

Speech by Gus O'Donnell to the LGA/LSE conference – the future is local.
Check against delivery.

Working to a common purpose

Good afternoon and thank you for inviting me to deliver the key note speech today. I'm addressing you on day 14 of my new job as Cabinet Secretary and head of the home Civil Service. So I'm delighted to be in front of an audience as important to me as local government.

The relationship between central and local Government is vital in the successful delivery of better public services. We share a number of common characteristics – our ethos, the importance of our work and the nature of the task, and the challenge of building our capacity to deliver that task. These shared characteristics provide a strong building block for our relationship. But in a really effective relationship, each partner has clear and distinctive roles. I want to argue that we have moved closer than ever before to a shared understanding of what these should be. The local:vision debate instigated by ODPM last July has played an important part in this development. I want to close by looking at some challenges for the future.

Context

The context of our relationship becomes apparent when considering where we have got to on public service reform. Let me give you the one minute version since 1997.

Following the incoming government's decision to stick with the previous administration's spending plans, they introduced what turned out to be an historic initiative – Public Service Agreements. These aimed to show what Departments were delivering for the money given to them. But I believe that they achieved two important additional tasks. First, they set clear national standards. And second, for the first time, they made Departments explicitly

responsible for outcomes far beyond their direct control – on educational achievement, for instance.

Since then, the PM has defined three other principles shaping public services namely, customer choice, devolution and flexibility. The government has also significantly increased the funding going in to public services. In the 10 years to 2008, for instance, spending in real terms, will grow at an average of 6.25% on health and by 5% on education and transport. But while a great deal has been invested, and we have seen improvements in standards when measured through assessments like the CPA, we have yet to see the full benefits in terms of people's perceptions of the quality of services.

Although many people agree that services like health and education are improving locally, they do not tend to see this nationally. A recent survey found 47% agreeing that the NHS is providing a good service nationally, 65% that their local NHS was providing a good service, and 79% satisfied with their last visit to hospital. The absence of improvement in the national figures might reflect the fact that individuals have more direct experience of local services, and obtain information about national ones indirectly. It is also possible that the quality of service and people's expectations about the quality of service they should receive are rising together. And perhaps we need to improve our understanding of what really matters to service users.

Those levels of investment mean that there is a greater need than ever to ensure that we are delivering real value for money. This was the context for the efficiency review led by Peter Gershon last year, and provides one of the key ongoing challenges for us all.

Let me draw all this into one message for our work. The aim for us all must be to deliver continuously improving, efficient public services and stronger local economic growth for all people in all areas of the country particularly the poorer regions. The relationship between central and local government, and in particular the partnership between us, are key in this.

Relationship between central and local government.

So let me look at some of the aspects of that relationship, and in particular at three themes that we have in common.

First – public sector ethos. I am proud to be a public servant – and most of those I meet are too. Around the world our Civil Service – and indeed many of our public services – are seen as a gold standard. Yet we don't recognise this domestically. One of my key aims as head of the home Civil Service is to instil a greater sense of pride in the Civil Service – from within and more generally. This needs to be coupled with realism about those areas where we are less good and a real desire to increase the pace and passion to reform and improve these services.

The second theme is the nature of the work. It is hugely challenging, touches on every important issue facing the country and has the potential to be uniquely satisfying. On my first official day in the job I went to Rochester riverside, part of the Thames Gateway development. I saw partnership working between the Civil Service, local authorities, development agencies and the private sector in action. This difficult project has failed twice before because of the complexity and cost of remediation but now Civil Servants and others in the wider public sector are beating the obstacles that prevented building at Rochester Riverside. We are investing in a community and securing cost savings in the process.

There are lots of other examples of projects like this around the country – most notably in creating an urban renaissance in our cities. We still need to make further progress, but a great deal has already been achieved.

The third area we have in common is the task of delivering customer focussed public services. I'm sure you've all been involved in the local:vision debate which has looked at some of the issues around local government's role in this

area. Local and central government have distinctive but complementary roles here.

Most people view the services they receive through the prism of where they live. And these places differ enormously so it follows that approaches to service delivery, priorities and so on will vary by area.

We also recognise that central government can't solve the truly difficult issues that we know require different services to work together round the individual (i.e. vulnerable children, tackling causes of crime, respect etc). This can only be done locally. Central Government is simply too far from the customer.

And local knowledge is critical to delivering responsive public services and sustaining cohesive communities. There is already some really good work going on here. A challenge for the future will be to maintain this and to seek new and innovative ways of bringing more diverse people into local and national democracy and governance. Let me add in this context that we both – central and local government – need to ensure that we are working effectively with the voluntary sector.

Targets

My fourth point is about targets. These remain important – they have driven huge improvements in performance and they enhance accountability and transparency. But we need to learn from previous experience, and reduce the volume of national targets.

Local authorities, working with partners and involving local communities, are best placed to decide and deliver local priorities within a strategic national framework. But the real prize will come from delivering a system where, within a broad framework of national objectives decisions about priorities, and the way that they are delivered, take account of the views of citizens. This needs to come from a closer engagement between central and local

Government, and through closer engagement between citizens and service providers.

Local area agreements provide a way forward on the first of these. Although they are still quite new, they provide evidence of the maturity of the relationship between central and local Government. They provide an opportunity for central and local government to negotiate as equals, with both taking ownership of the outcomes – central government at the national level, local government for its area. LAAs provide the framework and the freedom to focus delivery on people and to find local solutions for local issues. So its not surprising that they have met with so much enthusiasm – particularly given the impact on targets. As an example, take Derby which receives around 70 different funding streams from across Government. All but 8 are now in the LAA. For these they had to report on over 600 indicators. Now that number is 72.

Local authorities themselves are taking the initiative in the sort of working LAAs aim to encourage. Coventry, Sheffield and Wigan are all examples that have been brought to my attention. The LAA process has been a beneficial journey – with further to travel still – and I am committed to working with my Permanent Secretary colleagues to ensure that all our Departments explore the opportunities for more flexible and innovative approaches to deliver further progress.

We also need to make more progress in creating closer connections with the citizen. John Hutton explained in a speech to the Social Market Foundation two weeks ago that what was needed was, “a new balance between centrally imposed targets and empowering public service customers to drive performance themselves.” He went on to say, “We need to find ways of making local services more strongly accountable to local people and promote greater local engagement, reducing the need for centrally-determined targets”. Making this happen is a challenge for all of us in this room. We also need to explore the extent to which we commission services on behalf of others.

Building capacity

Let me diverge slightly. I said earlier that a common task for central and local Government was in delivering more customer focussed services. The need to build our capacity to do this is another area we have in common. I want to pick out two strands in particular.

I am placing professionalism at the centre of my agenda for the Civil Service. This is about making sure we all have the right skills to do our jobs. Its about putting an end, once and for all, to the concept of the generalist, to put it politely, or the 'gifted amateur' to put it more bluntly. Its about having really serious skills for everyone – whether they are working on HR or policy, or delivering services. Fundamentally it is about making sure we can deliver the best possible service.

I know the LGA takes professionalism just as seriously as I do, and I welcome and acknowledge that. Indeed, there are many parts of local government that are setting customer service standards central government needs to match – Kirklees for example, or the new partnership between Gedling and Rushcliffe .

The second area I want to emphasise is leadership. Its vital to both our success. I know we need to work on it in central Government. The leadership local government is showing in areas like customer service and IT demonstrates the potential for all local authorities to show excellent strategic leadership.

In line with my commitment to work with local government I see my leadership role in this context as working to achieve a common purpose around common commitments. It's a vision eloquently laid out in the LGA's recent 'Champions of Local Learning' paper. I'd be very happy to hear any views you have on this role.

There is a great deal that we can learn from each other about both leadership and professionalism. One way in which we will achieve this is in movement of people between us. There has already been a lot of this – most recently, Lin Homer coming to head the Immigration and Nationality Directorate of the Home Office from Birmingham City Council.

So we need to make sure that there aren't any unnecessary barriers to that movement. I am concerned that pay levels may constitute such a barrier. Local authority salaries are outstripping the Senior Civil Service for certain senior and key roles although the benefits are similar. Salary differentials are growing, especially for scarce skills eg finance, law, accountancy and procurement. Gaps are greatest for the biggest and most senior posts. The Senior Salaries Review Body has commissioned a detailed survey on pay relativities across the wider public and private sectors. This will provide firmer information to inform its report on SCS pay in 2006.

Challenges for the future

You've called this conference 'The future is local: challenges for public policy in the new parliament'. I want to set out four challenges that I see for local Government – though we're also grappling with them in central Government.

The first is partnership working. Let me say three things about it. Its really important. People on the receiving end of a service don't care how many different organisations are involved in providing it – they just want a good service. Its is easy to say – but it is not easy to do. Local partnership working is vital if we are to think and behave in a more integrated way in delivering public services and that means local authorities throwing themselves into local partnership activities and thinking much more radically about public service delivery. And within partnerships there need to be clear accountabilities so everyone knows who is responsible for what.

I recognise that central government too needs to get better at working across its own boundaries, rather than within departmental silos. We've got better – as our work on children's services shows.

The second challenge I would highlight is better regulation. Central and local Government are already working together through the Local Authority Better Regulation Group which aims to implement the Hampton Review's recommendations about local government regulation. There are a series of acute challenges for central and local regulators alike, where we need to be guided not by custom and practice but by the search for the most effective and proportionate regulatory arrangements. So far, I am delighted to say, all interests, including those in local government, are rising to the challenge.

My third point is about efficiency. Over the past few months we have seen a game being played out around who can claim to have made the most efficiency gains in the past. We need to move on from this. The task is about improving the experience of the customer in terms of effectiveness and "smartness" of intervention and looking at the costs and benefits of a service, and how we can aggregate effective micro-interventions into demonstrable overall effectiveness - demonstrable not just to the PM and the Chancellor, but to the public?

Finally, and this is one for us all – is globalisation. Globalisation provides a huge range of challenges and opportunities. You could give a whole series of lectures on them. Don't worry – I'm not about to launch into that. Let me crystallise them in to one basic thought for this afternoon. Globalisation provides us with the opportunity of providing services using global inputs. But a product or service produced using global inputs doesn't have to be the same everywhere to everybody. The challenge lies in exploiting the benefits of globalisation to deliver better services locally.

Conclusion

I want to end by emphasising the importance of a strong and honest relationship between local and central Government. Only with a really effective relationship can we deliver on the potential we have to provide the public with better, more customer focussed public services. Our relationship has already come a long way and Local area agreements are one example of the maturity of the relationship.

The challenge for us now is to use this relationship to bring about more flexibility and innovation in service provision. Let me end by reassuring you that I am firmly committed to making this happen.