

*A managerial dimension*

# **Managing Agencies: A Managerial Dimension**

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Although this paper is a contribution to a conference examining the implications of a new role for social services departments as managing agencies, to give the subject a useful managerial perspective I need to put the subject into a wider local authority context. The first message to social services departments has to be to look and learn from what is happening to other departments' services.

## **Lessons from other departments**

Local authorities are at last having to face the fact that their days as a monopolistic provider of many services are numbered. The Griffiths report is just one of the pressures on them when it says that 'Social Services Departments would do well to prepare themselves for a future as the arrangers and purchasers of care services not as the natural providers' 1. The advantage that the social services department has over many other services is that it has time to prepare for this change. Many other services, on the other hand, are being rapidly propelled towards statutory competition deadlines by virtue of the Local Government Act 1988, and face rules and regulations thereunder which will not necessarily allow for as creative and innovatory an approach as would be possible with more time and fewer fetters.

Local government had clear notice in the direct labour organisation clauses of the 1980 Local Government, Planning and Land Act that the government was intent upon seeing more local government services provided by the private sector. In general that message was not heeded and the 1988 Act must be the direct result. That Act allows for additional services to be added to the list of services required to face competition simply by order of the Secretary of State for the Environment. The management of leisure facilities is the first addition. What price others, including some social services activities, in the not too distant future? Especially after newspaper headlines recently like 'Casino Group Stakes £25m on Nursing Homes' - a reference to the Stakis Hotel chain announcing a cash investment in 1,000 nursing home beds in the next twelve months. Moreover, Normal Fowler portended an enabling role for social services in his Buxton Conference Speech in 1984.

In my own county authority, effectively, we come new to competition in 1988. We have talked about its implications for a year or so, but only slowly have the full implications dawned. Embarrassingly, the late change in the timetable prescribed by the government has brought school meals to the top of our list. Not the easiest service to prepare for competition by any means! The only beneficial result is that we have had to think very hard about our approach and particularly the client side or managing agency arrangements.

On the contractor side we are better prepared. During last year an Officer Working Party on Competition invited the council to decide whether they would give encouragement to in-house direct service organisations competing for contracts. The answer was in the affirmative. As a result we have employed a very experienced private sector manager with large and small business experience to head an organisation which will recruit key managers to tender for the contracts on offer. If successful they will take on the necessary workforce and apply such conditions of service as are appropriate to meet the basis of the tender price. If these new 'small businesses' successfully obtain work in competition, the options exist to retain them in-house within the special contracting organisation already operating in embryo, or allow them to become privatised as limited companies or otherwise.

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Either way they will have to operate on tricky commercial lines. Most of the staff of them will be present employees. What they need to give them the prospect of success is experienced commercial management or real entrepreneurial talent. How many local government services have hitherto been truly managed (as opposed to having been well administered) so that they can expect to survive in the marketplace? I suggest the answer is few. Hence the prerequisite of sharpening up our managerial skills and procedures generally.

Top management within traditional local government departments is as equally accountable for the operational efficiency of front line service delivery as for determining service-wide strategies, setting objectives and budgets, and often a host of other important jobs, even taking critical social work decisions. To make this possible they are supported by very hierarchical and bureaucratic departmental structures. It is clearly a big chance to contemplate hiving off many operational service delivery units to other agencies. This paper suggests that not only is there nothing inherently bad in departments divesting themselves of some of their responsibilities, but it may also allow many managements to manage better because their overall range of tasks is made more manageable.

I expose this Berkshire case study because I have increasingly come to believe that competition is healthy and that more separation of policy making and operational service delivery responsibilities within conventional local government departmental structures was long overdue. Why should we assume we are the only competent providers? Is it not simply that we have always done it that way? Moreover, the tendency in many local authorities recently has been towards bigger and bigger departments or directorates. To me that has always been the quickest route to more bureaucracy and inefficiency. Coupled with the lack of managerial skills in local authorities, lack of any managerial culture, and in most cases without real managers' accounting systems, most local authority departments are severely constrained in trying to provide value for money or in demonstrating that they are providing value for money in their operational activities. I am not saying there is not a good deal of high quality service being provided by most authorities. In some respects we may be efficient. But what I am questioning is whether enough thought has been given to our

management arrangements to get them as good as they should be, and as they will need to be to take full advantage of competition.

### **The Berkshire experience**

What then have we learnt since we started to think seriously about preparing for competition? First of all, many senior staff will actually have to start to decide for the first time whether they are policy makers, quality assurance monitors, or contractors. Secondly, because contracts once let will run for four or five years in most cases, there cannot be a role for lots of policy staff continuously promoting change. We have to live with the policies we prescribe for each contracted service for four or five years. This probably means we do not need as many policy staff. In other words, we may see some contraction of bureaucracies as the clearer definition of roles in the organisation leads to easier measurement of the number of posts required. The exception to this general proposition involves quality assurance staff. As the number of contracts increase, so does the responsibility for monitoring them. This is a subject addressed again later.

Just as policy makers in the organisation may reduce, so will staff with operational remits. Once the operational function becomes a business, and its costs are tender led, and its success needs to be measured by profit, successful managements are going to make sure that roles are crystal clear and no more staff are employed than are necessary to achieve the required level of service. It may sound like heresy, but overall there will be tangible benefits from much more manageable units, both in the planning organisation and in the contracting one, and perhaps even some of our perceived staff shortages will disappear too.

Although it is still a year from the start date for the first new competitive services in Berkshire it is interesting to see the preferences of some key staff beginning to emerge. The expectation was that most would opt for the security of client side functions. Given confident and experienced contractor side leadership, however, many staff are clearly looking to take the more risky commercial route. The rewards for success are obvious. But this trend has also to be encouraging, not least because such people will not overnight lose all their inculcated public

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service attitudes, and hopefully their caring approach to the delivery of services.

If preparing for competition forces us to analyse the need for and roles of some of our staff, of equal importance is the need to examine which businesses we should be in. A classic confused area is education. Many educationalists are worried about increasing the emphasis on management within the education services. But education departments have the biggest budgets and responsibilities. They are rightly about to lose some of them in a process of devolution to schools and colleges because small is beautiful, and prospectively more manageable and accountable. But what were educationalists anyway trying to do when they attempted to manage other businesses like cleaning, grounds maintenance and school meals, to name but a few? They just do not have the right skills, and these distractions do not help them to address their real education agenda either.

If I see the advent of more competition as a welcome spur to having another look at the structure and responsibilities of departments, it has not been the initial impetus as far as Berkshire is concerned. More than a year ago we embarked on a programme of devolving management to service area and cost centre levels. The idea was to ensure that at as low as practicable a level of the management structure, management responsibilities and accountability were brought together, with named individuals taking on redefined management roles. A small group of 40 of our cost centre managers have been put into a pilot experiment where financial, personnel and property management constraints have been largely removed from them. We await with interest the results of that programme. What however has been very rewarding already has been that nearly every cost centre manager in the authority has now produced a business plan. That includes, for example, 200 social service business plans and with them a wealth of information that should enable top managers to start to consider some of the more elusive managerial issues that have hitherto not been adequately addressed. One of the most encouraging remarks that I have heard this year from a social services senior manager is that for the first time he has available to him clearly documented a number of different models of how his establishments are managed. He can therefore begin to evaluate and compare their merits and demerits. What music to the ears!

It has been said before that our junior and middle managers can probably manage much better than we give them credit for if we point them in the right direction, trust them and get off their backs. But in how many authorities has this really been attempted? Have not vested interests and blurred structures conspired to defeat the best of intentions? We believe our managers will own their share in the business if we give them the chance. That will leave other staff in the upper management echelons to do the job that they ought to have been doing all along, which is to make sure that we really do have a comprehensive view of our responsibilities, a proper strategy for dealing with them, can give clear targets to our managers, and develop proper monitoring systems to give quality assurance.

Let me now try to apply some of these general principles to social services. Griffiths is absolutely right to say that the primary function of the public services is 'to design and arrange the provision of care and support in line with people's needs'. How many social services departmental top managers are devoting their time to this requirement? Is not an inordinate amount of management time spent on worrying about the physical condition of establishments, their staffing problems and other relatively mundane matters? I am with Griffiths that we should redefine the business that we are in and recognise that direct care and support services can be provided from a variety of sources, and we should not be in the least afraid that the provision of many of these will be outside our direct control, other than perhaps on a contracted basis.

As we read the all too frequent headlines about social work 'failures' one cannot be too surprised. As presently structured, social services departments are high risk undertakings. Top managements are attempting the impossible in accepting accountability for a host of different businesses, with a shortage of management talent, poor information systems, and frequent resourcing problems. Is this necessary? Who benefits? Why not start by redefining the key businesses that you have to be in and leave more to others.

### **Practical problems**

Having made the case that devolution and competition should benefit you, and that it will force changes in the way we structure our authorities services, it is worth examining more closely the process of introducing

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it, whether voluntarily or statutorily. Earlier I skipped over the problems we are encountering in Berkshire in preparing the client side services for their new role as managing agents.

Take the case of school meals. We run a good service to 360 schools, with only two managers, a handful of first line supervisors, and a structure based on 12 geographical divisions of the county. An organisation of this shape is probably about right for a contracting company to provide school meals, though the terms and conditions of service of the staff would probably need to be examined carefully if it were to tender successfully. But we are not talking about converting this organisation into a catering direct service organisation for the whole county. First of all, how much competition would there be with the whole county as the area for the contract? We have to think in terms of a more local strategy if we are really to open up the service to anything other than the giants of the catering industry. The moment we wish to introduce more competition we have to think in terms of more contracts. That means re-mapping the county to get suitable areas. We also need full documentation of the facilities available in each contract area. We need to prescribe the precise standards of service to be obtained. We need to consider what charging policies are acceptable. We need to think how the cleaning arrangements in each school will marry up with the obligations on the catering service in the school. We need to draw up tender documents that will give us all the information we need to make a proper evaluation of tender bids. We need contract documents which control the contractor sufficiently tightly that he cannot diminish service levels with impunity, nor seek additional payments because we have not adequately specified our requirements. Where do we get the staff from to do these jobs without impairing further the already lean management resources devoted to the day to day management of this service? Not to mention how do we fend off the private sector competition from buying in our managers as they seek to break into lucrative new markets?

Such are the problems that have to be faced and overcome. The problem is bigger than it ought to be because we do not have the records that we ought to have about our facilities in the 360 schools. We got away without that documentation simply because from time immemorial we have provided the service. But once we have to

contract for its provision a greater management rigour is required. That lesson will have to be absorbed for every service that becomes the subject of competition. Beyond that there are, of course, many other problems. Most trade unions do not view these sorts of changes with enthusiasm. Arrangements have to be made to monitor the performance of contracts to make sure that standards are maintained and contract conditions complied with. Then of course there is the question, in the case of the education service, of how you reconcile this sort of central contract management approach, with the need subsequently to devolve management responsibility for all services provided on school premises to the governors and head teachers of those schools. Add to that conundrum the thought that surely there should be some joint planning of catering for education, with catering arrangements for civic buildings and in social services residential homes, and fire stations and so on, and the subject begins to reveal its true complexity.

This paper is not the place to answer these precise questions. The fact is they have to be answered by each authority, and although some other services may not attract so much difficulty, the clear message to be conveyed is that preparing for competition invites much rethinking in every prospective managing agency. If that is daunting we should encourage ourselves by recognising the good record of local authorities in meeting and adapting to the many challenges they have faced over the years. Griffiths praised local authorities for the way that they have managed to make care in the community a reality in a number of places, despite the formidable obstacle sources which he so graphically describes. Interestingly, he comments that many of the successes are due to the dedication of individuals and their determination to beat the system, rather than any authority or group of agencies having found a systematic way of achieving the desired results. He also tellingly makes the point that the information systems that exist in the agencies within his area of review are, in almost all cases, less than adequate.

### **What should social services departments do?**

Do we therefore gain anything by taking on a route towards competitive tendering and becoming a managing agency in social services before we are required to? My answer is yes. Firstly it forces us back to basics. We have to break out of the bureaucratic mould. We have to achieve

organisational units that are manageable both in size and coherence. We have to invest in management information systems that really do allow management to know that they are managing. By separating the planning and contracting roles we immediately concentrate the focus within both of them. We begin to, and have to, sort out the wood from the trees. We put ourselves in a position where, perhaps for the first time, we are honestly able to say that we have clear objectives, clear measures of performance, and can demonstrate by our results whether the end product is good quality and value for money.

Taking this examination further, the first step for the social services department towards becoming a managing agency would be to reassess its structure and perhaps acknowledge that prospective direct provision services should be differently and separately managed from other functions. Competition already exists in the provision of homes for the elderly. Have we made all the comparisons that we might to illuminate their and our strengths and weaknesses? Are there really good arguments why more of our homes should not be managed outside the department? I have often been impressed when visiting homes that officers in charge display many more managerial qualities than more senior staff. Why not encourage and train more of our managers to see themselves as running potential businesses to be floated off either when competition requirements force it, or preferably when the units themselves are ready to stand on their own feet? That way we can really influence the competition and get the variety in service provision which is desirable if a wide range of client needs is to be met.

Others are better qualified than I to comment on which other services could and should sensibly be considered for contracting out. The evidence is, however, that the market is already seeing new opportunities. Former social services department staff with an entrepreneurial flair are already looking for niches in the market to start their own small business. My guess is that the process will ultimately go further than any of us might dream today. Whoever thought prisons, albeit in America, would be privatised? Now we see the first moves towards it here.

Despite these arguments in favour of competition it would be foolish to pretend that it will not raise at least some potential difficulties. But are they all as they seem? For example, social services departments

have struggled for some years to break down the boundaries between services so that client needs can be assessed in the round, without any predilection towards any particular form of care. Now we face new care businesses which will frequently be specialist. But does that really worsen the present position? Griffiths stresses the crucial role for the managing agency of strengthening the care network and, where appropriate, developing a role of 'care manager'. That is to make sure that no very dependent client can fail to get the most appropriate care package because he or she cannot find the right access channel to the care provider most suited to answer their needs. The managing agency responsibility, therefore, is to point the way to the right care package for each individual. Presumably they can mix and match across different agencies as easily as they do across different departmental structures now?

For all the efforts of social workers, and others in social services departments and other agencies, the evidence suggests that an enormous part of the national care burden is placed on informal carers who receive very little support from the statutory services. Is not one of the principal challenges to the statutory services to improve its support for the informal carer system? Without it, the burden on the statutory services would be infinitely greater. Is this not a greater priority for social services authorities than some of its present occupational activities? Griffiths places great confidence in local authorities as the best placed agencies to bring about effective care in the community. That suggests to me that we should make sure that our major effort goes into identifying those in need, and defining the care package most suitable for them. If that means divesting ourselves of some of the direct service provision to allow us to concentrate on a higher priority, which cannot be provided by others, then the exchange seems worth it.

### **New skills and new attitudes needed**

If we are going to embark on a rethinking phase it is worth recognising that this means that local government generally needs to import some new attitudes quickly. It will also need to import some new skills. Also, because each major department is underpinned by certain professional qualifications, questions will also need to be asked about their range

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and appropriateness if many jobs in departments are going to be redefined.

Changing attitudes is going to be very difficult. Local government is a notoriously conservative industry. At the present time it is in a very defensive frame of mind. The truth is that if local government had been more imaginative and adventurous and had recognised that a changing world brings a need for changing structures, many of the changes now being forced on it by central government could have been avoided. It has been the failure of local government to get its act together both at the political and officer level that has invited central government to intervene so much. We have known for many years that we are getting overly bureaucratic, that we could not demonstrate that we were giving value for money, and that we were resisting change even where we knew others could probably do the same job at least as efficiently and probably more cheaply. We have clung to absurdities, like certain national pay and conditions constraints which led us to extracting some of our best professionals from their key posts to become third rate untrained managers, simply because this was the only way that we could pay them more. With that sort of nonsense in our record how can we complain when others tell us to take a more business-like approach?

As to new skills more of us need to know about contract administration. Because contracting out means once a contract is let it effectively cannot be changed, except at a price, it is essential to get it right at the first attempt. No longer will we be able to change the rules, as we do now, when there is simply a re-negotiation between different parts of the same organisation. Departmental staff should be able to write their own service specifications and will be the best people to prescribe the standard of service that they wish to see achieved. They may however find it helpful to refer to staff more experienced in the drafting of specifications and contract documents to ensure that everything foreseeable is going to be covered. It is essential to realise that a contract will bind the hands of the managing agent as much as the contractor. Local government is short of people who can understand the needs of client services and then translate their requirements into a tight contractual framework. It does however include some professionals that have this experience. Civil engineers do it for road contracts; architects and quantity surveyors do it for building works.

That type of skill might usefully be harnessed. Such people have certainly helped other services to prepare for competition and it is already noticeable how many new ideas are suddenly emerging as we introduce staff with real private sector business experience into key posts in my authority.

### **Future role of social services departments**

My overall message therefore to social services departments is that you should think about redefining your business objectives. Griffiths is in many respects a beacon of common sense. To be implemented in full it needs legislation. There is much in it however that you can respond to now. If you respond imaginatively you can avoid some of the prescriptiveness which inevitably results from government intervention. If the health service does not offer sufficiently encouraging models, then other services will, I am sure, shortly give you some reassurance that contracting out or devolving more real managerial responsibility and accountability will prove beneficial. After all you can sharpen up your inspectorate or monitoring function as the *quid pro quo*.

Your traditional collaboration with voluntary organisations must surely also be significant. Voluntary organisations are essentially small businesses. You already contract with them. They will have to demonstrate in a more competitive world that they give the best service and the best value, but if they can succeed, why should not the private sector counterpart or your own former staff wearing self employed hats?

What would I like to happen, and what do I think will happen? I would like to see smaller and less bureaucratic social services departments. I would like to see even more emphasis in the department on planning to meet the care needs of an area and mobilising care networks and carers. I would like reassurance that we had systems which continuously monitored the care needs of the population for which you are responsible. The better planning of individual casework which Griffiths asks for should be an imperative. The casework needing great professional skill must be impeccable. To achieve this you need to give this part of the business undivided attention.

We must also be able to answer the critics of local government who see it as unwise to give us more responsibility because of 'our

unwillingness to access all the care options available to us'. It is devastatingly damaging to local government as well as social services authorities to read criticisms in the *British Medical Journal* by the Professor of Psychogeriatrics at Guy's and St Thomas's Medical Schools that 'some councils refuse under any circumstances whatever to purchase private services and would rather refuse a disadvantaged person access to care than buy it in privately'.<sup>2</sup> How this blinkered sort of attitude is compatible with a caring service I do not understand.

Let us start to change the attitudes of conservative brethren by persuading them that we are not necessarily doing the best for those for whom we have to care if we try to take on too much responsibility and thereby get enmeshed in muddle and staffing difficulties. The one thing we can be certain about is that we will not be able to do nothing for long. Let us, for once, make sure that we play an active part in developing the opportunities opened up by ideas such as Griffiths'. If we do not, further (government) change will manage us, to the detriment of local government and probably worse still, to some of those services where with your invaluable experience we should be a major contributor. Life in the managing agency might just be a better approach after all.

## **References**

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2. Elaine Murphy, 'Griffiths on community care: potentially disastrous', *British Medical Journal*, Vol. 296, pp.876-77, 26 March 1988.