was also important (and had also been a factor in the implementation of the FMI). The Prime Minister has regular meetings with the Project Manager (see Goldsworthy, 1991, 33). The Project Manager also submits six-monthly written reports to ministers. The Head of the Civil Service has also given frequent public support to the initiative. Just as the initiative has survived a change of Project

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Manager, it also survived the change of Prime Minister from Margaret Thatcher to John Major in November 1990.

### *No legislation required for move towards agencies*

It may seem strange to continental European countries with strong traditions of public law that no legislation was considered necessary to achieve approval or a legal basis for Next Steps agencies. The approval and implementation was entirely a matter for the Executive, though as we will see below, the establishment of agencies has important implications for concepts of accountability to Parliament. The only modest exception to this was the passage of the Government Trading Act 1990, which made it easier to set up trading funds for some agencies (Goldsworthy, 1991, 31).

Not only was legislation not considered necessary, but there was not even a full debate in the House of Commons until May 1991, more than three years after the initiative had been launched. Commons interest was expressed largely through the Treasury and Civil Service Committee, which has carried out a number of investigations into the initiative (of which the most recent was HC 496, 1990-1). Although critical of particular aspects of the introduction and operation of Next Steps agencies, the Committee was broadly supportive and encouraging of the initiative. Individual departmental select committees within the House of Commons have also begun to investigate the relationship between parent department and agencies.

### **Variations in agencies**

One of the problems in presenting a brief overview of Next Steps agencies - and one of the problems in devising appropriate frameworks of finance and accountability - is the huge variation in the size and characteristics of agencies. There is no such thing as a typical Next Steps agency.

#### **Size**

There are huge variations in the size of agencies, from 30 (Wilton Park Conference Centre) to 65,600 (Social Security Benefits Agency). Some individual agencies are larger than the total size of some other departments, including core departments plus all their

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agencies. For example, the Social Security Benefits Agency is double the combined size of the Department for Education, the Department of Health, the Foreign and Commonwealth Office, the Department of Trade and Industry, the Department of Transport, and the Welsh Office, including the 20 agencies within those departments.

#### *Status of agency chief executive*

Although size and managerial requirements are not necessarily directly related, there is also a considerable variation in the rank and salary of agency chief executives. The highest salary (£140,000) is paid to the chief executive of the Defence Research Establishment. This is substantially higher than the salary of a permanent secretary or the Prime Minister, so agency heads can be accountable to civil servants and ministers who are paid less than they are. Within the civil service equivalent ranks, chief executives range from Grade 1A, (Second Permanent Secretary equivalent), for example, the Central Statistical Office, to Grade 6 (Senior Principal equivalent), for example, the Rate Collection Agency in Northern Ireland. Some of the Defence Support Agencies are headed by military officers. An important feature of the Next Steps initiative is that chief executive posts should be open to competition from outside the civil service. Of the appointments made up to the end of March 1992, about one-half of chief executive posts were open to competition, and about sixty per cent of those open to competition were filled by existing civil servants, though not always people who had previously worked within the same department.

#### *Origin*

Any idea that Next Steps agencies are only about carving out separately identifiable executive tasks from previously monolithic departments should be abandoned immediately. The history of individual agencies varies widely from bodies which were already separate non-ministerial departments (Intervention Board), through already separate units within departments (such as the Driver and Vehicle Licensing Agency), to units which were indeed not previously a clearly identified part of a department. Some of the Defence Support Agencies within the Ministry of Defence combine civil servants with other civilian employees and

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military personnel. Two agencies (the Planning Inspectorate and the Agricultural Development and Advisory Service) are made up from parts of two separate departments and are still considered to be 'owned' by two departments, with interesting implications for accountability.

Some agencies had already been operating as Trading Fund Organizations (TFOs), that is with their own accounts which could retain receipts to offset expenditure.

Other agencies had previously not been part of a government department at all but were derived directly or indirectly from non-departmental bodies (sometimes referred to as 'quangos'). For example, the Training and Employment Agency (Northern Ireland) absorbed a number of non-departmental public bodies. The Employment Service in Great Britain, while immediately previously part of the Department of Employment, had before then been part of the Manpower Services Commission, a non-departmental public body (though one staffed by civil servants).

The treatment of Customs and Excise and Inland Revenue is distinctive: they were already executive non-ministerial departments given responsibility for the day-to-day management of tax collection, but have been internally 'reorganized' along 'Next Steps lines'. In Customs and Excise the executive units were largely based on the already existing regional structure. Thus, for Customs and Excise and Inland Revenue there are agency structures within what are already non-ministerial executive departments. It is worth noting that there are still a number of other non-ministerial departments, mostly of a regulatory nature, which are not Next Steps agencies.

### *Funding*

Next Steps agencies vary along the whole range of funding, from 100 per cent government funding of their activities to fully covering all their costs from fees or charges. Related to this is the difference in trading status, with some agencies (such as Cadw, the Welsh Historic Monuments Executive Agency) being Supply financed and required to pay any income into general government funds, some (such as the Vehicle Certification Agency) are Supply financed but operate on a 'net running costs regime', while others (such as the Royal Mint) have trading fund status, which enables them to retain receipts to offset expenditure. As noted above,

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some, though not all, such agencies already had trading fund status before becoming Next Steps agencies.

#### *Staffing*

Most employees of Next Steps agencies are civil servants, but not all. Of the 227,000 employees of Next Steps agencies at 1 April 1991, 8,000 were Armed Forces personnel in Ministry of Defence agencies and 1,300 other staff. In the case of Service Children's Schools (North West Europe), 1,300 of the 2,330 employees were not civil servants. Agencies vary in the extent to which they consist solely of 'non-industrial' (that is, administrative) civil servants, or include a mixture of industrial and non-industrial. (Since a few non-departmental bodies do employ civil servants, it can be seen that employee status cannot be used as an absolute criterion for distinguishing Next Step agencies from non-departmental public bodies.)

#### *Existence of boards*

A number of Next Steps agencies have 'steering boards' or 'advisory boards' or 'councils' (some others have management teams consisting solely of staff from within the agency). Some of these boards are chaired by the chief executive, some by a senior civil servant from the parent department, and some by a junior minister. Boards vary in the extent to which they have private sector representation, and in the extent to which civil servants from outside the agency are members. Some private sector representatives are clearly there as a 'managerial peer group', while others represent the 'customers' of the services delivered by the agency. While most boards are concerned with supervising or advising management, some are given an explicit policy advisory role. The roles of these boards, and their implications for accountability, are very neglected issues.

#### *Monopoly status*

Agencies vary in the extent to which they are a statutory or *de facto* monopoly or are simply one of a number of potential suppliers of a service. The Buying Agency within the Department of the Environment provides a service which can also be provided by agencies or departments themselves or purchased from the private

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sector. The Benefits Agency, on the other hand, is the sole supplier of social security benefits which it administers. These variations have implications for the development of comparative performance indicators and potential for privatization, and also the extent to which customer or client orientation should be a matter of public concern rather than commercial prudence.

### *Task focus*

Not all agencies are the smallest identifiable unit with a single definable task. Some are single-function agencies, such as the Military Survey, while others, such as the Social Security Benefits Agency, have a range of functions, some of which are on a larger scale than have elsewhere been delegated to separate agencies. In addition to its core task of paying out benefits, the Social Security Benefits Agency provides a number of services to other statutory authorities and government departments (including other parts of the Department of Social Security) (Cm 1760, 1991, 570). This varying pattern reflects in part the importance in the early stages of the initiative of getting agreement from those at senior levels in the would-be agency. From the perspective of civil servants in the Next Steps team, some of the original framework agreements can be seen as 'holding operations', and will be subject to reconsideration when framework documents come up for review after three years.

### *Typologies*

The nature of the activities of Next Steps agencies also varies substantially in the centrality of their activities to the policy functions of departments. The Fraser Report (1991, 22-5) suggested that there were four main groups of agencies:

*Mainstream agencies*, which are fundamental to the mainstream policy and operations of their departments, such as the Employment Service or the Social Security Benefits Agency.

*Regulatory and other statutory agencies*, which execute in a highly delegated way statutory functions derived from the main aims of a department, such as the Vehicle Inspectorate.

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*Specialist service agencies*, which provide services to departments or other agencies, such as the Information Technology Services Agency in the Department of Social Security.

*Peripheral agencies*, which are not linked to the main aims of a department but report to its minister, such as HMSO.

The Fraser Report did not derive a separate group for the large number of Defence Support Agencies, suggesting that it should be possible to fit all such agencies into one or other of the four groups. The report noted that even within one department, the relationships with agencies would not necessarily follow a common format.

Greer (1992) has developed an alternative typology based initially on whether agencies are self-funding and whether they are monopolies. She notes (1992, 91) that non-monopoly self-funding agencies are those which have the greatest potential for development as autonomous business units.

### **Implications for nature of public service**

Because the Next Steps initiative did not involve any legislative change, the civil service status of the employees of government departments was not affected (except for chief executives, about three-quarters of whom are career civil servants). This was deliberate, to avoid setting trade unions against Next Steps. However, the establishment of agencies with greater managerial flexibility clearly has implications for the existence of a unified civil service with standard pay structures and conditions of service.

Currently, agencies maintain the Civil Service structure of 'Whitley' negotiating committees with unions. HMSO has been an exception in breaking away completely from civil service pay and conditions, but HMSO had been a separate trading fund organization for a decade.

Sir Angus Fraser, the Prime Minister's Adviser on Efficiency (who in 1991 had prepared a report on Next Steps for the Prime Minister), told the Treasury and Civil Service Committee of the House of Commons that 'a "unified civil service" really is not

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compatible with the way we are going' (HC 496, 1990-1, 49). By this he appeared to mean that uniform pay and conditions would disappear, but he still seemed to see a need for 'codes and principles, of things like loyalty, impartiality, fair and open competition in recruitment, promotion on the basis of merit and performance' (HC 496, 1990-1, 48). He also appeared to see some need for central overview of career management for those with senior management potential.

The debate in the British literature about the impact of Next Steps for a unified Civil Service (see e.g. Drewry, 1990, 328-29), overlooks the wider implications of grouping civil servants with other staff, such as military staff and civilians not in the UK civil service within the agencies. The extent to which there was in any case a unified civil service can be overemphasized. The Diplomatic Service remains distinct from the Home Civil Service. The Ministry of Defence is staffed by an amalgam of civil servants and military staff which does not fit neatly into the classic model of departmental chains of command. Northern Ireland Departments, which are not part of the United Kingdom civil service, do have Next Steps agencies. Advocates of Next Steps pointed out that the bulk of civil servants did not identify with the civil service as a whole or even the department they worked for, but the particular part of the department or even local office in which they worked. Observers from outside Britain should note that the British concept of civil servant does not include many categories of persons working for government agencies or funded by the state (such as university lecturers) who might be classified as civil servants in some other countries. None of these remarks detracts from the fact that many of the *top* civil servants, amounting to about 27,000 out of 565,000, do have a genuine commitment to a concept of public service rather than simply emulation of private management, and see themselves as having a lifetime career within that service. We have already noted the implications of the separation of agencies from core departments for career paths.

### **A partisan or consensus development?**

The attitude of the Opposition to Next Steps became of interest in the approach to the General Election eventually held in April

1992. The government itself was anxious to stress the non-partisan nature of the reforms. The then Labour Party Treasury spokesman (now Leader of the Labour party), John Smith, made it clear in May 1991 that he would not attempt to reverse the initiative (quoted in HC 496, 1990-1, ix). The Treasury and Civil Service Committee of the House of Commons has been concerned to sustain and develop all-party support for the initiative. By the time of the next election, due by 1997, the initiative, at least in terms of the establishment of agencies, will be complete.

Elements of the market-oriented 'New Right' are not keen on Next Steps because it diverts attention from the possibility of privatizing some activities which are instead being given to agencies. Activities are supposed to be considered for termination or possible privatization before becoming Next Steps agencies, though it is recognized that some potentially privatizable activities do not yet have the managerial and financial structure to make them attractive to purchasers (Goldsworthy, 1991, 18). Agency status is not seen as ruling out future privatization, though further immediate change was thought unlikely (Goldsworthy, 1991, 19). Greer (1992) has pointed out that the prime candidates for privatization are those which are self-funding non-monopolies. In terms of functions discussed above, agencies engaged in the delivery of specialist services are the most likely candidates for future privatization.

### **Is there really much autonomy?**

There has been some increase in managerial discretion, but still Treasury involvement over details. There is conflicting evidence about the extent to which the agencies themselves desire autonomy. Price Waterhouse (1992, 10) found that agencies would welcome the freedom to introduce more flexible pay and reward systems and that they had strong feelings on this issue. However, Goldsworthy (1991, 32) found that few agencies were pressing for more freedom to hire and dismiss staff or to develop their own pay arrangements, at least in the initial preparation of agency proposals.

As might be expected in the initial stages of establishing Next Steps agencies, working out relationships with the parent

departments was a major preoccupation. A survey by Price Waterhouse (1992, 7) found that this has become significantly less dominant by early 1992 compared to a year previously. However, a number of the other preoccupations of chief executives, such as 'Business/corporate planning' and 'New Financial Regime', also involved substantial contact with the parent department. More discussion between agencies and departments took place on budgets than anything else, with personnel matters and agreeing targets also featuring (Price Waterhouse, 1992, 11).

It is clear that the relationship between agencies and parent department is not one of annual discussions over targets followed by a 'hands off' relationship for the next twelve months. Price Waterhouse (1992, 11) found that about half the agencies had daily contact with officials and the rest mostly weekly. Rather than declining, this frequency of contacts had increased compared to a year earlier. This level of frequency of contacts raises the question of whether the line has clearly been drawn between policy and operational matters. Unfortunately, we lack data on frequency of contacts between civil servants in sections of departments prior to the establishment of agencies, so we have no baseline for comparison. Price Waterhouse (1992, 12) suggests that agency managers are no longer absorbed in the work of the department as a whole and place less focus on their relationships with ministers and senior officials.

At least as relevant as the evidence of such surveys is the attitude of chief executives. It is clear from listening to presentations which chief executives have made to mixed audiences of civil servants and academics that some, including those heading the largest agencies, are personally committed to using the greater flexibilities available within their framework documents to provide a more customized service to the relevant members of the public and to involve their staff in arrangements to do this. This enthusiasm has been evident in the early years after the establishment of agencies, and it remains to be seen whether there will be a continuing innovation.

Moves towards greater pay flexibility within agencies were set back by the government's pay policy for the public sector announced in November 1992, which limited pay rises to a maximum of 1.5 per cent. This did still allow some flexibility for performance pay for individual employees, though it clearly pre-

cludes some kinds of flexible pay arrangements.

### **Roles of central policy core of departments and 'central' departments**

Although the roles of departments and of centre of government (especially the Treasury) were briefly mentioned in the Ibbs report, the scale and structure of the central policy core of departments was not discussed. The implications for the scale and structure of departments came rather as an afterthought (see Fraser, 1991). Some 'central' staff of departments have been transferred to agencies' books and their services have to be bought back by departments and other agencies.

The discussion of the relationship between departments and the Treasury in the Ibbs report was very tentative and the possibility of direct or triangular relationships involving the Treasury, agencies and departments was totally neglected. In November 1991, the government agreed that the role of the Treasury and the Cabinet Office should be clarified in the light of the Next Steps Initiative (Cm 1761, 1991).

Crucial issues include the policy roles of core and agencies, and the question of direct bargaining by agencies with the Treasury over resources. Some agencies are given an explicit remit to offer or comment on policy advice. In others a civil servant below the level of permanent secretary is given this policy advice role. For agencies which are already separate departments, the whole notion of there being a 'core department' to which they relate is problematic. A general issue is how does the 'centre', whether core of spending departments or the Treasury, assess agencies when special expertise is concentrated in the agencies?

There are also implications for personnel management in terms of career development. Are two different strands of executive and policy core civil servants to develop, or will involvement in an agency be seen as a prerequisite for a top posting in a core department?

Some departments are already used to thinking of themselves as 'holding companies' for separate units. The Department of Employment had separated out functions by the mid 1970s to such an extent that it referred to itself as the Department of

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Employment Group. Other departments, such as Social Security, have a more monolithic past and have to work out a different style of relationship between core and agencies.

### **Implications for ‘accountability’?**

Much of the existing academic literature on Next Steps which has raised the issue of accountability has done so on a relatively narrow range of issues and often on the assumption that there are generic issues of accountability applying in a similar way to all agencies. The variations between agencies already noted should suggest that varieties of formal and informal accountabilities need to be explored.

#### *Of agencies to departments and ministers*

An important development for agencies which are part of departments has been the extent to which civil servants in identified posts have been publicly specified as being responsible for the supervision of agencies, ranging from grade 3 to the main permanent secretary of the department (grade 1). Just what is implied by the responsibility of such civil servants for supervising agencies and advising ministers about matters relating to the policies delivered by such agencies is not clear. Agencies which are themselves non-ministerial departments are directly accountable to ministers, though the top civil servants from the minister’s ‘main’ department may have an explicit role to advise the minister.

#### *Of agencies to central departments, such as the Treasury*

Most agencies are required to go through the principal finance officer for their departments in negotiations with the Treasury about finance, and agencies which are part of departments are still dependent on the way in which departments carve up the allocation achieved in public expenditure negotiations. One of the possible developments to watch for the future of agencies is whether they seek to increase direct contact with the Treasury. Agencies which are departments and certain other agencies already have the right to discuss finance directly with the Treasury. A related underexplored area where accountability issues arise is that of spending departments to central departments for their agencies.

*Of agencies and ministers to Parliament*

We have already noted that Parliament had little role in the introduction of the Next Steps initiative, with interest largely confined to the Treasury and Civil Service Committee. The accountability of specific agencies and ministers to Parliament is certainly a set of issues which has aroused substantial debate given the centrality of the doctrine of ministerial accountability to Parliament in the informal British constitution (see Judge, 1993). However, much of that debate has assumed that the issues are the same for all agencies. Particular concerns have arisen over questions from MPs about agencies:

- (1) A lack of clarity about when issues are about matters of policy and therefore directable to ministers; one MP who tabled a series of questions about agency budgets found that nine departments referred the question to the relevant agency for answer and seven answered on behalf of the relevant agencies.
- (2) The question of the availability of answers to MPs' questions. Answers from agencies have been sent to the MP concerned, with a copy normally being placed in the House of Commons Library. However, this meant that the replies were not easily available to those outside the House of Commons, even when the answers have wider implications than the particular case about which the question was asked. The Procedure Committee of the Commons recommended that answers from agencies should be included in the Official Report of the House of Commons (HC 178, 1990-91). The government accepted that there had been practical difficulties and that access to replies from agency chief executives needed to be improved (Cm 1761, 1991). The solution adopted conformed to the request of the Procedure Committee that answers from chief executives should be included in the Official Report of the House of Commons, a solution which disappointed civil servants who want to emphasize that ministers should not be politically accountable for day-to-day managerial actions by agencies.

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In British constitutional convention, one of the key features of the accountability of government to Parliament is financial accountability. In contrast to political accountability of ministers for the policies on which expenditure is incurred, responsibility for ensuring that expenditure is properly incurred (and increasingly for ensuring the efficiency and effectiveness of expenditure) has lain with an 'accounting officer', normally a permanent secretary. As the Treasury and Civil Service and the Public Accounts Committees of the House of Commons pointed out, this arrangement did not accord well with the responsibilities of the chief executives of agencies. The government accepted this point (Cm 914, 1989), and announced that where appropriate agency chief executives would be designated as 'agency accounting officers', and would accompany the accounting officer when the Public Accounts Committee was examining an agency's affairs. However, in some cases the chief executive is the full accounting officer for all the expenditure by an agency where that agency has its own expenditure 'Vote'. In some cases chief executives are full accounting officers for part of the expenditure of their agencies and agency accounting officers for other parts! Whatever the Next Steps initiative has done, it has not produced uniform patterns of financial accountability.

### *Of matters affecting agencies and the broader public*

There has certainly been the publication of a greater degree of information about the detailed activities of those parts of departments which have been put into agencies. There are framework documents, corporate plans and annual reports for each agency. Framework documents are freely available, though some corporate and annual plans are considered commercially sensitive and are not released. The availability of this mass of documents itself makes it difficult to cope with the flood of information and identify general issues affecting agencies. There have been various government reports about developments in the progress of the Next Steps initiative, and the government now publishes an annual review summarizing each agency's achievements and plans. However, the information is not provided on a consistent basis (expenditure for some is given for the previous year, for others in a future year, and information about other sources of funding is not provided on a consistent basis). Further, there is a tendency in

these summaries about individual agencies to put a positive gloss on results, even where there have been major problems. It is only if the reader is aware of the detailed background to the agency that he or she can interpret the comments.

The 1992 review dropped the summary table about staff and operating costs (not total expenditure) which had appeared in the 1991 review. The government's annual publication *Civil Service Statistics* only lists the staff of agencies who are members of the United Kingdom civil service, and therefore omits the staff of agencies who are other civilian staff, members of the armed forces, or members of the Northern Ireland civil service. Despite the mass of detailed material available, the government does not publish complete summary information about staffing or expenditure of all agencies on a consistent basis, or data about individual agencies which would facilitate comparisons across time and between agencies.

### **Performance indicators and their problems**

The emphasis on 'results' is clearly central to the Next Steps initiative and to issues of accountability. The government has produced a guide to setting targets and measuring performance in Next Steps agencies (HM Treasury, 1992). This guide makes it clear that its recommendations are not mandatory and that the choice of targets and levels is for individual ministers in the light of proposals submitted by chief executives. There are very substantial variations in both the total number and the types of targets set for different agencies. The Treasury and Civil Service Committee (HC 496, 1990-1, xxi-xxii) pointed out that not all agencies had targets in the three key areas of financial performance, quality of service and efficiency. This continued to be the case in the 1992 Review (Cm 2111, 1992).

Agencies are meeting three-quarters of their targets according to Sir Peter Kemp (*Economist*, 21 Dec 1991, 28). Is this good or bad? Weiss (1972, 32) refers to the 'fully/only' school of analysis which, in the absence of direction about how much progress towards the goal marks success, will (to adapt Weiss) come out with different conclusions: 'Fully 75 per cent of the targets . . .' boasts the promoter; 'Only 75 per cent of the targets . . .' sighs the

detractor. Do we need targets for targets? For what it is worth, the author has calculated from summary tables in the annual reviews that 77 per cent of targets were met in 1991-92, up from 72 per cent in 1990-91. The summary tables give no information about the percentage underachievement (or overachievement) of targets, though information on this is given in the summaries for individual agencies, some of which also discuss the extent to which failure to meet targets was a result of factors (such as economic recession) beyond the control or predictive ability of the agency. No information is given about the consequences for agencies or chief executives of failures to meet targets, though this is at the heart of issues of accountability.

Elizabeth Mellon, an academic at the London Business School who has studied five agencies, has been quoted as stating: 'What tends to happen is that the agency asks for targets it feels safe with, the department adds some more, and the agency aims for the ones it can achieve.' (*Economist*, 21 December 1991, 28).

### **Next Steps in context**

Was Next Steps really necessary? Flexibility in employing types of staff did not require Next Steps as such and the same is true of other minor delegations (HC 496, 1990-1, viii). However, even those making these points accept that tactics can be used to bring about significant changes beyond the small changes which agency status on its own requires (see comments by Mellon in HC 496, 1991, p. 110).

It is important to place Next Steps agencies in the context of other recent organizational developments in British government. Although the Conservative government came into office in 1979 committed to the reduction of non-departmental bodies or 'quangos', research currently being undertaken by the author shows that, while the number of such bodies may have declined, their significance in terms of finance has grown. Particularly worth noting are the number of organizations in urban development and education which administer functions previously the responsibility of local authorities. The government has also set up a number of bodies, notably the Training and Enterprise Councils, which the government does not count as government bodies, even though

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they are publicly funded and some include civil servants. Single-industry regulatory offices (with non-ministerial departmental status) have been established to regulate privatized utility industries. Issues of the accountability and autonomy of Next Steps agencies are only part of such issues affecting the range of bodies which are involved in the delivery of British government policy.

The study of Next Steps agencies must take account both of this broader context and of the wide variety of different forms and functions of agencies themselves. How similar are (some) Next Steps agencies to other bodies with a formally different constitutional status? What are the implications of some of the very substantial differences among agencies (such as the fact that some are separate government departments!) for issues such as accountability, policy advice, and bargaining for financial resources? The debate to date on accountability in particular has tended to assume that there is a generic issue, whereas the evidence presented in this paper points to the need for micro level analysis to plot the operation of accountability in practice in a variety of forms. The Next Steps initiative has introduced many new issues for exploration, but it has also served to highlight some of the previously neglected issues in public administration, such as the roles and function of non-ministerial departments, which account for about a quarter of the total UK civil service. The diversity of agencies has not replaced some mythical age of uniform departmental structure, activities, and accountability. Rather it has revealed and built on the diversity of activities in which central government was already engaged.

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### **Note**

This paper draws on a much shorter paper delivered to the Dutch Society of Public Administration, Amersfoort, Netherlands, 26 March 1992. In preparing this paper I have been able to draw on comments made by civil servants involved in the Next Steps initiative, either in agencies or the Cabinet Office made during formal sessions or informal conversations at the Civil Service College/Public Administration Committee Seminar on 'Next Steps - Making Change Last', London, 23 November 1990, the Royal Institute of Public Administration Research Seminar on 'The Civil Service reformed: The Next Steps Initiative', London 28 June 1991, the proceedings of which were published as RIPA (1991), and the Public Administration Committee Annual Conference on the theme of 'The New Public Management', York, 7-9 September 1992 .

## **Bibliography**

This bibliography is arranged in two sections. The first lists items about Next Steps, *including a number of items not specifically referred to in the paper*. It is hoped that readers will find this listing helpful. The second section lists general references cited in the text.

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