UNDERSTANDING DEPARTMENT- NEXT STEPS AGENCY RELATIONSHIPS

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A thesis submitted for the degree of Doctor of Philosophy

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October 1999

SUMMARY

This thesis examines the establishment of 'Next Steps' agencies in government and how they were intended to allow the delivery of government goals at arm's length. The research is concerned with how changes in relationships at the heart of Government can be understood. It seeks to address the impact of these changes on the policy process. It does so by examining the nature of the relationship between departments and agencies and asking why some relationships appeared to have worked well and others have not. These questions are not adequately addressed in the existing literature on agencies.

The thesis takes a multiple case study approach and draws on the concepts of historical institutionalism, power dependency and policy networks to approach these questions. It is argued that the introduction and development of agencies changed the formal and informal institutional 'rules of the game', affecting the roles actors expected to play and radically altered the distribution of resources in central government. The changed distribution of resources led to the development of new power dependent networks between departments and agencies. Path dependency in the development of the Next Steps concept led to a tension between the idea of agencies operating at 'arm's length' with the continuation of traditional accountability arrangements. The key argument presented is that, where department-agency networks are based on shared values, goals and institutional support, they will be able to manage the tension created by the new institutional arrangements and are able to successfully deliver government goals.

In concluding, it is suggested that understanding department-agency relationships as power dependent networks presents three implications. Firstly, for the applicability of this analytical framework to other 'institutional arrangements', secondly for policy making in the core executive and, finally, for insights on normative issues of accountability and autonomy in contemporary governance.

ACKNOWLEDGEMENTS

I have been exceedingly fortunate in having assistance from the following people before and during the preparation of this thesis.

John Battle, Bill Cooke (Snr), Toni Cooke, Gina Greenley, Jeannie Lumb, Stella Perrott, Helen Pickering and Christopher Pollitt helped maintain my intellectual curiosity about the policy process during the period when I was operating in bureaucratic networks and not researching them. Jonathan Gains, Kate and James Dyson offered technical support and much more besides. Helen Bolderson especially has provided me with opportunities and confidence which helped enormously and for which I am very grateful.

I would like to acknowledge the support of the ESRC who provided a studentship award. I also benefited greatly from being associated with the ESRC Whitehall Project, grant number L124251023 'The Changing Role of Central Government Departments' and I would like to express my thanks to the research team, in particular Dave Richards and Matt Flinders were always friendly voices at the end of the phone and made me feel part of the team. I would also like to acknowledge and thank the civil servants who patiently provided time to answer my questions and were generous in sharing their knowledge. Lewis Minkin's friendship and guidance was much appreciated and the insights from 'Exits and Entrances' were comforting as well as helpful. Emily Innes provided careful and invaluable proof reading assistance which helped greatly to ensure that the thesis says what I meant it to say. Sarah Cooke and Uma Kothari both offered essential support and encouragement which kept me going through some difficult times.

Finally my thanks go to Martin Smith, for taking me on in the first place, for the very practical help provided when it was most needed, and for consistently drawing my attention to the key features of the argument. Also to Bill Cooke without whose support writing this thesis would have been impossible to contemplate, continue or complete.

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LIST OF ACRONYMS

ACE	Agency Chief Executive
CSA	Child Support Agency
DSS	Department of Social Security
DTI	Department of Trade and Industry
FER	Fundamental Expenditure Review
FMI	Financial Management Initiative
FSS	Forensic Science Service
LGC	Laboratory of the Government Chemist
MAFF	Ministry of Agriculture, Fisheries and Food
MPs	Members of Parliament
NFU	National Farmers Union
NPM	New Public Management
NSA	Next Steps Agency
OPS	Office of Public Service
OPSS	Office of Public Service and Science
SMR	Senior Management Review
TCSC	Treasury and Civil Service Committee

CHAPTER ONE
INTRODUCTION

Key Questions and Approach

This thesis examines the establishment of 'Next Steps' agencies into government and how they were intended to allow the delivery of government goals at arm's length. The research is concerned with how changes in relationships at the heart of Government can be understood. It seeks to address the impact of these changes on the policy process. It does so by examining the nature of the relationship between departments and agencies and asking why some relationships appeared to have worked well and others have not. These questions are not adequately addressed in the existing literature on agencies.

The thesis takes a multiple case study approach and draws on the concepts of historical institutionalism, power dependency and policy networks to examine these questions. It is argued that the introduction and development of agencies changed the formal and informal institutional 'rules of the game', affecting the roles actors were expected (and expecting) to play and radically altering the distribution of resources in central government. The changed distribution of resources led to the development of new power dependent networks between departments and agencies. Path dependency in the development of the Next Steps concept led to a tension between the idea of agencies operating at 'arm's length' with the continuation of traditional accountability arrangements through the doctrine of ministerial responsibility. The key argument presented is that where department-agency networks are based on shared values, goals and institutional support they will be able to manage the tension created by the new institutional arrangements and are able to successfully deliver government goals.

Background

The establishment of Next Steps agencies (NSAs) since 1988 has led to a massive change in the organisation and administration of central government. This reform is only one aspect of encroaching managerialism in public services which has developed alongside wider changes affecting the whole of the public sector (Metcalf and Richards, 1989; Pollitt, 1993). Hiving off work to accountable arm's length units is said to be one of the features of 'new public management' (NPM) (Hood, 1991; Rhodes, 1994; James, 1995).

The change to agencies has, in principle, led to a shift from pre-existing hierarchical structures, and a command relationship between policy makers and policy implementers and deliverers, to arm's length control based on contracts in a quasi-market relationship (Harden, 1992; Dowding, 1995a). Latterly, some agencies have spun off from the public sector altogether and, whilst still providing services to the state, operate from the private sector under a fully marketised relationship (Next Steps Team, 1996).

The rationale for agencies stemmed from critiques of existing arrangements. A political critique suggested that civil servants had too much power. A management critique argued that the senior echelons of the civil service were too focused on the provision of policy advice and supporting ministers, and there was too little focus on management and policy implementation. The agency concept, borrowed from contemporary management theories, sought to introduce a split between the policy making arm of government (the preserve of ministers aided by civil servants in departments) and operational management in agencies.

This fundamental institutional transformation did not involve legal or constitutional change but was based only on an administrative understanding. The concept did not alter accountability arrangements and the doctrine of ministerial responsibility. It was based on the premise that ministers set policy to be implemented in agencies headed by a Chief Executive who would be accountable for operations to the minister. Each arrangement to deliver a government service or function at arm's length was underpinned by a framework document drawn up between

ministers, the parent department and the agency. This framework document spelt out the roles and responsibilities of ministers, agencies and departments.

There are now 138 agencies of varying sizes which employ over 75% of civil servants and providing vastly different functions (Cm 4273 1999). The reform has met with general cross-party approval (Treasury and Civil Service Committee (TCSC), 1994) and has not been significantly altered with the change of government (Cm 3889 1997).

There are conflicting assessments of the impact of agencies on government. Their introduction has raised normative questions concerning the degree of agencies' accountability and autonomy. In many cases the new agencies appeared to have worked well, for example, the Benefits Agency. However, the agency concept has been subject to criticism and has been associated with implementation difficulties and problematic relationships, most noticeably in the cases of the Prison Service Agency and Child Support Agency.

Key questions

The thesis will challenge two often cited beliefs about the agency concept. Firstly, that to understand the impact of agencies on the policy process it is necessary to focus on the relationship between ministers and agencies (see Massey, 1995 (a) and (b)). It will be argued here that it is the relationship between department and agency which is crucial (Smith et al, 1993). The report which introduced the agency concept was unclear about the formal role which should be played by departments (Ibbs Report, 1988) although their role subsequently became the concern of departments at the centre, the centre of departments, and in agencies (Efficiency Unit, 1991; Trosa Report, 1994).

The analysis here takes a more 'state centric' approach to analysing the policy process. It is argued that the relationship between departments and agencies is of key importance in any examination of the agency concept. Departments are said to be both the main site and source of policy change (Smith 1993). This is due to their informational advantages and comparative longevity (Rose 1989; Gains,

1999). The focus upon how 'policy makers' interact with 'policy implementers' primarily (although not always) involves examining how departments interact with agencies. This research will look at how to understand department-agency relationships.

Secondly, it is argued that political salience is the reason for difficulties arising in an 'arm's length' approach (Dudley 1994). This approach suggests that the agency concept would prove problematic because of the difficulty of separating policy and operational responsibilities in politically salient policy areas. The agency concept demanded a 'hands off' approach, where policy makers steer and do not row, whereas, the retention of the constitutional convention of ministerial responsibility meant that Ministers be accountable for all the actions of their departments and agencies.

Greer notes, "the first lesson from Next Steps is that public administration theory was right and that it is not easy to separate 'policy' and 'operational' issues particularly in politically sensitive areas which are close to the core of government" (1994, 78). Even in apparently non-sensitive areas Massey suggests "[e]ven those [agencies] with a genuine arm's length relationship with their ministers, however, only retain this for as long as it is in the perceived political interest of ministers to sustain it", (1995(b), 85). Further, Hogwood suggests the problems experienced by the Child Support Agency illustrate the way implementation itself can raise political problems, "[t]he distinction between politics and administration is not necessarily the same as that between policy making and execution" (1994, 77).

Thus, because of the maintenance of traditional accountability through ministerial responsibility, it was expected that in areas of high political saliency it would prove difficult to maintain an 'arm's length' relationship. Ministers would be likely to interfere in operational decisions. This would lead to confusion about the roles and responsibilities of ministers, departments and agencies resulting in problematic relationships and difficulties in delivering government goals.

This prediction appeared to be dramatically supported by the difficulties faced by the Child Support Agency (CSA) and the Prison Service Agency. The first Chief

Executive of the CSA, Ros Hepplewhite, resigned following several critical reports about the implementation of the Government's child support policies. Derek Lewis, the first Chief Executive of the Prison Service Agency was sacked by the Home Secretary, Michael Howard, following a critical report on the circumstances which led up to escapes from two high security prisons. Howard justified sacking his Chief Executive by saying the report indicated operational problems and did not criticise his Ministerial policy decisions.

Both these examples appear to illustrate the difficulty of imposing the agency concept on politically contentious areas of government. Both led to a clearly identifiable breakdown in relationships between minister, department and agency and to problematic implementation. Yet a number of features suggest this analysis, although accurate, provides only a partial explanation. The research will suggest a more complex approach. Firstly, some areas where a high level of politicisation was expected have not produced difficult relationships, for example the Benefits Agency. Secondly, politicisation may occur, not because of the policy area, but because of the relationships between agencies and departments.

The theoretical framework used to address these questions is that of power dependency and the concept of policy networks within a historical institutionalist approach. It is argued that the introduction of agencies was path dependent with new rules and roles overlaid on traditional understandings of the rules of the game. The new institutional arrangements led to a transfer of resources from departments to agencies. The change in the distribution of resources in central government caused by the move to agencies in government has altered power dependent relationships and has led to the creation of new department-agency networks. The research will argue that policy outcomes, the nature of the success or failure of agencies in delivering services, depends on the nature of the relationships that exist between departments and agencies.

Relationships between departments and agencies vary greatly. In some, sections of departments have been hived-off more or less intact, and very formalised relations have been maintained. In others, agencies have been created and the nature of the relationship has been much more open to negotiation. Heclo and

Wildavsky (1981), and, more recently, Thain and Wright (1995), stress the importance on the policy process of strong inter-personal relationships and a sense of shared culture in 'intra-state' relationships between central and spending Departments. Reports by Fraser (Efficiency Unit 1991), Trosa (1994), and Massey (1995) highlight the importance of the relationship between parent departments and agencies, note tensions and recommend measures to encourage shared culture and values. This thesis will argue that, for the new agency-department relationships to work well, there have to be established institutional links, some sharing of values and culture and an agreement on goals and outcomes. Where this has occurred department-agency networks are able to manage the tension caused by the policy operational split in the agency arrangements.

This research will assess the impact of the development of Next Steps agencies on government, the nature of the relationships that have developed between agencies and departments and the success of agencies in delivering departments' policy goals. The key argument is that it is the nature of the relationships between agencies and departments and not the political saliency of the policy area which affects the success of the agencies in delivering policy.

Outline of the Thesis

Chapter two will review the literature on agencies. Initially the chapter will examine the introduction of agencies into government. This highlights how the concept of agencies drew on existing constitutional practices (relying on hierarchical relationships), and from principal agent theory (introducing an arm's length relationship). Next the literature on agencies is surveyed to seek to guage the extent and nature of change. This assessment suggests uncertainty as to the impact of agencies on government and also indicates gaps in the literature. Firstly, a lack of focus on and understanding of department-agency relationships and secondly, that existing explanations do not account for why some relationships have worked better than others. The final part of the chapter makes an analysis of existing approaches in the literature. The chapter will conclude by suggesting empirical work to address the questions identified above needs to provide a

disaggregated account, to take a state-centric approach and requires a more theoretically-driven analysis of power.

Chapter three will outline the chosen analytical anchors for this study. It argues that the idea of resource dependency and policy networks are helpful in addressing the questions raised in Chapter two. It will discuss how these approaches can be applied and how to deal with critiques of the concept of policy networks. This will point to the need to link these meso level theories with historical institutionalism at a macro level, the use of a multiple case study methodology and the need to address empirical material thematically. The chapter concludes by drawing attention to questions raised about the theory which empirical work may be able to address.

Chapter four will look more closely at the context of the introduction of agencies into government drawing on the ideas of historical institutionalism. It will examine the role of the Next Steps Team, the Treasury and the departmental responses of the three departments studied in this research, the Department of Social Security (DSS), the Department of Trade and Industry (DTI) and the Home Office. This chapter will examine how dependency between actors in the core executive operated in the introduction of agencies. It suggests 'path dependency' in the development of the agency concept. Both the existing institutional arrangements and departmental contexts influenced the formal and informal arrangements established to manage the department-agency relationships.

Chapter five will examine the agencies chosen for the multiple case study and their goals. Before the case study agencies are presented there is a discussion on how to identify the goals of an agency and assess their saliency. The seven chosen agencies are introduced, setting out their key features (size, and type), their organisational history and the saliency of their goals. In concluding, similarities and differences between the saliency of the agencies' goals and the extent to which there was goal agreement will be assessed.

Chapter six will explore the changing distribution of resources introduced through the introduction of agency arrangements and the dependency this creates between ministers, departments and agencies. Initially the impact of the changed institutional

arrangements on the distribution of resources in government is discussed. This looks across the case study agencies in general to examine who holds what resources and who needs what resources following agencification. This is followed by a case by case analysis of each department-agency dependency. This will make an assessment of the level of this dependency on a continuum from low to high.

Chapter seven focuses on the processes of exchange between ministers, departments and agencies and at how the dependency relationship was managed. Initially looking at all the case study agencies it examines the influence of formal arrangements set out in the framework documents, of departmental procedures, and cross-governmental initiatives. Informal networks and role understanding are also examined. Then a case by case analysis examines the way each department and agency manage their relationship in practice.

Chapter eight explores what kind of department-agency networks have been established and how these networks impacted on outcomes. It takes information from earlier chapters, on agency goals, history, dependency and processes of exchange with parent department and links this with the Marsh and Rhodes typology of network characteristics, (1992a, 251). It addresses whether fieldwork in the case study agencies supports the expectations of the multiple case study and provides support for the idea that network characteristics are linked to successful implementation. It concludes by examining in what other ways department-agency networks can be seen as impacting on policy outcomes.

The conclusion sets out the key findings of the research. It addresses the question of what has been the impact of agencies on government, how can department-agency relationships be understood, and why do some work better than others. It argues that the introduction of agencies into government must be seen as path dependent. New institutional arrangements were superimposed on existing formal and informal understandings. This created a tension between the administrative goal of agencies operating at arm's length and the continuation of traditional accountability arrangements.

The new arrangements altered the rules of the game, the roles participants were expected to play and the distribution of resources in central government. The changed distribution of resources led to the formation of power dependent bureaucratic networks between departments and agencies. Where these networks were well integrated agencies were successful in implementing government goals because they had a shared view of the policy problems faced and how to solve them. The final section of this chapter discusses the implications of viewing department-agency relationships as networks for using the theoretical framework, for policy making in the core executive and for normative questions of agencies' governance.

CHAPTER TWO

FROM HIERARCHY TO CONTRACT - CHANGING RELATIONSHIPS IN GOVERNMENT

Introduction

It is over ten years since the first Next Steps agencies (NSAs), operating at arm's length from departments, were set up in government. The introduction of agencies has radically altered the structural and cultural geography of central government, yet there has been surprisingly little empirical work assessing the impact of agencies on government and the policy process. This chapter looks at the introduction of agencies into government, at questions raised by the change and at how the existing literature on agencies addresses these questions.

This chapter is in three parts. The first part sets out the context of reform. It begins by outlining the pre-existing traditional relationships in Whitehall which were underpinned by constitutional theory. It then sets out the agenda for change. Next, the chapter looks at how the agency concept was received in Whitehall, and how ideas stemming from contemporary management theories were applied to the delivery of government goals.

The second part of the chapter examines the literature on agencies to make an assessment of the extent and nature of change. This assessment suggests inconclusive evidence about the impact of agencies on relationships in government and on the policy process. This section of the chapter highlights two questions not addressed in the literature: firstly, how can relationships between departments and agencies be understood and secondly, why some of these relationships have worked well and others have been problematic, leading to implementation difficulties.

The final part of the chapter analyses existing approaches in the literature. It examines the bureau shaping approach, classifications of agencies and empirical

work on agencification. It is argued that there are problems in using existing approaches to address the questions above. The chapter concludes by arguing for an analysis which takes a disaggregated approach, which acknowledges the state-centric nature of relationships and which sees power as relational.

The Context of Reform

The British system of government is often described as a centralised unitary state (Campbell and Wilson, 1995; Smith, 1999a), involving notions of parliamentary sovereignty, cabinet government and a neutral and permanent civil service. In fact two (maybe more) differing models are discernible within this overall constitutional picture. Before looking at the agenda for reform through the introduction of agencies, these models will be outlined, as they illustrate the underlying normative principles and practices of traditional relationships in government. These principles and practices have been linked to the hierarchical structure of government which was said to have existed pre-agencification.

Traditional relationships in government

The 'Westminster model"

The first is what might be called the Westminster model stemming directly from constitutional theory (Smith, 1999a; Rhodes, 1997). This places the sovereignty of Parliament at the centre of the analysis, acting to legitimise and scrutinise the actions of the executive in carrying out the wishes of the electorate expressed through the electoral mandate granted to the majority party. This is an idealised conception which relies on the unwritten constitution and is strongly normative placing a high value on the notion of representative democracy. Broadly, the role of Ministers is to carry out manifesto promises under the scrutiny of Parliament and supported by a permanent and neutral bureaucracy. The doctrine of ministerial responsibility underpins executive accountability to Parliament (Drewry, 1994). The role of civil servants is to advise on policy options, to implement and carry out policy choices and to facilitate the provision of information to enable Ministers to account to Parliament for their actions and for the actions of their departments. Hence, the

hierarchical and command nature of the traditional departmental structure. Dowding suggests this provides the appropriate structure to fulfil the Weberian ideal bureaucracy prioritising the values of equity and accountability (Dowding 1995a). Power in this idealised model is seen as a zero sum game, in which ministers have the power to control and command bureaucrats implementing their policy choices.

The accuracy of the Westminster model as a description of how the policy process works has been subject to extensive critique. Empirical studies of the policy process have indicated that Parliament does not have a powerful role in the policy process due to the strength of party whips and the rise in government activity. Most accounts locate power as lying with the executive and examine power relations between Prime Minister and cabinet (Smith 1999a). Nevertheless, Judge argues that the role of Parliament is important, acting as an normative standard and having a symbolic importance (Judge 1993). The importance of the 'Westminster model' is primarily through legitimation and the authority it lends to the concepts of accountability to Parliament and ministerial responsibility. These concepts, it is suggested, are important when looking at both more realistic conceptions of how central government operates and when making an assessment of the changes introduced by Next Steps.

The 'Whitehall model"

The Whitehall model presents a more realistic conception of the relationships in central government. It suggests a less active understanding of the role of Parliament in the policy process and a more interactive relationship between ministers and civil servants. This is the view that Rhodes suggests members of the executive, senior opposition politicians and senior civil servants hold of themselves (Rhodes 1997). It is typified in the accounts of retired civil servants of their role (Chipperfield 1994; Kemp 1998, 6 - 7). It is the model on which many public administration and political science accounts are based, developing out of critiques of the 'Westminster model' (Barberis 1995; Wilson and Barker 1993; Foster and Plowden 1996). It shares many understandings of the constitutional aspects of the Westminster model such as the acceptance of majority party government and of ministerial responsibility and accountability to Parliament. Judge argues "The belief that a minister alone is in some sense responsible for the performance of an

administrative department is the principle around which the British central state has been organised and around which the relationship between elected representatives and non-elected bureaucrats has been defined" (Judge 1993, 135). The Whitehall model, however, places less emphasis on the importance of the role of Parliament. Greater emphasis placed on the power and responsibilities of government and the need for strong government to as the guardian of the national well being. This leads to a subtle difference in how the civil service role is perceived.

The Whitehall model, sees senior civil servants as playing much more of an active role in the policy process. Departments and civil servants are seen to be more powerful because of their ability to mobilise resources to implement policies, and their command over information, given their comparative longevity in office (Rose, 1991). This permanence means it is the civil servants who transmit the cultural rules and norms of behaviour (Chipperfield 1994). Although their role is informed by the Haldane principle of neutrality, it is expected they will provide 'highly political' if impartial advice (Wilson and Barker 1993). Thus they are described as 'policy partners' (Judge 1993, 147; Wilson and Barker 1995, 132), as being able to speak truth to power (Barberis 1995) and as acting as a ballast to the state (Foster and Plowden 1997).

In return for neutrality, confidentiality and loyalty to the serving Government, civil servants traditionally demanded anonymity (Pitt and Smith 1981, 27; Public Service Committee 1996, v). It was ministers, not civil servants, who were accountable to Parliament. Thus, in the Whitehall conception, although the role of civil servants in the policy process is acknowledged to be more pro-active, an acceptance of the doctrine of ministerial responsibility is maintained and it is the role of minister to be the ultimate policy-maker. Judge suggests, "[a]s long as officials sustain the belief in public that they are 'advisers' and ministers alone are the decision-makers accountable to Parliament, then the link between Whitehall and Westminster continues to flow through the political head of a department" (Judge 1993, 153).

This acceptance of the doctrine of ministerial responsibility, as in the Westminster model, leads to an understanding of the need for hierarchical relationships to facilitate the upward flow of accountability and down-ward flow of command (Pitt

and Smith 1981, 64). The convention of ministerial responsibility requires departments and officials to ensure that information is funnelled through a progressively narrowing hierarchy not only to facilitate the provision of information to Parliament but also so that problems which might embarrass the Minister or harm the Government can be identified and dealt with.

In this way the constitutional and normative components underpinning the Whitehall model have been related to the structures of departments. Although not reflecting all departments across Whitehall (Pitt and Smith 1981 64; Hood, Dunsire and Thompson 1978), the traditional hierarchical pyramidal structure is said to have developed to facilitate a command relationship to support the doctrine of ministerial responsibility (Dowding 1995a). These components inform understandings of the roles to be played by ministers and civil servants and the rules surrounding their interactions. As Smith argues "[b]oth the analysis and operation of central government has been underpinned by a set of principles that have been reinforced by historical practice" (Smith 1999b, 96). However these components of the 'Whitehall model' also became subject to criticism and challenge (Wilson and Barker 1993; Smith 1999a). Questions about the role of bureaucracy, exogenous fiscal pressures and the application of management and organisational understandings to the study of government contributed to the development of a reform agenda.

The reform agenda

Next Steps agencies followed on from several initiatives designed to address perceived weaknesses in the operation of central government. The antecedents for reform, culminating in the establishment of agencies, stemmed from ideological, economic, theoretical and circumstantial pressures for change. These will be briefly outlined before focussing on the introduction of the agency concept.

At both ends of the political spectrum, the role of civil servants has been subject to criticism which led to attempts to reform the civil service (IPPR 1991; Dowding 1995a). The diaries of Labour Ministers in the sixties and seventies cast doubt on the impartiality and facilitative nature of Whitehall Mandarins. These critiques are

said to have influenced the Labour government in setting up the Fulton Committee in 1968 (Drewry 199,: 586). The Fulton Report drew attention to the need for greater management skills and called for greater flexibility in recruitment (Cmnd 3638, 1968). It also suggested the 'hiving off' of some government functions to executive agencies along the Swedish model, and a small number of departmental agencies such as the Property Services Agency and the Procurement Executive were established. The elitism of officials at the top of the civil service in thwarting the proposed reforms (Kellner and Crowther-Hunt 1979) added to ambivalence on the left about the existing 'Whitehall model' orthodoxy and the traditional role of civil servants operating under the Haldane principles.

On the right, Mrs Thatcher was said to have been influenced by critiques of bureaucrats as budget maximisers (Niskanen 1973; Christoph 1992; Dowding 1995a). These views, coupled with an ideological commitment to roll back the frontiers of the state led to an agenda, following the Conservative Government's election in 1979, which sought to curb the public sector and with it the influence of civil servants and their vested interests. Throughout the public sector, the discipline of the market was brought to bear, and where Government had to deliver (through statute or choice) private sector management techniques (such as the Financial Management Initiative, FMI) were introduced to improve efficiency (Pollitt 1990). Fiscal, economic and demographic pressures during the late seventies and eighties added to the pressure to eliminate waste and inefficiency in bureaucracy, "manpower reductions were now seen both in terms of economy and in the context of re-drawing the boundaries of the state" (Butler 1993, 397).

Following the election of the Conservative administration in 1979, Margaret Thatcher appointed Sir Derek Rayner (now Lord Rayner) to undertake efficiency scrutinies which illustrated the scope for efficiency savings and ultimately led to a White Paper, 'Efficiency and Effectiveness in the Civil Service' and the development of the Financial Management Initiative (FMI), (Cmnd 8616, 1982). The report suggested all managers should have a clear view of objectives and measure outputs in relation to objectives. They should have responsibility for making the best use of resources involving a critical scrutiny of output, value for money and information about costs. There should be training and access to expert advice to

enable managers to exercise these responsibilities more effectively. The FMI led to the introduction of financial management systems so that responsibility for operational decisions was matched where possible with authority to commit resources.

At the same time, the public administration and public policy literature, drawing on theories about implementation, rationality, organisational and cultural behaviour, drew attention to the complexity of bureaucratic activities and the inadequacy of hierarchical command as either a mode of operation or as an expression of reality (Ham and Hill 1997; Rhodes 1995; Dunsire 1995). The influence of this work, as well as increasing familiarity by civil servants with management techniques and applications through earlier reforms like Fulton, Management by Objectives (MBO) and the FMI, led to an internal constituency for change. The Next Steps reforms were welcomed by civil servants because they acknowledged frustration and reflected a more realistic way of delivering public services (Goldsworthy 1991, 7; Dowding 1995a, 105). It is suggested that the juxtaposition of these exogenous economic and ideological pressures and internal readiness for change are important in understanding the context of the introduction of agencies and, more importantly, why agencies became so entrenched in government.

Introducing the idea of agencies

The idea of NSAs was proposed in a report to the Prime Minister by the Efficiency Unit, most commonly referred to as the Ibbs Report (after the Head of the Unit, Sir Robin Ibbs) (Efficiency Unit, 1988). The commissioning of the report was reportedly due to the Prime Minister's disappointment that existing measures to improve efficiency in central government were not proving fruitful (Hennessey 1988). The 'Ibbs' Report was written by a small group of officials working within the Efficiency Unit following a ninety day scrutiny (Thain and Wright 1995; Goldsworthy 1991). It was completed and shown to the Prime Minister in March 1987. The report, reputed to be critical of the extent of progress in management reform, was very sensitive, coming a few weeks before an election. The report was approved but ordered to be kept secret by Mrs Thatcher until after the election (Hennessey 1988). This original version was said to have made radical recommendations

proposing extensive devolution of finance and personnel functions and a change in constitutional practice to move away from the doctrine of ministerial responsibility (Hennessey 1989). These recommendations led to resistance from the Treasury, ministers and departments. The final report together with the government's intentions was not presented to Parliament until nearly a year later in February 1988. In the interim the recommendations of the original report had been subject to delay, intense negotiation and change.

The proposed changes to accountability and the doctrine of ministerial responsibility alarmed the Prime Minister, a noted parliamentarian, and some ministers (Hennessey, 1988, 621; Zifcak, 1994, 72; Walker, Times, 14 July 1994). Ministers had been involved in discussions in October 1987, before final negotiations between Sir Peter Middleton and Robin Butler, the incoming Cabinet Secretary, on finance and accountability arrangements. Changes to accountability in the final version were far less extensive than had been mooted. (Hennessy, 1988).

The Treasury was deeply suspicious of the potential impact of devolution and its consequent effect on public finances (Butler, 1988; Metcalfe and Richards, 1990; Chapman, 1997). It felt agencies would push for resources and undermine expenditure controls (Zifcak, 1994, 71). Departments sought to take advantage of the chance to gain more control and Zifcak reports that discussion about the devolution of responsibilities was "soon sucked into the vortex of Treasury - department relationships" (Zifcak 1994, 71). After these negotiations very little change in the existing financial arrangements was agreed, Hennessey concluded "The centre had not yielded one ounce of real power to the periphery" (1988, 621). The Treasury negotiated to retain its control over the scrutiny of public expenditure and demanded the right to scrutinise candidates for agency status and to be involved in establishing the policy and resources framework (Zifcak 1994, 82).

The difficulty of winning departments over to the ideas in the Efficiency Units original report represented a further hurdle. Departments perceived the Next Steps agenda to be tied up with cutting the size of the civil service (Zifcak 1994, 71). Zifcak's assessment was that departments fought off this agenda and pushed for

the Next Steps project to be about management improvement and not fundamental structural change to the shape of the civil service.

After final negotiations between the Efficiency Unit Team, the Treasury and departments, the report went to back to a cabinet committee early in February 1988 and was formally ratified on the morning of the announcement to Parliament (Burch and Holliday 1996). The intention to set up executive agencies was announced on 18 February 1988 when the 'Ibbs Report' and its main recommendations were accepted in an announcement by the Prime Minister to the House of Commons (Hansard 18 February 1988).

The Ibbs Report

The Report identified obstacles in the drive to improve management in Government relating to structural (i.e. formal organisation and rules) and cultural (i.e. perceptions of roles rules and responsibilities) features of the 'Whitehall model' outlined earlier. The report argued that the current organisation of the civil service was geared towards prioritising its policy responsibilities to Ministers to the neglect of the management of service delivery and an emphasis on the outcomes of public services. These cultural and structural features arose because the attention of those at the top of the hierarchy focused on their policy responsibilities to Ministers sending a signal throughout the civil service as a whole. This focus was not misplaced, it was the priority that ministers demanded and "the ability of Ministers supported by their senior officials to handle politics and political sensitivities effectively is a crucial part of any government's credibility" (Efficiency Unit 1988, 4). However the present framework meant "a proper balance between policy and delivery is hard to achieve" (1988, 3).

The scrutiny team identified confusion in the roles of ministers and permanent secretaries over responsibility for better management in the civil service suggesting that ministers were overloaded and could do no more than set a broad lead in this direction. Finally, the report suggested that the civil service could not deliver its many and diverse functions under a single (hierarchical) model and recommended that, "Agencies should be established to carry out the executive functions of

Government within a policy and resource framework set by a Department" (Efficiency Unit, 1988 2). The report proposed changes to the roles of actors in government and to accountability arrangements.

Changing roles

Under the agency arrangements, ministers (guided by their permanent secretaries) would remain responsible for making and setting the policy framework and accountable to Parliament, enhancing these traditional roles through greater focus and clarity on these tasks and a reduction in the distractions of implementation management.

For departments, the arrangements heralded a far greater change in their responsibilities (Zifcak, 1994). Departments were to have two roles, the traditional policy role offered to ministers (policy development and evaluation) and, "managing or influencing the delivery of government services" through the definition of the policy and resources framework, (Efficiency Unit, 1988, 10). Thus departments' current responsibilities for, and oversight of, policy implementation would transfer to agencies. This demanded new and changing roles for civil servants adding skills in setting and monitoring the framework within which agencies were to operate to their traditional roles of advising Ministers. Sir Peter Kemp, the first Next Steps Project Manager described the implication for Departments as a "move from management by command to one of management by contract" (Kemp, 1990 28). The report stressed however that the successful operation of agencies depended on departments ensuring "politically sensitive issues being handled sensitively", (Efficiency Unit, 1988, 11) in order not to undermine the operational freedom of agencies.

In the new agencies, chief executives were to be responsible for the execution of policy, accountable to ministers through responsibilities outlined in the Agency Framework Document and annual performance targets. Within this framework, the management of the agency should have as much freedom as possible. Like all agency staff, chief executives would remain civil servants (Goldsworthy, 1991). They would not necessarily be recruited from within the civil service, however, or be paid civil service rates, and were to be appointed on fixed term contracts. Unlike

traditional civil servants, chief executives were expected to have a higher profile and would be given "personal responsibility" for achieving results and "must be seen to be accountable for doing so" (Efficiency Unit 1988, 10). Thus the role of chief executives indicated a fundamental shift from the 'Haldane' principles of anonymity and permanence and become one of the most closely observed features of the changes introduced by agency status.

Changes to accountability

When published, the Ibbs Report suggested that the creation of agency chief executives with responsibility for operational issues would require an extension of accountability arrangements, a diminution of the concept of ministerial responsibility and an acceptance of the fact that ministers could not know every operational detail. The report argued that these changes might require legislation. The proposed changes to accountability conventions were set out in an annex to the report, written by Sir Kenneth Stowe who was on secondment to the Cabinet Office.

Annex A proposed that the extent of changes to accountability arrangements would depend upon whether the agency was part of a department or free-standing. For agencies which remained part of government departments, ministers would be accountable for policy and ultimately operations, but what was required was "the establishment of a convention that heads of executive agencies would have delegated authority from their Ministers for operations of agencies within the framework of policy directives and resource allocations prescribed by Ministers" (Efficiency Unit, 1988, 17). Agency chief executive heads, just as with existing officials, could give evidence to select committees about their operational responsibilities. Members of Parliament (MPs) would be asked to write directly to agency or local managers on operational matters. Thus this account of how accountability would work under the 'convention', required an acceptance of the distinction of policy and operational matters upon which the 'Next Steps' philosophy relied. Where agencies were formed outside government, appropriate forms of accountability would need to be established as was the case in other areas of the public sector and this would require legislation.

The government's 'Next Steps' policy

The government's Next Steps policy stated "[t]o the greatest extent practicable, the executive functions of Government should be carried out by units clearly designated within departments and referred to as agencies; the functions of each agency would be carried out within a policy and resources framework set by ministers" (Kemp 1990(b), 188). At a press conference after the presentation of the Ibbs Report to Parliament, it was made clear that the idea of setting up Next Steps agencies to operate at arm's length would not alter the doctrine of ministerial responsibility (Hennessy, 1989, 621). Paragraph 23 of the Ibbs Report, which suggested an across the board legislative change to accountability arrangements, had not been accepted by the Government, (Treasury and Civil Service Committee, HC 494, 1998, 13). Accountability through ministerial responsibility would remain unchanged, but would be buttressed through a 'conventional understanding' that chief executives would have delegated authority from their ministers for agency operations (Efficiency Unit, 1988, Annex A). This reflected both politicians' concerns about accountability but also battles with departments about the extent to which the Next Steps project would lead to agencies outside departments and hence new and statutory accountability procedures.

Burch and Holliday argue the Next Steps policy was driven by a small number of officials at the centre backed by the endorsement of the Prime Minister (1995, 230). Yet at the same time, because of the involvement of cabinet ministers in the autumn of 1987, which prompted further protracted and difficult negotiations, Zifcak argues the policy process was politically driven (1995, 72). The Treasury and departments all had a strong influence in the details of the arrangements for financing and accountability. The multiple parentage of the policy as it developed reflects the complex bargaining which took place over the allocation of resources and effect on roles. The collection of ideas that came to be presented as the 'Next Steps' concept can be seen to reflect the debates and compromises during this gestation period.

Key features of the agency concept

The agency concept is built on two key features. Firstly, a separation of policy responsibilities from operational responsibilities. Metcalfe suggests this was to emulate the divide between strategic management and operational management in contemporary management prescriptions (Metcalfe 1993, 361). Greer suggests that the premise was drawn from agency theory whereby contracts are introduced in order for the principal (or purchaser) to control the agent (or provider) (Greer 1994, 13). The introduction of quasi-contracts set out in Framework Documents was seen as addressing the 'myth' of ministerial responsibility and aimed to make more transparent the links in the accountability chain which had previously been quite obscure (Davis, 1994). The use of framework documents invoked a move from hierarchical relationships to a 'core periphery' model (Metcalfe and Richards 1990), or a more federal service (Goldsworthy 1991, 3).

Secondly, however, the arrangements maintained an acceptance of the sovereignty of Parliament (Hansard 19 February 1988). Although the new arrangements sought an extension of the processes of accountability to encourage chief executives to take personal responsibility for the performance of agencies, ultimately it accepted that ministers were responsible for policy, and that "[f]or agencies which are government departments or parts of departments, ultimate accountability for operations must also rest with ministers" (Efficiency Unit, 1988, Annex A). Thus the existing constitutional principles including that of ministerial responsibility, were to be undisturbed.

For agency protagonists, these two features would improve both the operational and policy making functions of government. The creation of agencies under the visible leadership of a Chief Executive would enhance the priority given to management issues and encourage a more customer-orientated service. At the same time, Ministers would be freed to concentrate on policy making yet would remain under parliamentary scrutiny.

This appeal to constitutionality was essential to meet the critique of the 'Whitehall model' by parliamentarians on both the left and the right. The reforms offered the

possibility for more explicit democratic control, satisfying a left agenda, and financial control appealing to the right. At the same time the rationality and transparency of the operating arrangements designed to deal with overload appealed to ministers and civil servants. It maintained the legitimacy of ministers' involvement at all levels whilst stating this should not be necessary. It addressed issues raised by academic observers about the problems of implementation which recognised the diversity of government functions and the relevance of organisational and management theories when seeking to improve delivery.

The reform sought to introduce a 'quasi-contractual' relationship whilst at the same time maintaining the constitutional conventions of ministerial accountability and responsibility. This compromise is the reason for the widespread acceptance of the Ibbs reforms. The proposals appeared to satisfy each constituency for reform. The juxtaposition of the ideas of ministerial accountability and responsibility and the separation of policy and operational decisions was, however, seen by many as the fault line that ran through the agency concept (Theakston, 1995). It was thought it would cause irreconcilable difficulties in implementing the agency concept in practice. The accuracy of this analysis is discussed below.

The Extent and Nature of Change

The second part of this chapter examines the literature on agencies to try to build an assessment of the extent and nature of change introduced by agencification. Initially the development of agencies in departments is described.

The development of agencies in government

In the summer of 1987 departments were approached and asked to nominate candidates and by October 1987 12 candidates had been identified[1]. At the launch of the report in February 1988, Peter Kemp was appointed as the project manager

[1] Vehicle Inspectorate; Driver and Vehicle Licensing; Companies House; Employment Service; Meteorological Office; Non-nuclear research Establishments; Passport Office,; HMSO; Historic Royal Palaces; Royal Parks; QE II Conference Centre; Resettlement Units.

working with a small team of officials in the Cabinet Office. At a Treasury and Civil Service Committee enquiry into Next Steps in May 1988 Peter Kemp expressed the hope that 75% of the Civil Service would be in Agencies in 10 years (Cm 524 1988). The first agency, the Vehicle Inspectorate was launched on 1 August 1988, the second, Companies House, on 1 October 1988.

As part of an agency's establishment, a 'prior options process' examines whether the function should be abolished, privatised, market tested, contracted out or is suitable for agency status[2]. Subsequently the operating arrangements are set out in a Framework Document which specifies: the aims and objectives of the agency; its relations with Parliament, ministers, the parent department, other Departments and other agencies; its financial responsibilities; how performance is to be measured; and the extent to which personnel functions such as pay, training and industrial relations are delegated (Greer, 1992, 89 - 90).

Hogwood indicates the variety of organisational histories of the agencies and argues "Any idea that Next Steps agencies are only about carving up separately identifiable executive tasks from previously monolithic departments should be abandoned immediately" (Hogwood 1993, 6). Departmental structures did not reflect the hierarchical and pyramidical structure depicted by the 'Whitehall model'. Nationalisation, organisational changes in departments (including 'hiving off' in response to the Fulton Report, and the creation of 'departmental agencies' with a degree of autonomy in finanacial and management matters) as well as the existence of departments not headed by ministers, led to a more complex organisational picture pre agencies (Tirvey 1973; Pitt and Smith 1981; Hood, Dunsire and Thompson 1978).

The development of agencies reflected this diversity. Some agencies represented pre-existing divisions within departments, such as the Benefits Agency, or the Prison Service Agency, others represented smaller or specialist functions, like the Laboratories and the Fire and Civil Service Colleges. Only one, the CSA (and its Scottish and Northern Irish counterparts) was created from scratch to provide the

operational arm to service new legislation undertaking a fundamentally new type of operation. Departmental attitudes to the reform process are said to have been important in how quickly agencies were established (Flynn et al, 1990, 167) and in how they formed and developed (Greer 1994; IPPR 1991, 29; Gray and Jenkins 1993). In some cases, for example in the Department of Transport and the DSS, the initiative promoted an organisational change already favoured,. Other departments were more reluctant (Flynn 1990, 167).

Over the following ten years the number of agencies and the consequent proportion of the civil service working in agencies gradually grew[3]. This was aided by the establishment of the three biggest agencies - the Employment Service, the Benefits Agency and the Prison Service – in 1990, 1991 and 1993 respectively. By 1997, the target of 75% of staff working in agencies had been reached and the first Agency Review undertaken by the new Labour Administration announced an end to the phase of agency establishment (Cm 3889 1998).

There was concern initially that, as agencies became more autonomous and business-like that the possibility for agencies to be a half-way house for privatisation was apparent (TCSC 1988, HC 494; TCSC 1989, HC 348). Nigel Lawson's memoirs indicate his initial response to the agency proposal was that it could provide a vehicle for preparedness to sell functions (Lawson, 1993, 393). The prior options process undertaken before establishing an agency was said initially to signify a decision not to privatise (Cm 542 1988, 7; Goldsworthy, 1991 19). However, following the election of the Major government in 1992, a shift in direction was signalled with the extension of market testing into central government and an announcement of an across-the-board intention to consider privatisation (Waldegrave Daily Telegraph, 2 June 1992; Dorrell Centre for Policy Studies, 23 November 1993; Gains, 1999). By the time of the 1997 election however, there were 137 agencies in operation and only a further 11 had been privatised (Next Steps Unit 1997). Although the new Labour government has changed its pre-

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[2] This prior options process is repeated, initially every three years now every five years and amalgamation is now included in the options to be considered (Cm 2627, 1994; Efficiency Unit 1994)

election anti-privatisation stance, there are no indications that privatisation is a primary policy goal (Foster 1996, 19; Cm 3889, 1998).

The impact of reform

Changes to departments

The Ibbs Report had huge implications for the organisation and work of departments and demanded a fundamental change in their role (Zifcak, 1994, 87). There has been little academic work examining the impact of agencification on departments. As Barberis points out, because of the focus on accountability and on development in agencies, "core departments have therefore been somewhat overshadowed by the twin towers of agencies and ministers" (Barberis 1993). Yet departments are the main source of policy and much of the routine day to day negotiating will happen between departments and agencies subject only to final approval by Ministers (Rose, 1987; Smith, 1999a).

Although academic attention has been scant, throughout the period of agencification, there was concern at the centre of government about how well departments were adjusting to the new arrangements and the relationships which were developing between departments and agencies. This concern prompted a series of official investigations and recommendations (Cm 1263, 1990). A follow-up report by the Efficiency Unit examined progress and made proposals on the relationship between departments and agencies (Efficiency Unit, 1991). The report (known as the Fraser Report) argued for greater delegation of responsibilities for Chief Executives. It identified the need for different types of relationships between departments and agencies depending upon an agency's function. It recommended the appointment of a senior focal point in each department for its dealings with agencies. This role came to be known as the 'Fraser figure'. The Report argued for the need for a re-assessment of the staffing requirements of core departments and suggested that a 25% cut was necessary given the loss of functions to agencies.

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[3] Appendix 1 shows the overall number of agencies established in each year, the number of agency privatisations and the proportion of civil servants working in agencies and along

This reduction in the size of departments was subsequently enforced, beginning with the introduction in November 1993 of a three year freeze on running costs and the expectation that each department would undertake a Fundamental Expenditure Review (FER). This was followed by two White Papers on the future of the Civil Service which envisaged a leaner, flatter management structure and required a review of management structures (Cm 2627, 1994; Cm 2748 1995). This led to a Senior Management Review (SMR) in all departments and, together with the FER resulted in changes to the structure of departments, a stripping out of grades and the creation of a new Senior Civil Service for the top officials at grade five and above including ACEs. The SMR resulted in staff cuts averaging 23 per cent (Parry, Hood and James 1997).

Over the ten years since the first agencies were established there have undoubtedly been enormous changes to the shape and size of departments. This effect is not uniform, however, and there are clear departmental differences. There are agencies in all departments although the Foreign and Commonwealth Office has only one, the Wilton Park Conference Centre, which is one of the smallest with only 37 staff. In contrast, the DSS has 98% of its staff in agencies including the biggest, the Benefits Agency with over 66,000 staff (Cm 4273, 1999). The extent of agencification within each department varies considerably both in comparison with each other and over time due to the effect of new agencies being formed and to privatisations and mergers (Cm 3579, 1997, Annex b). Given the extent in changes to departments since agencification and the importance of departments' roles in the policy process, the impact on departments and the differentiated nature of change requires further investigation.

Agency financing

Agencification has led to changes in the way operations are financed which over time have become significant. Agencies are financed in one of three ways (Cm 914, 1989; Cm 1904, 1993; Chapman, 1997). Agencies which cannot raise their own finance are funded through the supply procedure, operating under gross expenditure control with running costs fixed. This means they have little more financial freedom than that offered in pre-agency status although their accounts

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Next Steps lines.

may appear separately in the department's public expenditure survey estimate. Some agencies which can raise their own revenue, either from fees or charges, also operate as part of the supply procedure, but under 'net costs control'. This means the agencies are expected to recover their running costs and receipts and savings can be used to fund additional administrative expenditure.

One of the first tasks Kemp undertook after being appointed Next Steps Project Manager was to negotiate with the Treasury over how those agencies which could raise their own revenue could move towards 'trading fund' status and so allow far greater freedom. Trading funds are taken out of the vote system and are able to carry over profits one year with another, to build up reserves and to acquire assets, "a very commercial way of going about things but with parliamentary control" (Kemp HC 348, 1989, 13). The Government Trading Act 1990 introduced amendments to earlier legislation, permitting agencies to be established as trading funds with the agreement of the Treasury. This was the only formal piece of primary legislation which applied to the agency concept.

Pay and Personnel Delegations

Pay and personnel arrangements have also, over time, significantly changed. One of the key intentions of the Next Steps reforms was to move away from national pay bargaining (Kessler 1993, 334). Kemp argued "the whole object of Next Steps was to tailor the whole system better to get the job done and to recruit, reward and retain people at the appropriate level to do the job" (TSCS HC 481, 1990, 52). Since the first agencies were established there has been significant change in the extent of permitted delegation from virtually none at the outset to extensive currently. As the first agencies were established various flexibilities were possible including the use of bonus schemes on a group or individual basis. Kessler suggests these were not taken advantage of due to union resistance (1993). These flexibilities were extended by the Treasury in 1989 and again in 1991 to permit the possibility that agencies (and departments) could recruit staff below grade seven (Chapman 1997, 133). Since 1994 this delegation has not been optional but all departments and agencies must take responsibility for their own pay and recruitment for staff below grade seven (Cm 2626, 1994)

Appointment of Chief Executives

The appointment of ACEs through open competition and on fixed term contracts was one of the most closely observed features of the new arrangements and one which signified a radical break with previous personnel practices. The Next Steps Team always provides a breakdown of the number of internally and externally appointed ACEs in post, for example by 1997, of the 130 agencies in operation, 90 were appointed through open competition of which 33 were external, 54 internal and 3 military candidates. Twenty one others were internal appointments and there were 19 armed forces appointments (Next Steps Team, 1997).

Cultural changes

The encouragement of cultural change through the introduction of more business-like arrangements and the appointment of outsiders on fixed term contracts was one of the stated objectives of the Next Steps reforms, (Carter and Greer 1993, 407; Richards and Rodriques 1993, 35; Christoph 1992). Again, empirical work presents a variable picture. Some work suggests that a new managerial culture is apparent and embedded across the civil service (Mellon TCSC 1990; Metcalfe 1993, 355 – 369; Wilson and Barker 1995 140 – 3; Colville Dalton and Tomkins 1993, 562; Campbell and Wilson 1995, 298; Christoph 1992, 179).

Concerns were expressed in the academic literature about the effect of fragmentation and managerialism on the traditional ethos of the civil service (Greenaway, 1995; Chapman 1988, Barberis, 1995 113). The appointment of high profile chief executives both from within and outside the civil service was expected to have an impact on the role of the permanent secretary. The visibility of the chief executive was in stark contrast to the anonymity and invisibility expected of civil servants under the Haldane principles. Permanent secretaries would no longer be "monopolisers of channels of advice", but would have to take on a "policy orchestration role" facing the possibility of chief executives appealing straight to the minister (Barberis, 1995). It was argued this new role could lead to a loss of the institutionalised scepticism which characterised the 'Whitehall model' and less impartial and critical advice to ministers. Barberis feared that the utilitarianism of the Next Steps project "could have as one of its consequences the inculcation

among officers of a narrower, self-focussing rationality to replace the detached brokers of yesteryear" (Barberis, 1995, 114).

But the extent of cultural change is also questioned, (Barberis, 1995, 102: Greer, 1994, 101: Plowden, 1994, 48). Sir Peter Kemp, the sacked first Next Steps Manager has suggested that, "[a]t the centre, in Whitehall, old attitudes and the old guard prevails", Kemp, 1993). Empirical work with Chief Executives has found cultural differences between departments and agencies (Mellon, 1993, Massey, 1995). This was also identified by a second Government report (Trosa Report, 1994) examining whether the recommendations of the Fraser Report had been implemented. This found a cultural gap between departments and agencies and recommended improvements in the governance arrangements between departments and agencies. The report suggested for example, the establishment of ministerial advisory boards, better use of the Fraser Figure, and organisational remedies such as better mobility and networking between Departments and Agencies. As with work examining structural changes, the extent and impact of cultural changes presents a differentiated picture.

Changes to accountability and governance

The new operating arrangements provided for improved accountability through greater openness and information (Greer, 1995). Along with the framework document, agencies publish annual corporate and/or business plans containing their detailed plans for achieving the aims and objectives requested by ministers in their Framework Documents. Since 1991 Agencies were also required to produce an Annual Report giving information about how far they met their targets, their governance and financial arrangements (TSCS, HC 496, 1991).

Nevertheless, concerns were voiced by politicians and those concerned with constitutionality who foresaw an 'accountability gap' (Plowden 1994; Drewy 1994; TCSC, HC 494, 1988; TCSC HC 348 1989; Chapman, 1988). The agency concept altered traditional accountability procedures without providing the legal and administrative alternatives operating in other countries with 'arm's length' agencies, for example Sweden (Fry et al, 1988). The arrangements relied on acceptance of

the convention that Chief Executives would be accountable and responsible to the minister for their operational activities. In turn, the minister was accountable to Parliament under the convention of ministerial responsibility. The Next Steps philosophy, however, emphasised that Ministers could not be expected to know every administrative detail of the agencies' details - and indeed the point of Next Steps was to remove that responsibility, so Ministers could only remain accountable in the sense of giving information on agencies but would remain responsible for policy issues. This led to the question of how could the legislature hold Chief Executives accountable and responsible for their operational activities as a result of policy.

Parliamentary questions

The original Next Steps arrangements envisaged that MPs' parliamentary questions on operational matters would be diverted to Chief Executives for reply, offering an improvement in accountability as they would receive fuller, quicker and more informed replies (Efficiency Unit, 1988). This was felt unsatisfactory by many parliamentarians who used parliamentary Questions (PQs) in a symbolic fashion to seek the informal redress of grievance, generate media interest and research material (Norton, 1988;, Kaufman 1992, Guardian; Gains, 1990). This criticism became most vocal after the two big agencies involving a high level of correspondence about individual cases, the Employment Agency and the Benefits Agency, began operations in 1990 and 1991 respectively (TCSC 1990). Eventually concessions were made – initially a copy of Chief Executives replies to MPs were placed in the House of Commons Library (Cm 1263, 1990) and then the government announced replies would be published in Hansard (TCSC HC 390, 1992 207).

Agency accounting officers

The agency concept prompted a change in the accounting officer conventions[4]. The permanent secretary of a department is the principal accounting officer, but specific

[4] Accounting Officers carry a personal responsibility for the propriety and regularity of public finances for which they are answerable. An Accounting Officer has a duty to sign the accounts for which he/she is responsible and to answer questions about those accounts raised by the National Audit Officer or the Committee of Public Accounts. If an Accounting Officer believes a proposed Ministerial course of action would be improper or irregular or

responsibility for a defined area of the department's work can be assigned to an additional accounting officer (Chapman, 1998). The TCSC pointed out that if chief executives were given delegated responsibility for their budgets they should hold the same financial accountability as additional accounting officers (HC 494 1988). Their suggestion led to new proposals and subsequent legislation (the Government Trading Act), permitting agency chief executives (ACEs) to be appointed either as additional accounting officers or agency accounting officers depending upon whether the agency had its own vote or was a trading fund (Cm 914 1989). The accounting officer role provides ACEs with one mechanism for publicly acknowledging a ministerial decision to ignore their advice.

Chief executives attendance at and evidence to select committees

Agency arrangements have not changed the rules surrounding civil servants attendance at select committee hearings set out in the Osmotherly Memorandum[5] (HC 496, 1991 xxlll; Public Service Committee, HC 67, 1996). The TCSC and academic critics have argued consistently that the principle of ACEs attending select committees and answering for actions on their own behalf was essential to close the accountability gap (TCSC 494 1988; IPPR 1991; TCSC HC 390 1993; TCSC HC 27, 1994; Public Service Committee, HC 313, 1996). If ministers were not responsible for operational activities then who could be held to account? For critics, this resulted in a situation where Chief Executives would be unable to defend themselves against criticism and ministers could hide behind Chief Executives to avoid taking full ministerial responsibility (First Division, TCSC 1988; IPPR, 1991; Woodhouse, 1995 261). This was thought unlikely to occur in those agencies which were at some distance from the core of Government, such as the first 12

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does not provide an efficient and effective use of resources and that advice is overruled, their objections can be set out in an Accounting Officer Minute setting out the reasons for the objections and the Accounting Officer's duty to inform the Comptroller and Auditor General should their advice be overruled. If the Minister should proceed then a written instruction is sought, the Accounting Officer must comply but will notify Treasury and the Comptroller and Auditor General. This is recognised by the Committee of Public Accounts to absolve the Accounting Officer of their personal responsibility. In giving evidence to the Committee on such occasions the Accounting Officer will not disclose the terms of the advice given and the Committee would be expected to pursue the matter with the Minister (Next Steps Team, 1996, Annex D1-9).

agencies which were specifically picked as already operating at 'arm's length'. However all commentators agreed that there would be problems in implementing the agency conventions on accountability because of the difficulty of separating policy from operational matters in the bigger and more politically sensitive agencies.

The policy - operational divide.

There has been little work which looks at how the policy - operational split is working and how it has affected policy making. The main evidence comes from a follow-up to the Trosa Report which was commissioned by the Office of Public Service and Science (OPSS). The 'Massey Report' (Massey 1995(a)) looked at how agencies fed into the policy process. The Report found differential access to ministers and varying relationships with departments, related to the type of agency. The report, reflecting the dominance of the Westminster model as a normative and organising frame of reference, focuses on agencies' relationships with ministers. Whilst recommending ways in which relationships could be improved, overall it concluded that

> "[t]he agency system has not constructed a false distinction between policy and management, however, but rather allowed policy makers a proper perspective of the importance of implementation for achieving their aims, whilst freeing them of onerous administrative oversight (Massey, 1995 (a), 35)".

This positive perspective is not reflected in other work which voiced normative concerns about the potential for practical and political problems caused by the introduction of a policy operational split drawing on the experience of earlier attempts to hive-off services (TCSC HC 494, 1988; Hogwood 1994; Jordan 1994; Dudley 1994; Chipperfield 1994). An examination of the experience of arm's length control of the nationalised industries suggested there had been difficulties in the degree of interference by departments with consequent confusion over accountability. In giving evidence to the TCSC, Tirvey, an observer of the nationalised industries, suggested the problem lay in the belief that "the political or governmental level would provide the longer and wider view and the boards of the

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[5] The Osmotherly Memorandum stipulates that civil servants must not divulge details of advice given to Ministers in order to protect the neutrality and anonymity of civil service advice.

industries ... day to day management. As things turned out, the perspectives were often reversed" (HC 494 1988, 84). It was argued that ministers would be unable to stop interfering in operational areas, particularly in areas of political saliency where policy and operational responsibilities are hard to separate and where operational matters can become political concerns, "one of the lessons of the past twenty years seems to have been that the more politically sensitive a service is, the more difficult it is to give it independence or even quasi-independence from ministerial control" (Chapman 1988(b) 6).

Greer's research on the DSS seemed to confirm this caution, "the first lesson from Next Steps is that public administration theory was right and that it is not easy to separate 'policy' and 'operational' issues particularly in politically sensitive areas which are close to the core of government" (Greer 1995 78). In a subsequent analysis Massey agrees "Even those [agencies] with a genuine arm's length relationship with their ministers, however, only retain this for as long as it is in the perceived political interest of ministers to sustain it", (Massey 1995(b), 85).

It was argued that the impossibility of operationalising a policy - operational split would led to a blurring of roles and responsibilities which would undermine the agency concept causing difficulties in implementation (Dudley 1994, 38). For nearly all commentators this issue was seen as the biggest test of the agency concept. Metcalfe and Richards caution "[a]mbiguity is the stock-in-trade of politics and being specific about politically sensitive services tests the agency model to its limits and perhaps to destruction" (1990, 231). One former civil servant wrote, "this attempt to find a middle road between privatisation and politically -accountable department lacks a firm base in theory that would lead me to look optimistically at its chances of survival" (Chipperfield, 1994, 12). Most of the literature on agencies foresaw this type of problem arising with the establishment of the former operational arm of the DSS, the Benefits Agency (TCSC 1989, HC 348; Flynn et al 1990, 174; Greer 1995, 90; Woodhouse 1995, 252). However, fears about the political saliency of a policy area undermining the policy - operational split and causing problematic implementation of the agency concept appeared to be borne out by the problems faced by the CSA and the Prison Service Agency.

Implementation problems

The CSA is the only agency to have been established from scratch and designed to operate as an agency. It had a very clear operational framework based on new legislation which had gone through Parliament with all-party agreement. After only a few months of operation the agency was subject to severe and sustained media and parliamentary criticism. In particular it was severely censured by the Parliamentary Ombudsman for administrative failures (Parliamentary Commissioner of the Administration, 1994) and was the subject of a highly critical enquiry by the Social Security Select Committee (Social Security Committee 1994, HC 69). After only 18 months in post its first Chief Executive, Ros Hepplewhite, left her job. Perversely, she was criticised for over-identifying with the policy of her agency and thus encroaching on ministerial territory (Pyper 1995, 142; Public Service Committee, HC 313, 1996, 60) *and* at the same time was accused of placing too much importance in meeting operational targets and failing to respond to political pressures (Select Committee of the Parliamentary Commissioner for the Administration, 1995), although the latter was what in theory her Chief Executive role demanded.

A similar confusion of roles and difficulty in separating policy from operational decisions was also apparent in the problems facing the Prison Service. Derek Lewis, the first Chief Executive was unique in being the only Chief Executive to have responsibility for being the Minister's principal policy adviser written into the Framework Document, reflecting the need for close consultation. Following two high profile escapes of category A prisoners and the subsequent publication of a critical inquiry, Derek Lewis was sacked for operational failures, despite having the backing of the Prison Board. Michael Howard the Home Secretary argued there was no criticism of his policy role in the Inquiry. In retaliation, Lewis argued the Minister continually involved himself in operational matters, to the extent that he was unable to do the job effectively (Guardian, 17 October 1995).

These events appeared to confirm the difficulty of delivery through the agency concept in politically sensitive areas, "[w]hen operational decisions generate political storms or ministerial embarrassment, the Next Steps arrangements will

come under immense strain" (Theakston 1995, 137). Yet the argument that it is the saliency of the policy area which lies behind problematic implementation is difficult to sustain. Ros Hepplewhite and Derek Lewis's successors publicly have managed their agencies in the face of similar degrees of politicisation of the policy area; as have their counterparts in the Northern Ireland and Scottish agencies. The experience of the Benefits Agency also casts doubt on the idea that saliency undermines the policy operational split.

The Benefits Agency was established in 1991 and with over 90,000 staff is the biggest agency in government. Like the Prison Service it is a large, politically sensitive service, and one in which operational matters were impossible to divorce from policy. For example it administered the Social Fund where discretionary payments or loans, from a limited budget, were made to those on the lower incomes for essential household items. The Agency faced difficulties in the first year of its operations over the introduction of the Disability Living Allowance which had led to criticism from the Parliamentary Ombudsman and subsequently the Parliamentary Committee for Administration. These difficulties were noted by the Parliamentary Ombudsman to have been very similar to the problems subsequently faced by the Child Support Agency (Parliamentary Commissioner for the Administration, HC 135, 1994/95). The delay and distress caused to disabled people claiming the new benefit also led to a high level of parliamentary concern.

Its Chief Executive Michael Bichard described the difficulties with this issue as representing "a test" for agencies because of the political pressure he faced. "Clearly Ministers and the Department were concerned, wanted to be reassured as to why this had arisen and certainly wanted to know what we were going to do to sort it out" (TCSC, 1994, HC 27II, 240). Yet it appears that there was not the same confusion over roles and responsibilities as was apparent in the CSA and the PSA. Bichard continued "we were then left alone...I did not have the interference that I think some people thought that I might have had" (TCSC, 1994, HC 27II, 240). Bichard went on to become the first ACE, and outside appointment, to be promoted to Permanent Secretary.

These apparent contradictions suggest that in examining the introduction of the agency concept, implementation problems are not solely related to the difficulty of separating policy from operational responsibilities in politically salient areas of policy.

An assessment of change

Overall, the literature on agencies presents no clear picture on the extent, nature and impact of the reform. It is unclear whether the agency concept represents a fundamental change in relationships in government or not. For some, Next Steps does represent a change in the organisation of central government and of the accompanying governance structures. Greer concludes when looking at the DSS agencies that the development of agencies creates client-contractor relationships replacing traditional civil service hierarchies with vertical arrangements of reporting and control (Greer 1994). Lewis sees Next Steps as part of a shift from an older to a newer form of governance, a half way house between management by command and management by contract (Lewis 1993). For some, the establishment of agencies is another way in which the state has been hollowed out and has lost its capacity for action (Rhodes 1995).

Yet, Zifcak points out, that in the absence of legal or statutory change, the agency project relied on 'adjustments of mind' (Zifcak, 1995, 87) and for others, the new arrangements do not go far enough (Foster and Plowden 1996). At the Public Service Committee, Mather and Lewis argued that more contractual or legalistic arrangements need to be introduced to ensure radical reform (Public Service Committee, 1996, HC 313, 124 and 130).

The inconclusive and contradictory picture presented by an examination of the literature indicates a dis-aggregated picture of change. It also highlights two gaps in the literature. Firstly, the relative neglect paid to understanding departments relationships with agencies, given their prominent role in the policy process. Secondly, in accounting for why some relationships appear to have worked well whilst others have faced problems. These gaps in the literature are related to difficulties with existing approaches to the analysis of agencies in government.

Existing Approaches to NSAs

The third part of this chapter examines existing approaches in the literature to the analysis of agencies including attempts to classify agencies into typologies and the existing empirical work on agencies. Initially, however, a bureau shaping analysis is discussed.

Bureau shaping

Bureau shaping approaches developed from a critique of public choice accounts of bureaucratic behaviour. Rational choice theorists seek to apply economic models to political problems. Their premise is that it is possible to account for political phenomena by aggregating the individual preferences of self-maximising actors in much the same way as it is possible to model the economic decisions of consumers and producers and therefore identify the operation of markets. These preferences can be predicted and modeled until a causal relationship is identified. Public choice theorists used rational choice approaches to examine bureaucratic behaviour suggesting that self-interested bureaucrats sought to maximise their budgets and argued this led to the growth of the state (Niskanen 1971). These ideas were said to have influenced the Thatcher Governments' economic and administrative policies and provided the rationale to seek to curb public sector growth (Greer 1994).

Attempts have been made to adapt public choice theories to explain changes in central government, given controls on public expenditure during the 1980s and changes to organisational shape and structure. Dunleavy, in a critique and development of public choice arguments, suggested that the development of 'Next Steps' agencies was explained because, rather than seeking to maximise their budgets, bureaucrats sought to 'bureau shape'. They sought to protect their core budgets and a central office location. These preferences provided a better explanation of bureaucratic behaviour. (Dunleavy 1991, 202 - 3). This explained why NPM reforms like 'Next Steps', were accepted in central government. Dunleavy's work in developing a more sophisticated account of budget components is described as offering a better explanation of bureaucratic response to budgetary pressures (Dowding 1995a 87).

James developed this work to suggest that the growth of agencies in government is due to the bureau shaping activities of senior mandarins wishing to devolve responsibility for executive work whilst retaining the preferred policy analysis (James 1994). James further suggests that a bureau shaping explanation can be developed to explain the behaviour of senior agency officials, suggesting they also value "policy work time and high core budget level" (James 1995; 1994:451). Market testing, it is suggested, can be seen as a response by Treasury officials to the financial dangers of such agency bureau shaping (James 1995, 452).

The development of a bureau shaping model to explain the development and growth of NSAs has some advantages. It improves upon earlier and cruder assumptions about bureaucratic behaviour. The analysis of budget and agency types developed by James to test a bureau shaping approach is a helpful addition to various attempts to identify agency type and function (and will be discussed below). However there are empirical and methodological problems with the idea of bureau shaping.

Empirically, there are several challenges to the accuracy of a bureau shaping explanation. Thain and Wright argue the model is incorrect, as it is not possible for senior bureaucrats to seek to protect their core budgets because of Treasury controls. The model does not allow "for the complexity of the public expenditure planning and control system" (1995, 147). Dowding points out that bureau shaping did not predict the changes for senior policy making mandarins suggested by the proposals in the Continuity and Change White Paper (Dowding 1995a, 92). He also doubts the attractions of a central London location (Dowding 1995a, 83). Smith suggests it is possible to argue that it was not senior bureaucrats seeking to lose responsibility for executive work which accounts for the acceptance of agencies, rather it was politicians who sought to devolve responsibility for problematic political areas, thus avoiding the blame for policy failures (Smith 1996, 162). Finally, research by Marsh, Smith and Richards (forthcoming) indicates that, rather than passing on management work, as the bureau shaping model expects, senior civil servants are *more* involved in management and less in policy work now than previously. In addition they question the assumption that senior civil servants

prefer policy work to management work and argue that their empirical work indicates some civil servants enjoy management work and find it challenging.

This latter point links to methodological criticisms of bureau shaping as being deterministic and individualistic (Green and Shapiro 1996). Firstly, it is possible to be critical of the ontological premise that the values or preferences of civil servants are possible to identify, are fixed, and are self-maximising. Lowndes argues the preferences outlined are untested and preferences may vary (1996). Marsh, Smith and Richards (forthcoming) suggest public officials are motivated by the public service ethos and cannot be seen as motivated solely by self-interest.

Secondly it is possible to challenge the epistemological assumption that the preferences of individuals alone are causal factors in understanding events. In relation to bureau shaping, the focus at the micro level on one sole determinant of change, i.e. the self-maximising desires of bureaucrats, ignores the activities of other agents such as politicians. It also disregards structural factors such as the institutional, economic and ideological circumstances surrounding agencification. Although 'thick' rational choice explanations permit institutional values and norms to be included in the institutional rules of the game and thus link structures with agency, this questions the validity of simple causal models. If, for example, when examining changing relationships in central government, strong ethical and value codes or particular work incentives, were built into a causal model, this increases the number of variables and questions which are the key determinants of behaviour and outcomes.

There are, therefore, difficulties with the use of bureau shaping, empirically, and methodologically. Even if the self-maximising assumptions of the bureau shaping analysis were correct, this may not provide the only explanation for the growth of agencies. Moreover bureau shaping does not help to explain other features of agencification. Whilst bureau shaping can offer an explanation for the acceptance of the concept of Next Steps and the resultant growth of agency coverage, there are problems in the bureau shaping analysis per se or in using or adapting this approach to the questions outlined earlier. A bureau shaping analysis cannot explain the relationships which exist and have developed between agencies and

departments. It cannot account for differences in these relationships or where they work well and where they have not.

This is most starkly illustrated when looking at how a bureau shaping approach would fit with an examination of the Prison Service Agency and the Home Office. A bureau shaping approach would begin from the premise that senior mandarins would seek to establish the Prison Service Agency to undertake prison management whilst retaining prison policy work. Even a very cursory look at the circumstances of the establishment of the Agency indicate that senior civil servants did not want to see the Prison Service move to agency status but were under political pressure from the centre of government as well as pressure from the Home Secretary of the time to accept this status. Secondly, having agreed to move to agency status, the Framework Document built in a role for the ACE as principal adviser on prisons policy thus removing responsibility for prisons policy advice from the Home Office entirely. To understand how these decisions came to be taken requires a more contextual, historical and complex understanding than bureau shaping permits. A bureau shaping approach is therefore not helpful in examining the relationships which exist, the variation in relationships or the reasons why some relationships work better than others.

The difficulties of classifying agencies

A second approach to the analysis of agencies has been in attempts to identify agencies into typologies, and to link agency 'type' with: relationship with the parent department, (Efficiency Unit 1991; Trosa 1994), current and future development (Greer 1992, 1994) and (as mentioned above) bureau shaping by senior mandarins (James 1994).

The Fraser Report (Efficiency Unit 1991) suggested a link with agency type and the relationship the agency would have with their parent department. Mainstream agencies required the closest relationship, regulatory agencies were often self-financing, specialist agencies required a customer-contractor relationship and peripheral agencies were able to be conducted at arm's length. This classification

was accurate and descriptive but not explanatory. It does not identify what makes an agency mainstream as opposed to peripheral.

Greer developed a more sophisticated typology extending the list to eight main agency types, (welfare services, public service, regulatory, production, consultancy to other government agencies and outside organisations and leisure). These types are then categorised according to whether they have a monopoly over their market or not and whether they charge for services or not. She used this typology to analyse the first 32 Framework Documents, both for their aspirational statements and by the degree to which they have responsibility for personal functions and the type of accounting system. Greer suggests the Framework Documents point to the "direction and potential impact of the Next Steps Initiative" (Greer 1992, 96). She found that the self-funded agencies aimed: to become more commercial; to recoup a greater proportion of their funding from fees; to expand into existing and new markets and to adopt net cost accounting systems or trading fund status. Those agencies with specialist staff (mainly self-funded, regulatory, production and consultancy agencies) had greater freedoms in recruitment. She concluded that what it meant to be an agency is largely dependent on function.

James (1994) praises Greer's attempt to link agency type with characteristics of their structures. However he criticises the Greer typology for conflating key differences, for example the category 'revenue raising' includes agencies who raise revenue from private markets and from other public sector providers, or ultimately the Treasury. Likewise the concept of monopoly refers to the existing not the potential circumstances, for example he argues the Benefits Agency is a monopoly, but could face competition from banks and building societies.

Greer's typology is updated by James (1994). He uses a typology based on the 'tools' available to agencies e.g. information, authority, finance, organisation and professional expertise and an analysis of budget components. These combine to suggest different types of Agency (delivery, taxing, regulatory, servicing, trading, capital intensive delivery, contracts, transfer, control, super-control). The advantage of James's typology is that is can be applied to parent departments and other non-departmental public bodies. He finds that agencies are examples of

servicing, transfer, delivery, regulatory, taxing trading and contract types and that departments are control, super-control or contract types.

The typology sets out to provide a structural analysis of organisations which are "fundamental, long lasting and not based on specific individuals or goals" (James, 1994). There are three problems with this typology. The first is whether it is helpful as a classificatory schema. The James typology does permit a greater degree of sophistication, but again runs into technical difficulties. The Insolvency Service and Companies House are both listed as regulatory agencies using the tools of authority and administrative organisation, yet this does not reflect that the Insolvency Service has a far greater 'professional' and quasi judicial role, or that Companies House has far greater flexibility to raise its own revenue and operate as a Trading Fund.

The second is whether, having provided a typology, it can be used to explain or illuminate phenomena. The analysis is used to test a bureau shaping approach. As well as the empirical and theoretical problems with bureau shaping outlined above, it is difficult to apply this typology to examine what the resulting relationship is between departments and agencies or why they may differ. Though not stated, his analysis indicates that agencies hold certain types of 'tools' and parent departments others. But the typology is not used to explain the relationships between parent departments and agencies, or to identify how this allocation of 'tools' affects the relationship.

Finally, in avoiding specific individuals and goals, the typology provides only a partial account of the features which define public organisations. For example, under the James typology, the Contributions Agency and the Child Support Agency are categorised as the same type, a 'taxing' agency. Yet this does not help to identify why the CSA had far greater difficulty meeting its goals than the uncontentious sister agency, the Contributions Agency. It is argued here that, to explain the relationships between departments and agencies and the differences in those relationships, it is necessary to identify the goals each party is trying to achieve and consider these in a historical and institutional context.

The final typology which has been applied was used by the Next Steps team in the classification of agencies for the Next Steps Review (1996). This talked of four types of agency, those offering service to the public, research establishments, regulatory agencies and those offering departmental services. Like the earlier Fraser typology this has the advantage of simplicity. It is equally broad brush however, for example service to the public covers the Benefits Agency and Wilton Park, the tiny conference centre. But the classification does move from the abstract back to the central question of what the agency does and who for. Even at this level of simplicity there are difficulties. For example the Fire Service College is shown as a service to the public agency and the Civil Service College as a departmental services agency. They both rely on public sector customers, the difference being that the former does not rely directly on fees from central government departments.

Work on classifying agencies into typologies, although helpful heuristically in normative, descriptive or analytical settings, can present difficulties with using typologies in a predictive or explanatory sense. Contextual and historical information is necessary in order to account for differential outcomes and to understand the operation of power and decision-making following agencification.

Empirical work on agencies

Much of the literature on agencies is speculative and anticipatory. Most empirical data stems from parliamentary committee evidence or government reports. Considering the scale of the reform there is very little substantive academic work relying on empirical data and primary research. The literature on agencies is found in the public administration, management and politics fields. Although these fields draw from each other (in particular in using insights from organisational literature) and some commentators cross disciplines, these different backgrounds are discernible in the approach taken to agencies.

The public administration literature is concerned to understand the changes to the structures of central government, with personnel and financial changes and with the ethos and the formal rules. (O'Toole and Jordan 1995; Jordan 1994; Barberis 1995,

Pyper 1995). Empirical work in this tradition has examined several issues raised by agency status. As well as the collection of case studies edited by O'Toole and Jordan, Hogwood has looked at the structural changes (1993) and with Judge and McVicar at accountability issues (1997). Accountability is also the subject of Giddings's edited work (1995). Other work has examined changes in relationships: Chapman (1997) examines those between agencies and the Treasury and Greer (1994), in the most comprehensive work on agencies to date, looks at the impact of their introduction in the DSS. Much of this literature is in a traditional 'institutional' vein and is often descriptive, atheoritical and normative (Rhodes, 1997). There is a strong commitment to traditional models of accountability, and this literature draws on the 'Whitehall model' as a normative and organisational frame of reference (Pyper, 1995).

The management literature, including most government-sponsored research, is less concerned with normative questions of accountability and examines the processes of introducing and managing change in central government and questions of value for money and efficiency (Efficiency Unit 1991; Trosa Report 1994; Brooke and Bate 1994; Horton and Jones 1996; Davis 1994). There is also interest in understanding the formal and informal rules to appreciate the environment within which organisations operate and how this informs the behaviour of the participants. Empirical work in this field includes Colville et al's work on the introduction of change into HM Customs (1993) and Mellon's work on leadership (1993) as well as the government reports listed above. Work in this vein seeks to address whether the agency concept, drawing on contemporary management models, is being properly applied in the public sector and where there are deviations from its application.

The politics literature is more concerned with the interactions at the centre of government between politicians and senior civil servants, with the exercise of power and primarily with the effect of the introduction of agencies on the 'Whitehall model' (Wilson and Barker 1995; Theakston 1995; IPPR 1991; Plowden 1994). There is very little empirical work in this tradition which solely addresses the changes effected by NSAs. Most work looks at their introduction as part of more general changes, (for example, Zifcak 1994; Campbell and Wilson 1995; Thain and Wright

1995; Smith 1999(a)). Burch and Holliday examined how the idea moved through the cabinet system as one of the case studies in their work on the cabinet system (1996).

There are theoretical and empirical problems in existing empirical work on the analysis of the impact of NSAs on government. Theoretically, with a few exceptions mentioned above (Thain and Wright 1995; Burch and Holiday 1995; Smith 1999 (a)), all three types of literature draw on descriptive and prescriptive models of how relationships should work. These are then used to provide normative standards against which to judge the changes which agencies have made or are thought to have made. Thus the public administration and politics literature assessed the change by how far it deviated from traditional constitutional practices, while the more managerialist literature looked at the deviation of the agency concept from the kind of private sector models which influenced it. The most comprehensive work on the introduction of agencies does both at the same time, concluding that agencification both erodes accountability and leads to high transaction costs (Greer, 1994). Whilst normative questions about the accountability and autonomy of agencies are key, there are three difficulties in analysing change in relation to descriptive and prescriptive models.

Firstly, a constitutional understanding (although modified by the Whitehall model) and the agency concept both downplay the policy role of departments. The Ibbs Report underplayed the policy making role of departments, and instead highlighted the constitutional understanding that ministers - aided by their departments - set the policy framework. Yet if the role of departments in the policy process is acknowledged, it is the relationship between departments and agencies which should be the main focus of attention (Smith et al, 1993). Zifcak argues the biggest impact of the changes has been on departments (Zifcak, 1994, 87). Empirically the question of how departments and agencies work together has been an issue addressed in government literature (Massey, 1995) but from a very prescriptive approach and operating within the normative constructs of the agency model. Apart from this work and a short speculative chapter by Barberis in the O'Toole and Jordan collection (1993) there has been no other academic work looking at department-agency relationships. In asking what has been the impact of agencies

on relationships in government any analysis needs to be more state centric. The focus should be on asking 'how can department-agency relationships be understood?', and in view of the implementation problems outlined earlier 'why have some of these worked better than others?'.

Secondly, the summary earlier indicated a degree of diversity in NSAs. Any assessment of the impact of 'Next Steps' cannot view agencies from a fixed perspective as having a uniform effect. Hogwood suggests that many critiques underplay the differentiated nature of the impact of the reform (Hogwood, 1993). Any analysis should to be able to account for the differentiated nature of change, i.e. more traditional forms of relationships may be found in one area of government and more marketised ones elsewhere. There is too little comparative empirical work. Greer's analysis of the DSS is the most comprehensive account of the impact of agencies but it still only deals with one department. Although classification schemes can be helpful, they cannot account for the differences in the relationships between agencies without some analysis of context and history. This suggests the need for a multiple case study which looks across departments.

Finally both the constitutional and managerial models lack the analytical scope to examine and account for the impact of agencies on government. Most crucially, normative accounts which describe and prescribe 'what ought to be' misjudge the operation and understanding of power. Power is seen as an *object*. Thus ministers have power over their civil servants in the 'Whitehall model', and over agencies according to the principal agent theory driving the agency model. However Smith argues power is not a zero sum game but can led to positive sum outcomes (Smith, 1999 (a)). Any analysis of understanding department-agency relationships needs to be informed by more analytically-driven analysis of power relations, particularly in accounting for the dis-aggregated nature of change and for a more state centric analysis of power.

Conclusion

This chapter has looked at the context of the introduction of agencies and at the key features of the agency concept. It outlined how the idea of a policy operational split, linked to contemporary management theories, was overlaid on the traditional constitutional understanding of accountability through the doctrine of ministerial responsibility.

The literature on agencies was then reviewed which stressed both the differentiated nature of change and uncertainty as to the impact of the new arrangements. This review highlighted the need for empirical work to look at how departments' relationships with agencies can be understood following agencification and to explain why some of the relationships have worked better than others.

Difficulties with addressing these questions were found with existing approaches in the literature. A bureau shaping approach cannot explain the nature of the relationship between departments and agencies nor why they work well or not. Other literature is classificatory which whilst helpful, cannot account for differential outcomes. Other approaches are often anticipatory and speculative and there is surprisingly little empirical work on the impact of agencies on the policy process. There is also an over-reliance on the use of descriptive and normative models for analysis which fail to appreciate the state centric nature of relationships following agencification, the disaggregated nature of the impact of the reform and the relational nature of power.

In concluding, this chapter has suggested a multiple case study is required to address the empirical questions outlined above and argues for a more theoretically driven analysis. The following chapter will examine the chosen theoretical approach for this research and how this can be applied to examining the case study questions above.

CHAPTER THREE

RELATIONSHIPS IN GOVERNMENT AND THE POLICY PROCESS

Introduction

The last chapter examined changing relationships in government arising from the introduction of agencies. The literature on agencies did not present a clear picture of the impact of agencies on government and drew attention to two questions which were not addressed in the existing literature. Firstly, how is it possible to understand department-agency relationships? Secondly why have some of these relationships have worked well whilst others have not? It was argued that existing approaches to the analysis of agencies were inappropriate in addressing these questions. The chapter concluded by suggesting the need to take a more state centric analysis, which acknowledges the dis-aggregated nature of the impact of agencies and the relational nature of power.

This chapter will introduce the theoretical ideas and concepts which have informed this research and how they may be operationalised to examine the questions above. In the first part of the chapter, initially, the idea of power dependency and its application in looking at intra-state relationships is set out. Next the associated concept of policy networks is presented and the link between networks and outcomes explored. This suggests a possible explanation for why some relationships have worked well whilst others have been problematic. The third part of the chapter discusses the need to link these meso level approaches with the macro level of analysis and at the micro level with theories of agency. This section suggests that ideas from the historical institutionalist literature are helpful here. The last section of the chapter examines criticisms of the policy networks approach and outlines the methodological steps taken to address these criticisms. These include use of a multiple case study and presentation of empirical findings thematically. Finally the chapter concludes by outlining further theoretical questions raised by looking at the impact of agencification using the concept of policy networks.

Power Dependency and Policy Networks

Contemporary analytical concepts which have been associated with recent studies of the core executive are the idea of power dependency and the concept of policy networks (Rhodes, 1988 and 1995; Thain and Wright, 1995; Burch and Holliday, 1995; Marsh and Smith, 1995; Smith, 1999a). In seeking to examine department-agency relationships it is these approaches which will provide the theoretical framework for the study. It is argued that by using the framework of power dependency it may be possible to account for the variation in current intra-state relationships. It should also be possible to examine the extent to which the type of relationships or networks identified have impacted on the policy process and policy outcomes. (Marsh and Rhodes, 1992a). The following section of this chapter will look at these approaches and how they can be applied to understanding department-agency relationships.

Power dependency in inter state relationships

The idea of power dependency suggests that organisations exchange resources to achieve goals, creating a power dependency relationship. The relative power potential of interacting organisations and relationships between them relate to the organisations and the resources they exchange, the rules of the game and the processes of exchange between them.

The idea of power dependency in inter-state relationships was developed by Rhodes when looking at relations between central and local government (Rhodes, 1988). Rhodes criticised the existing literature on central-local relations which characterised relationships between central government and local authorities as moving from a partnership to an agency relationship (Rhodes, 1981; 33). He argued the relationship was based on power dependency, "Discretion and relative power of the various tiers of Government is a product of their resources, the rules of the game and the values and interests supporting both the rules and the existing distribution of resources" (Rhodes 1981, 10). He suggested a framework of analysis based on five propositions:

1 Any organisation is dependent upon other organisations for resources.

2 In order to achieve their goals, the organisations have to exchange resources.

3 Although decision making within the organisation is constrained by other organisations, the dominant coalition retains some discretion. The appreciative system of the dominant coalition influences which relationships are seen as a problem and which resources will be sought.

4 The dominant coalition employs strategies within known rules of the game to regulate the process of exchange.

5 Variations in the degree of discretion are a product of the goals and relative power potential of interacting organisations. This relative power potential is a product of each organisation, of the rules of the game, and of the process of exchange between organisations. (Rhodes, 1981:98).

Using this model of power dependency, centre-local relations were described as a game. Each organisation manoeuvred for advantage using resources (which may be political legitimation, authority, finance, organisational or informational) within its power to maximise control over policy outcomes and to minimise their dependence on other players. In a later analysis Rhodes developed the model and suggested a range of relationships between centre and sub-central government. The networks varied according to the degree of integration, the type of membership and the distribution of resources. Rhodes suggests that understanding the variety of relationships in sub-central government "requires an examination of relationships within networks, of the process of exchange and the rules and strategies governing resource transactions" (Rhodes, 1988, 87).

Whilst the 'Rhodes model' points to the institutional or structural features of relationships, it also allows for the importance of informal relationships in strengthening institutional links. Thus the success of strategies enacted by actors to maximise their relative power potential will depend upon the skills, ability, experience and commitment of individuals (Rhodes, 1988, 107). More recently Rhodes has emphasised the interpersonal features of the model and highlighted the importance of 'trust' between network members as being essential to ensure co-operative behaviour (Rhodes, 1997).

This analysis suggests an approach to the question identified in chapter two of how to understand department-agency relationships. Application of the Rhodes model to examining department-agency relationships would suggest that the changed distribution of resources heralded by the introduction of agency arrangements has led to the development of changed power dependent relationships in central government.

Power dependency in department - agency relationships

A power dependency approach to understanding the relationship between agencies and departments would suggest networks develop because the creation of a framework document creates the conditions for the exchange of resources. In contrast to the hierarchical command structure which existed between levels in the bureaucracy previously, agencification introduces a transfer of resources between the centre of departments and arm's length units. This will led to power dependency. The resulting relationships will vary according to the degree of dependence arising from the goals of each organisation, resources exchanged, the rules of the game, appreciative systems and the strategies undertaken. Each will be briefly considered in relation to department-agency relationships.

Which resources are exchanged will depend upon the goals of each organisation. In the case of agency - department relationships, the goals of the agency are formally stated in the framework document based around the policy operational split. However, identifying an agency's goals is not always straightforward. Policy goals can be subject to rapid alteration because of outside political factors with operational consequences or operational goals may become politically salient. There is also the potential for operational goals pursued by agencies to be required because of bigger policy goals, for example, market testing and other efficiency measures. Goals may be changeable and this may led to disagreement between department and agency about which goals are primary. The formal goals stated in the framework document may not reflect the informal goals each organisation is seeking to pursue. In addition, the department and agency share the *administrative* policy goal of implementing the agency concept and ensuring the delivery of government goals through this administrative set-up.

The type of goals set out for the agency, i.e. the size and type of agency, will determine the extent and nature of the exchange of resources. In general, parent departments will offer political legitimation, legal authority and very often financial support to agencies. However, the extent of their power will vary. Although lacking the separate political legitimation of local authorities, agencies sometimes have delegated authority if operating under statute. They control (in some cases) considerable organisational, informational and administrative resources and possess policy expertise. Departments need the organisational and informational resources of agencies to deliver government goals and to fulfil departmental needs to protect and service ministers (Rose, 1987). Agencies need the political legitimacy and constitutional authority of ministers to operate and sometimes direct funding or the authority to charge for their outputs. The dependency of departments on agencies may be less if they can obtain that service elsewhere (i.e. if the agency is not a monopoly). It may be more if the agency is undertaking a politically very salient task, for example, one with either high visibility, involving contact with the public, or where the agency is carrying out a statutory or quasi-legal duty. Agencies' dependence on departments is reduced if they can obtain work from outside the department and if they can finance their own operations.

According to the Rhodes model, actors can maximise their discretion in the exchange of resources by using strategies within the rules of the game. In the case department-agency relationships, the rules of the game partly depend upon formal structures and procedures which developed alongside the agency project. Although the agency concept has not, except in the establishment of trading funds, been underpinned by legislation, there are codes and instructions issued centrally by the Treasury and the Next Steps Team. These relate to how the department and agency draw up a framework document and how they go about agreeing, setting and reporting on targets. The framework document for each agency sets out the role of the agency chief executive (ACE) and the extent to which ACEs are involved in policy decisions and policy making. It states the accountability arrangements and the extent of the agencies financial, personnel and decision making autonomy. These formal procedures, based on the policy/ operational split, are likely to be linked to the political salience of the policy area (Massey, 1995b, 80). The

frequency of interaction is therefore also likely be related to the type of policy, the sensitivity of the policy agenda and the stage of policy implementation.

These formal procedures will structure the exchange of resources. In addition it is likely that informal 'rules of the game' will also govern the processes of exchange and influence the appreciative system of the actors involved. These informal rules relate to actors' norms, conventions and values. Chapter two outlined the norms of the 'Whitehall model' and the Haldane principles, both underpinned by traditional notions of the dominance of ministerial authority. The agency concept introduced changed expectations of accountibility conventions, a contracting role for civil servants and a less anonymous role for chief executives whilst at the same time maintaining the doctrine of ministerial responsibility. Therefore it is envisaged that both traditional notions of the rules of the game *and* changed expectations arising from the concept of agencies will guide perceptions of roles and appropriate behaviour. Changing recruitment and personnel policies at all levels of the civil service will impact on the extent to which norms are shared. Informal norms and values may also relate to departmental practice and history, and one of the specific aims of agencification was to encourage the formation of agency cultures. Thus the type of informal understandings which influence appreciative systems will depend upon both the institutional and interpersonal histories of actors in departments and agencies.

The Rhodes model of power dependency offers a framework to identify the nature of intra-state relationships. It suggests a focus on identifying the goals of each organisation, the resources held by each agency and how they are exchanged, the rules of the game and appreciative systems which govern their interactions, the skills and tactics of agents as informed by the rules of the game and their appreciative systems. It suggests variations in these features will led to different types of networks in central government as has been found in sub-central government. In this way the Rhodes model could account for the diversity of relationships suggested in the literature.

The Rhodes model is particularly appropriate for use in exploring department - agency relationships. Whilst these relationships are intra-state relationships and

agencies lack the separate political legitimacy of local authorities or the independent policy platforms of pressure groups, NSAs are relatively autonomous organisations controlling considerable organisational and informational resources. The evidence in chapter two illustrated the increasing autonomy of agencies and the institutional and cultural changes identified may lead some relationships to more closely resemble inter-state relationships. Despite controlling considerable resources however, agencies ultimately operate under ministerial authority, the rules of the game prioritise this authority and agencies in this sense are not separate bodies and their autonomy is closely bounded. The model can capture these different features and the interplay between them. "With its emphasis on the game-like quality of the links - on the resources of participants and the rules of the game, strategies and appreciative systems conditioning their exchange - this framework is equally applicable to intra- and inter-network relationships" (Rhodes, 1988, 87).

The Rhodes model provides the explanatory basis for the concept of policy networks. Whilst the model of power dependency is seen as an analytical tool to investigate and account for the variety of relationships, it is the concept of policy networks which would suggest why some networks work better than others.

The Concept of Policy Networks

The development of policy network analysis has been subject to considerable ambiguity (Marsh and Rhodes 1992 (a), 18; John and Cole 1995, 305; Dowding 1995(b), 140) and is described as becoming the centre of "linguistic controversy" (Judge 1993, 121). This confusion is partially rectified by Marsh and Rhodes (1992 (a)) who summarise the development of the concept in the American and UK literature, trace the influences on theorists in this field and suggest a common usage for key concepts. Their analysis is explored below.

The concept of policy networks is a way of understanding and categorising the relationships between Government and other organisations such as interest groups, business or sub-central government. These relationships exist where there is an

exchange of resources in order to achieve certain policy outcomes. Policy networks are therefore said to be a "cluster or complex of organisations connected to each other by resource dependencies and distinguished from other clusters or complexes by breaks in the structure of resource dependencies" (Benson 1982, cited Marsh and Rhodes, 1992 (a) 13).

Marsh and Rhodes draw on Rhodes' power dependency model to explain and account for differences between networks and over time. They suggest that 'policy network' is a generic description (Marsh and Rhodes, 1992 (a), 250). The type of network will vary depending on the extent of exchange of resources, the membership of the network, and the relative power of each participant. Networks vary on a continuum of ideal types from 'policy communities' to 'issue networks'.

The characteristics of a policy community are: a limited and stable number of participants, with professional or economic interests; a high degree of interaction, shared values and continuity; members who have resources to exchange and whose leaders can represent and control members of their organisations; and a balance of power giving a positive sum analysis of power. Issue networks have a large number of participants with a changing membership with little continuity or agreement over policy issues, a consultative relationship with little or no exchange of resources leading to an unequal power relationship resembling more closely a zero-sum game. The characteristics of these ideal types are presented in a typology which "specifies the key characteristics of policy networks, thereby providing a set of diagnostic criteria and setting the outer limits of the analysis" (Marsh and Rhodes, 1992 (a), 251). Their typology is reproduced overleaf as Figure 1.

Marsh and Rhodes point to the importance of examining trends over time to identify changes in relationships. Network changes may be in response to external factors, economic, ideological, informational and institutional, but it is stressed, that change is 'mediated' through the network, "policy networks are part of the process of change...Actors in the network shape and construct their world, choosing whether or not and how to respond" (Marsh and Rhodes, 1992 (a), 259). Policy networks exist to "routinise relationships, they promote continuity and stability" (Marsh and

Rhodes, 1992(a), 261). Marsh and Smith argue that "Networks are both cause and effect. They both cause certain policy outcomes and cause actors to act in certain ways which are then reproduced in the network" (1995, 18).

Figure 1

Types of Policy Networks:
characteristics of policy communities and issue networks

Dimension	Policy Community	Issue Network
Membership		
No of participants	Very limited, some groups consciously excluded	Large
Type of interest	Economic &/or professional interests dominate	Encompasses range of affected interests
Integration		
Frequency of interaction	Frequent high quality, interaction of all groups on all matters related to policy issue	Contacts fluctuate in frequency and intensity
Continuity	Membership, values and outcomes persistent over time	Access fluctuates significantly
Consensus	All participants share basic values and accept the legitimacy of the outcome	A measure of agreement exists but conflict is ever present
Resources		
Distribution of resources (within network)	All participants have resources; basic relationship is an exchange relationship	Some participants may have resources, but they are limited, and basic relationship is consultative
Distribution of resources within participating organisations	Hierarchical; leaders can deliver members	Varied and variable distribution and capacity to regulate members
Power	There is a balance of power among members. Although one group may dominate, it must be a positive-sum game if community is to persist	Unequal powers, reflecting unequal resources and unequal access. It is a zero-sum game.

Reproduced from: Marsh, D. and Rhodes, R. A. W. 1992 (a). Policy Networks in British Government. Oxford: Clarendon Press.

Policy networks and policy outcomes

Networks are said to impact on the policy process in various ways. In policy communities where there is resource dependency and positive sum power exchanges, the network is said to develop shared ideology and to form standard operating procedures (Smith 1993, 226). The shared ideology and institutional practices influence which policy options are seen as valid. Networks shape attitudes and behaviour and they simplify the policy process by "limiting actions, problems and solutions" (Marsh and Smith 1998, 12). A policy community therefore "constrains the policy agenda and shapes the policy process" (Marsh and Rhodes, 1992 (a), 262). Thus agricultural policy making between 1945 and the early 1980's is described by Smith as taking place in a policy community that had a limited and stable membership comprising the Ministry of Agriculture, Fisheries and Food (MAFF) and the National Farmers Union (NFU). These participants shared a common set of beliefs that were supported by institutional arrangements which reinforced the stable and closed nature of the relationship and the resulting policy agenda (Smith 1993, 132). Conversely, the US agricultural community in the 1980's moved from a stable policy community to resemble more closely the features of an issue network, with a large number of actors and a more open network (Smith 1993, 134).

The propensity for there to be stability in relationships between Government and interest groups is however emphasised because power is seen as a positive sum (Smith 1993, 64). If a shared agenda can be pursued in a closed policy community then all organisations, parties and actors involved can benefit. This shared agenda may not develop if the policy area concerned is controversial or if there is a particular ideological commitment to a course of action and one party is prepared to bear the costs of implementation (Smith 1993, 66-69).

The concept of policy networks, based around the idea of power dependency, has been most usually applied to the study of government interest group relationships, or inter governmental relationships. However, as indicated above, the model is capable of adaptation to intra-state relationships (Marsh and Smith, 1995). The importance of informal networks in smoothing the policy process is said to be one of

the features of the traditional civil service culture, "communication, consultation, joint problem solving and conflict resolution between departments have been one of the strengths of the civil service" (Metcalfe 1993, 363). This is most famously described by Heclo and Wildavsky's study of decision making in the Treasury and the 'Whitehall village community'.

"Community refers to the personal relationships between the major political and administrative actors - sometimes in conflict, often in agreement but always in touch and operating within a shared framework. Community is the cohesive and orienting bond underlying any particular issue. Policy is governmental action directed toward and affecting some end outside itself. There is no escaping the tension between policy and community, between adapting actions and maintaining relationships, between decision and cohesion, between governing now and preserving the possibility of governing later. To cope with the world outside without destroying the understandings their common life requires - this is the underlying dilemma facing the community of political administrators" (Heclo and Wildavsky 1981: lxv).

The continuing existence of informal networks in the public expenditure policy community is found more recently by Thain and Wright, although they stress the importance of the institutional setting for such relationships suggesting "To understand the participation of individuals and of groups of individuals in the policy process, it is necessary to appreciate their institutional origins, loyalties and motivations", (Thain and Wright 1995, 7). The influence of the Rhodes' model of power dependency is implicitly acknowledged in Thain and Wright's analysis of relationships between the central and spending departments public expenditure policy network (Thain and Wright 1995, 170). They find

"the outcome of any particular policy issue or problem depends on the management of relationships with other organisations in the policy process as policy makers seek to exploit the potential for the exercise of power which they and their organisation possess by virtue of resources of authority, finance, information , expertise and organisation. The amount and the mix of these resources vary among organisations and with the particularity of the policy issue or problem. The management of those relationships is the policy makers function, partly balancing and partly optimising....The priority accorded to balancing and optimising, as resources are exchanged in the particular circumstances of an issue or problem, will vary with the policy makers judgements or reality and value - his appreciative system", (1995, 170).

Like Heclo and Wildavsky, they find that informal relations act to exclude higher - i.e. ministerial involvement. (Thain and Wright 1995, 189). They suggest the key to relationships between the central and spending departments is the Treasury's need for information and the departments' need for authority (Thain and Wright 1995, 200). Given this exchange of resources, they also stress the importance of good informal relations determined by personal qualities and behaviour, "helping each other to manage the business is a benefit... A finance division can help an expenditure division manage its business if relations are good, or make it more difficult if they are bad... informal communications can help establish what is urgent and important", (Thain and Wright 1995 206).

Building a hypothesis

These accounts, of what in Marsh and Rhodes' terms would be described as close policy communities, suggest that the policy process works smoothly where there is good interaction, shared values and agreement about policy goals. In contrast, the Thatcher Governments were said to have faced implementation problems because there was poor interaction, no shared values and little agreement about the aims of policies in the intergovernmental and interest group networks in key policy areas (Marsh and Rhodes, 1992(b)).

Chapter two set out one explanation for problematic implementation through the agency concept as being linked to the salience of a policy area. This explanation was criticised as it could not explain how some politically salient agencies had not experienced the sort of problems seen in the CSA and Prison Service. An alternative explanation is suggested by the concept of policy networks. Empirical work on policy networks suggests that it is features of the network, or the way in which the dependency relationships within the network are managed, which is linked with problematic implementation. It suggests that the policy process will work best where department and agency are aware of their dependency and have a shared view of the policy problems they face, how to interact and how responsibilities are divided. So for example relationships may be most difficult where the agency is new, like the Child Support Agency, because there are no

established links, or where the agency is headed by an outsider who is not aware of the rules, value and customs of government.

It is argued that the concepts of dependency and networks have explanatory power. They suggest a hypothesis which addresses the question of why some departmental agency relationships appear to have worked better than others. This hypothesis is that where closed policy communities based on shared values, goals and institutional support exist between departments and agencies, agencies will be successful in implementing government goals.

There are however some difficulties in relating the policy networks concept, which was developed to analyse inter state and interest group relationships with government, to the study of intra state relationships. Marsh and Rhodes suggest a range of 'ideal type' characteristics to assist in diagnosing the type of network arising from dependency (Marsh and Rhodes 1992 (a), 251). These encompass the membership of the group, the degree of integration and the resources held.

In department-agency relationships the exchange of resources is not voluntary. Through the quasi-contracting arrangement, and backed by the authority of ministers and accountability to Parliament, agencies and departments *must* exchange resources. The participants and type of interest is defined in the framework document. To this extent, relationships resembling issue networks would not be expected to be found in department-agency relationships. Rather, variations in the type of policy community are envisaged. These networks are likely to vary according to the type of resources held as this will lead to differing dependencies.

However, difference in the degree of integration of the network is expected. This will be the determinant of how close the network relationship is and therefore will impact on policy outcomes. The level of consensus and continuity within the network will depend upon the extent to which cultures is shared. Networks are frameworks of relationships based on dependencies and structured by the rules of the game. As with the expenditure communities found by Heclo and Wildavsky and Thain and Wright, it is where there are shared appreciative systems, of the policy

goals and policy problems, of their roles and of the rules of the game that department-agency relationships are expected to be close.

Close policy networks, like policy communities, are said to influence policy outcomes, by shaping the policy agenda and constraining policy change. Again there are problems in applying this to department-agency relationships. Marsh and Rhodes accept most empirical work to date examines "heroic, or political, policy areas, with only the sea defences case study being 'humdrum' or technical" (Marsh and Rhodes 1992 (a), 252). One raison d'être for the establishment of agencies was that they provided routine policies often at some distance from ministers. It is unlikely, therefore, to expect to see department-agency networks acting in the same way as larger sectoral policy networks, influencing and shaping 'heroic' policy areas (although this must remain an empirical question). After all, agencies were introduced to effect a policy operations split and an organisational break between policy making and management. It is not envisaged they will lobby or assume ideological policy positions and seek to shift government goals to better match those beliefs. It is envisaged that the existing policy networks which surround a policy area between government and interest groups will still exist and operate independently of 'bureaucratic' department-agency networks.

The role of agencies in policy making was designed to highlight the operational implications of policy decisions and it may be that by emphasising operational parameters, a bureaucratic network will effectively 'steer' the policy agenda. It is far more likely that department-agency networks will influence and shape implementation policies. Although as the literature search in the last chapter made clear, implementation difficulties can quickly become major political problems in areas of political saliency.

How bureaucratic networks might act to constrain the policy agenda, or how they might interact with existing policy networks in the area are empirical questions in their own right and are not addressed directly in this research. Here the aim is to take the initial step of applying the concept to agencification to see if department-agency relationships can be described as networks. The assertion here is that the 'policy' question that bureaucratic networks are primarily concerned with, is the

administrative policy of operating through agency status. It is argued that features of the network will impact on implementation of the agency concept and thereby on the delivery of the already agreed government goals in that policy area.

Policy Networks - A 'Meso-level' Analysis

The concept of policy networks is described as a 'meso- level' concept. It is said to provide a link between "the micro level of analysis, which deals with the role of interests and government in relations to particular policy decisions, and the macro level of analysis, which is concerned with the broader questions concerning the distribution of power within contemporary society"(Marsh and Rhodes 1992 (a), 1). One problem in using a meso level concept is how to relate it to the macro and micro level of analysis. What structural features constrain the agents operating in these meso level networks? It is important to link the micro, meso and macro levels of analysis and take account of the historical, cultural and ideological context. Firstly because of the 'dialectical' nature of the way in which 'actors' respond to, operate in, and thereby shape, their network. Thus, Schein describes organisational culture as

> "a pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems" (Schein, 1985 9).

Further, Lukes suggests power cannot be observed from examining decision making or even non-decision making (Lukes 1974). Smith argues in order to determine why some interests dominate, it is necessary to link the analysis to theories about the distribution of power (Smith 1993, 233). Here it is suggested the idea of historical institutionalism is helpful in providing a macro level approach to power and to the operation of structural features on networks and actors within networks.

New institutionalism, historical institutionalism and political analysis

Historical institutionalism is said to be one variant of several 'new institutional' approaches to theorising the importance of institutions on political phenomenon. The new institutionalist literature is both flourishing and contradictory. New institutionalist analyses are found across the disciplines, in politics, sociology (including organisational theory) and economics. Broadly speaking new institutionalist approaches in politics have focused on the impact of institutional arrangements on state development and governance structures. Economic approaches have looked at the impact of institutional arrangements on the aggregated decision making of individual agents, whilst sociological approaches have emphasised the existence of informal and cultural norms and their institutionalisation in society generally. Across these broad disciplinary paradigms there has been significant and productive cross fertilisation (Gamble 1995; Hall and Taylor 1996; Lowndes 1996; Peters 1999).

March and Olsen, in first articulating the need for new institutionalist analyses in political theory, sought to draw attention to a more state centric understanding and awareness that "the organisation of political life makes a difference" (March and Olsen 1984; Peters 1999). A concern with the operation of institutions has been a traditional and long standing concern of political literature, and public administration in particular (Rhodes 1995; Lowndes 1996). However 'new institutionalist' approaches are said to be differentiated from older variants by being less descriptive, having a concern to theorise and by looking beyond the formal, legal and constitutional rules to an acceptance of the importance of informal arrangements (March and Olsen 1984; Lowndes 1996; Peters 1999).

Within political science, discernable variants of 'new institutionalism' are identifiable. Hall and Taylor identify three approaches, 'rational choice institutionalism' stemming from economic approaches to understanding the decision making of rational actors in political institutions, 'sociological institutionalism' stemming from an acknowledgment of non formal cultural practices in understanding institutions and 'historical institutionalism'. The latter emphasises power relations in institutions, the historical context and path dependency of social causation, and the

possibility for institutions to change in response to exogenous and endogenous pressures. The authors see historical institutionalism as having both rational choice (or calculus) and sociological (or cultural) variants to the understanding of the actions of agents (Hall and Taylor, 1996, 937 – 942).

Peters identifies seven variants and separates a 'normative institutionalism' which focuses on informal features – norms, values and cultural expectations – from 'historical institutionalism' emphasising historical context and path dependency in understanding contemporary structures. Peters also links Marsh and Rhodes' work on policy networks with a 'societal institutionalism', highlighting the genesis of policy networks approaches in an understanding of state – interest group relations although accepting insights can be applied to relationships within government (Peters 1999, 20).

Peters distinctions are helpful analytically in de-coding the burgeoning new institutionalist literature and highlighting the need for empirical clarity in research design. However, Peters definition of historical institutionalism is not used here as it separates out the historical, normative and power relations aspects of an appreciation of the impact of institutional arrangements. There is considerable debate about the meaning and epistemology of historical institutionalism in the literature. Pierson suggests "historical institutionalism is a loose term covering a range of scholarship that has tried to combine social science concerns and methods with a recognition that social processes must be understood as historical phenomena" (Pierson 1996, 131). Indeed Peters concludes his interrogation of the literature by seeking to identify where commonality may be found and sees an alignment between the normative and historical institutionalist approaches (Peters 1999, 145). This returns to Hall and Taylor's broader definition of a historical institutionalist approach and it is their review of the literature which guides the analysis here.

Historical institutionalism, dependency and networks

Historical institutionalists emphasise the institutional influences on political and policy phenomena and the importance of 'organisational factors in public life' (Hall and Taylor 1996; Evans, Rueschemeyer and Skocpol 1985; March and Olsen 1984). They argue the existing formal and informal institutional arrangements provide opportunities to facilitate change, and form constraints on change, in response to exogenous and endogenous factors. The 'path dependency' of historical events is suggested as existing institutional arrangements both create opportunities for and constrain future change through existing state capacity and policy legacies, or the operation of policy paradigms, within which policy makers operate (Weir and Skocpol 1985; Hall 1993). Previously theorists have stressed continuity in institutions with change occurring only at critical junctures where the existing institutional arrangements are discredited and new paradigms emerge (Hall 1993, 942). More recently however, work has focused on the nature of incremental change (Cortell and Peterson, 1999). Research work examining changes in central government have drawn on this body of work to look, at policy making in departments (Richards and Smith 1997), at how Whitehall adapted to participation in the European Union (Bulmer and Burch 1998) and at the introduction of market testing to central government (Newman, Richards and Smith 1998).

Institutional arrangements arise both from the formal organisational and constitutional set-up, which determines roles, rules and the allocation of institutional resources, and from informal understandings that structure, influence and guide behaviour and policy outcomes. Within these institutional arrangements, applying across Whitehall and the British central state, it is suggested here that networks based on resource exchange are created. These networks in turn further act to facilitate or constrain change acting as 'institutions' within institutions.

Taking the ideas of historical institutionalism, dependency and networks together provides the following interpretation of the impact of agencies on government. The institutional arrangements pre-agency, described as 'management by command', led to close informal networks such as identified by Heclo and Wildavsky's famous study of the Whitehall Village (Heclo and Wildavsky 1981). The community of

political administrators which Heclo and Wildavsky researched operated under the 'Whitehall model' with the attendant formal and informal rules and beliefs which structured their actions and decisions. As described in the previous chapter these include the acknowledgement of parliamentary sovereignty most particularly exercised through the doctrine of ministerial responsibility, an organisational culture based around the Haldane principles and uniformity across the service, and (in some cases) an organisational structure based around hierarchical, pyramidal departments. The roles of politicians and administrators, the institutional rules and appropriate behaviour was understood and shared by all parties.

Change to these institutional arrangements came in response to both exogenous and endogenous factors. Exogenous factors included the economic and ideological pressure for change stemming from new right thinking. Endogenous change pressures came from the political and managerial critiques of the 'Whitehall model'. The introduction of 'management by contract' through the agency concept has altered the organisational structures and cultures of central government. It is suggested here the introduction of a policy operational split, formalised organisationally and supported by changed accountability, financial and personal arrangements, has led to a change in the formal and informal institutional arrangements and that those arrangements reflect path dependency in their development.

Firstly it is suggested that there will be path dependency in the reallocation of resources, i.e. the decision making around the establishment of agencies within departments. Which agencies are established and when, is likely to reflect the pre-history of those functions or existing 'state capacity' in these areas. As identified in chapter two (see page 24) considerable variation in the organisation of departments existed and is expected to influence structural changes arising from agencification. These structural changes are also likely to be influenced by the existing policy preferences of policy makers, civil servants and politicians in each policy area influencing the decision making about what is appropriate and possible to move to agency status.

Secondly drawing on the experience of the nationalised industries highlighted in chapter two (see page 33), it is envisaged there will be path dependency in the changes in the rules of the game and role expectation heralded by agencification. The introduction of the agency concept introduces new rules and norms of behaviour but it is expected that existing informal rules and norms will also be maintained.

The changed institutional arrangements have led to a more explicit exchange of resources between ministers, supported by their departments, and agencies. The different basis for the exchange of resources has led to the development of power dependency relationships between agencies and departments and the creation of different networks.

Agents and networks

As well as seeking to link the establishment and operation of networks within a broader structural context, in a similar vein it is also necessary to link theories of agency to the concepts of policy networks and historical institutionalism. Hall and Taylor suggest there are two possible approaches within the tradition of historical institutionalism (Hall and Taylor 1996). The first is to take a calculus approach and draw on theories of agency associated with rational choice. Here the roles and rules would come from the institutional arrangements and decisions would be driven by rationality and self-maximising behaviour. This type of linkage is advocated by Dowding (1995(b)) and James (1994) and there have been attempts to link institutional rational choice with network analysis. Blom-Hansen attempts to determine the 'behavioural logic' of actors operating in a bargaining game in networks (1997). Hindmoor suggests that networks act to reduce transaction costs (1998).

There are similar difficulties with this type of approach to those outlined in respect of bureau shaping. The first difficulty is that causal models can frequently be inaccurate when tested in new situations (Green and Shapiro, 1996). For example, Hindmoor argues that seeing networks as ways of reducing the transaction costs of co-operation games permits a causal ranking of the dimensions of Marsh and

Rhodes' typology of networks. He argues that outcomes will be pareto superior where there is trust and that this develops primarily where the number of participants is small. Therefore the number of participants is the key indicator of pareto optimum outcomes. Whilst the idea that trust in networks is crucial is also highlighted here, this explanation is flawed because of the insistence of seeking a causal ordered relationship between the variables. For example, the network surrounding the Prison Service Agency primarily consisted of the Home Secretary and the ACE. There was no role for the department. Yet despite this network being far smaller than others there was a patent lack of trust and deeply problematic outcomes. To understand this requires a less deterministic and more reflexive interpretation of agency.

The alternative is to take a 'cultural' approach to understanding the role of agents suggesting "choice of a course of action depends on the interpretation of a situation rather than on purely instrumental calculation" (Hall and Taylor, 1996, 939). This takes a fundamentally different ontological approach to the understanding of human behaviour, seeing individuals as socialised into roles responding to the 'logic of appropriateness' of the institutional circumstances in which they operate. "Institutions constitute and legitimise political actors and provide them with consistent behavioural rules, conceptions of reality, standards of assessment, affective ties and endowments and thereby with a capacity for purposeful actions (March and Olsen 1996). Actors are driven by and determine moral codes and the logic of appropriate behaviour as well as also being rational and sometimes self maximising. They are also reflexive both responding to and shaping their environments. Simple causal models cannot capture the dialectical and iterative relationship between the strategic actions of agents and the structured context in which they operate (Hay and Winncott 1998; Marsh and Smith 1998).

Implicitly this Chapter has already assumed a cultural approach to an understanding of agency reflecting the personal philosophical preference of the author. It is argued that policy agents operate in a path dependent structured environment which sets the rules of the game and allocates roles and resources. In particular, the introduction of agencies introduced principal - agent roles alongside existing traditional bureaucratic roles. The development of power dependent

networks based on resource exchange create the circumstances for actors to develop - or not develop - shared perceptions of policy questions and solutions and to constrain or facilitate change in that policy environment. The analysis seeks to provide a "decentred study of an institution [which] explores the way it is created, sustained or modified through the ideas and actions of individuals" (Bevir and Rhodes, 1999). Although the linkages between the micro analysis and the macro context may be difficult to identify, the advantage of the policy networks approach is that it provides the framework for identifying the historical, ideological, institutional and interpersonal features of the policy process and most crucially the dynamic between these factors.

The concept of policy networks has been subject to considerable criticism and debate. The following section of this chapter will set out these critiques and look at methodological steps taken in this thesis to address them.

Criticisms of the Concept of Policy Networks

Dowding argues that the concept of policy networks is primarily descriptive not explanatory. "The driving force of explanation, the independent variables, are not network characteristics per se but rather characteristics of components within the networks " (1995 (b), 137). He claims that the explanatory work is primarily found when looking at the 'properties of actors and not in terms of the properties of the network" (1995 (b), 141). Further, neither the Rhodes model of power dependence or the typology of networks offered by Marsh and Rhodes separates independent and dependent variables (Dowding 1995(b)). Dowding's preference, influencing the work of Blom-Hansen and Hindmoor mentioned earlier, would be to seek to "construct a proper model which causally relates the characteristics to each other and to the different types of policy outcome" (1995, 141).

The difficulties in seeking to identify causal relationships or explanations which focus on the actions of rational individuals have been discussed earlier. In part the choice of whether to seek such scientific explanations depends upon an ontological and epistemological stance. Dowding's stance is not shared here. As John and

Cole point out "it is rarely the case that research into decision making processes can separate dependent and independent variables" (1995, 306). Proponents of policy network analysis do not describe it as a predictive theory. Rather it is suggested as a 'concept' that is useful, in explaining relationships, the policy process, policy change and therefore the effect on, not determination of, policy outcomes (Rhodes 1988; Marsh and Rhodes 1992 (a); Smith 1993; Marsh and Smith, 1995). The idea of dependency and networks suggests the range of variables which influence the power dependency relationships and how that impacts on the policy process. It permits a contextual and dynamic analysis offering a framework for linking the institutional and interpersonal.

Nevertheless, Dowding's criticisms raise important questions. There are questions about which part of the network concept drives the explanation. Do networks have an institutional basis arising from resource exchange captured by the Rhodes model, or are they interpersonal, stemming from the shared informal culture indicated in Heclo and Wildavsky's Whitehall village (Marsh and Rhodes, 1992 (a) 261; Marsh and Smith 1995; Bevir and Rhodes 1999)?

Marsh and Smith suggest that a 'dialectic' approach is required to integrate the influence of interpersonal and institutional factors in examining Whitehall networks (Marsh and Smith 1995). They agree that networks are based on resource dependencies, thus stressing the importance of organisational relationships. "These relationships are structural because they: define the roles that actors within networks play; prescribe the issues that are discussed and how they are dealt with; they have distinct sets of rules; and contain organisational imperatives - at the very least maintaining the network" (Marsh and Smith, 1995, 16). Yet, many networks will be informal and may depend upon personal contacts. Therefore "within networks there is a shared world view; a common culture" (Marsh and Smith 1995, 17). The question of whether bureaucratic networks identified between departments and agencies have an institutional or an interpersonal basis and how they operate remains an empirical question.

Methodological issues

In order to address Dowding's (1995(b)) two main critiques (policy network analysis is descriptive and not explanatory and that the model fails to establish dependent and independent variables) and to seek to explore the related question above of the institutional or interpersonal basis of networks, two methodological approaches were taken.

The research design of a multiple case study

The first is to use a multiple case study to examine the questions set out in chapter two. Yin (1994) argues a case study approach is suggested when the investigator has little control over events and when the focus is on contemporary phenomena within some real life context (Yin 1994, 13). He argues that the validity of this methodology is improved by the use of theory in establishing the case study design, and in using a multiple case study to test for analytical generalisations arising from the case study questions. Where it may not be possible to isolate one variable and test it as in scientific experiment, Yin suggests it is possible to seek to apply the *logic of experimental design* by using a multiple case study approach.

Here analytical generalisation is sought using the logic of replication. Thus, using a theoretical framework should indicate the conditions under which a particular phenomenon would be likely to be found - and when it would not be found. As noted earlier, the concept of policy networks suggested an analytical explanation for why some department-agency relationships had not worked as well as others with consequent difficulties in their operations. Smooth implementation was expected to be found where close policy communities based on shared values, goals and institutional support exist between departments and agencies. Cases can be selected which are expected to support the hypothesis, (literal replication) and cases should be picked which are expected to disprove the hypothesis but for predictable reasons, (theoretical replication). "If all the cases turn out as predicted, these [six to ten] cases in the aggregate would have provided compelling support for the initial set of propositions" (Yin 1994, 46).

A multiple case study of seven agencies' relationships with their parent department has formed the basis of this thesis. The agencies were chosen from three departments, the Department of Trade and Industry (DTI), the Department of Social Security (DSS) and the Home Office. This research benefited from association with a larger project which focused on these departments examining Central Government Departments and the Policy Process (ESRC Whitehall Programme L124251023).

The Department of Trade and Industry (DTI) is one of the biggest departments in Whitehall with over 10,000 staff of whom approximately one third worked in agencies (Daily Telegraph, 16/11/95). It established agencies very early and by 1994 it had ten agencies although in the last four years some of its agencies have been privatised. The Department of Social Security (DSS), like the DTI ,is was reported to have been initially in favour of an agency approach and has the greatest delegation to agency status with over 98% of its staff based in agencies, as well as responsibility for the biggest agency. At the same time, it is often described as seeking to develop a strong departmental approach to agency status. (Greer 1994). The Home Office is said to be one of the great Departments of State, having a 'liberal culture' "generated by decades of research findings from Home Office officials and from funded external research " (Dowding 1995(b), 115). It only has four agencies, the Passport Office, the Forensic Science Service (FSS), the Fire Service College and the Prison Service Agency. These departments therefore provide a variety of approaches to agencies and have agencies representing a range of organisational histories, funding, size and type. The departments, and how they responded to the agency concept, will be discussed in more detail in the next chapter.

Using the power dependency framework to analyse relationship between departments and agencies suggests the following are key variables. *Size*, larger agencies are expected to be of greater importance to ministers and departments because of the organisational and administrative resources they hold. Likewise *type*, statutory or monopoly or service agencies are likely to be of greater importance if they enforce the law, deal with the public and/or operate in politically salient areas. Source of *finance* , how the agency is financed is likely to affect the

relationship, as the ability to raise funds may reduce agencies' dependence on ministers and departments. The *history* of the establishment and of the main actors involved may influence the kind of informal links, shared appreciative systems and store of information held.

In selecting agencies within these departments, the agencies chosen cover a wide variety of sizes, type, funding regimes and organisational histories. Thus, according to the Rhodes Framework, these agencies should reveal a variety of dependency relationships. Four were chosen to predict literal replication for the hypothesis above: Companies House, the Laboratory of the Government Chemist (LGC), the Insolvency Service and the FSS. The CSA and the Prison Service Agency were chosen to predict theoretical replication, i.e. that where there was not shared values goals and institutional support, implementation will be problematic.

Yin suggests that, if it is uncertain whether external conditions will produce different results, then these relevant conditions may be articulated explicitly at the outset and a larger number of cases included. The alternative explanation for problematic implementation suggested by the literature search was the political salience of the policy area. The determinants for political salience were discussed earlier and are also related primarily to size and function. The Benefits Agency has been included in the case study to represent a very large agency working in a sensitive policy area which was said to have a high degree of political saliency. It too was headed by an Chief Executive from outside the civil service initially. However he had a local government background which suggests a familiarity with operating in a political environment and, coupled with the institutional links the Benefits Agency had with the Department of Social Security, this case is expected to show literal replication with the hypothesis.

Details of the agencies, their establishment and operating goals are provided in Chapter Five. Overall, the agencies chosen represent a variety of sizes, types, financing arrangements, parent departments and potential for political saliency. If fieldwork confirms the expectations of the multiple case study then this provides strong support for the analysis used to address the case study questions. However it is difficult to isolate all the independent variables to provide matching cases as

Yin recommends because of the uniqueness of each NSA and the finite number of candidates for examination.

This highlights a problem presented by the comparative or multiple case study methodology. As Mackie and Marsh point out selecting the number of cases to compare involves a trade off between "detail and generalisability" (Mackie and Marsh, 1995, 180). Where this tradeoff is made may depend on the unit of analysis, the traditions of the discipline or the personal preference of the researcher. Ultimately the comparative case study method cannot provide a substitute for a laboratory and "the trick is to acknowledge and cope with as many problems as possible" (Mackie and Marsh, 1994, 180). Indeed this methodology is not used here in order to ape positivistic experimentation of the sort used in the natural sciences. It is used to seek to provide openness in the analysis, and to attempt to criticise and compare "rival webs of interpretation about agreed facts using rules of intellectual honesty" (Bevir and Rhodes 1999). The application of Yin's suggestions for research design and case study tactics to improve the tests of validity and reliability provides a helpful framework for addressing the problems of case study methodology whilst utilising its suitability for capturing the interconnectivity and complexity of real-life situations.

Details of fieldwork

In order to explore the validity of the analytical approach chosen to address the case study questions, information was gathered from primary and secondary sources and through interviews. The vast amount of documentation produced by agencies provided a fruitful source of information. This included original and revised framework documents, annual reports, strategic and annual business plans and evaluation reports. Material was also available through reports on agencies by consultants as part of the prior options process and from the annual departmental reports and Next Steps Review. Secondary sources included newspaper and television reports including documentaries on the DSS and the role of the Home Secretary. Also helpful were quarterly Price Waterhouse publications which contained survey information. Particularly valuable were the many Select Committee sessions at which department and agency officials gave evidence.

Minutes of evidence from the three departmental select committees, the TCSC (latterly Public Service Committee), the Public Accounts Committee, the Committee of the Parliamentary Ombudsman and the House of Lords Committee on Public Service as well as Hansard were consulted. This was particularly useful in obtaining relevant material from three former ACEs who it had not been possible to contact.

Interviews were conducted on a (pre-dominantly) non-attributable basis with thirty senior officials, politicians and observers. Pooled questions with the ESRC research team permitted interview material to be gathered from a further five officials and some junior staff. Interviews were held with a member of the Ibbs Team and members and former members of the Next Steps Team. Senior officials responsible for the introduction of agencies in each of the departments and those with current responsibilities were interviewed, as well as Permanent Secretaries from all three departments. Ten of a possible fourteen ACEs in post since the launch of each agency were interviewed including all current ACEs[1]. Finally ministers from each department and three academic observers were seen. Most interviews took the form of a semi-structured interview with core questions asked of each respondent. However it was felt important to create the opportunity for interviewees to provide their perceptions of the questions the research sought to address and towards the end of the interview open questions permitted more discursive and reflexive responses.

Presentation of findings

The second methodological step taken to address the criticisms discussed earlier is to present the findings thematically and not on a case by case basis assessing each network separately. The advantages of presenting findings thematically are threefold. Firstly it allows observation of which part of the explanation is driving the analysis. Disaggregating information on the exchange of resources, the structural and cultural components of how relationships were conducted assists in assessing the question of whether an independent variable can be identified as Dowding

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[1] The new Director General of the Prison Service was appointed during the final preparation of this document and has not been interviewed.

argued (1995(b)). It enables some assessment to be made of the question of whether networks are institutionally or interpersonally based (Marsh and Rhodes 1992). Secondly, it permits some general analysis of the impact of agencies across government. Whilst accepting the disaggregated nature of change, it offers the chance to see if there are broader themes of how agency arrangements have affected the policy process more generally. For example, the degree of autonomy agencies exercise and the accountability they provide. Finally, and more practically, reporting thematically makes it easier to use the rich data and insightful comments gathered through interview material whilst ensuring the non attributability of their source.

Thus drawing on the Rhodes framework, chapter five will look at the goals of the case study agencies. Chapter six will examine the change in the distribution of resources caused by agencification and how this has altered dependency relationships between departments and agencies. Chapter seven will examine the processes of exchange used to manage the dependency relationships. Using findings from earlier chapters and relating them to the Marsh and Rhodes network typology, chapter eight will then look at the networks which have been identified. It will address whether features of the network impacted on implementation and delivery of government goals. It will seek to assess how closely the fieldwork findings support the expectations of the multiple case study.

Conclusion

This chapter has examined analytical approaches which could be applied to understanding department-agency relationships. The chosen theoretical approach for this thesis uses the idea of power dependency and the concept of policy networks as its analytical anchor within an overall framework of historical dependency. The introduction of agencies changed the institutional arrangements in government and led to new rules of the game, changed role expectations and a changed distribution of resources. The exchange of resources between departments (and their ministers) and agencies in central government has led to the creation of changed power dependency networks. These networks are likely to

resemble policy communities given that the exchange of resources is fundamental to the framework within which each department and agency operates. However, it is argued that features of the network might be linked to the explanation of why some relationships have worked well and some have not, with consequent problems. It is argued that only where there are shared values, goals and institutional support will the network make a smooth transition to operating through the agency concept and manage the tensions created by the new arrangements. Where this does not occur problems are anticipated.

Drawing on these analytical concepts raised additional theory-driven questions in addition to the normative and empirical ones outlined in chapter two. For example, how much do department-agency relationships have an institutional basis in resource exchange or are networks still the traditional informal networks of the type identified by Heclo and Wildavsky in the 'Whitehall village'? How do networks affect policy implementation and influence the policy process and what is the role of networks in policy shaping as well as in implementation? Whilst not forming the primary focus of this research it is hoped that the process of assembling data to address the case study questions will permit some reflection on these theoretical questions as part of the concluding comments of the thesis

Criticisms of the policy networks approach include suggestions that it is descriptive and fails to separate dependent and independent variables. Whilst expressing doubt about the possibility of finding a single causal and testable explanation for the questions above, these criticisms draw attention to the need to introduce some comparability of findings and provide clarity about how the explanation is operating. This chapter concluded by setting out the design of a multiple case study and how findings will be presented. The next chapter begins the process of presenting findings. It examines path dependency and resource dependency in the introduction of agencies both in departments at the centre, and in centre of the three departments examined.

CHAPTER FOUR

TAKING FORWARD NEXT STEPS

Introduction

This chapter aims to set out contextual information about the development of agencies both across government and in the specific departments in this research. As the 'historical institutionalism' literature (discussed in chapter three) sets out, exploring these institutional contexts is helpful as they inform the formal and informal rules of the game within which department-agency relationships are perceived and conducted. The institutional arrangements supporting agencification also determine the distribution of resources between departments and agencies and suggest the roles actors expected and were expecting to play.

The chapter draws on two analytical themes outlined in chapter three. The first is that of 'resource dependency' operating in the core executive, between departments at the centre and the centre of departments. It is argued this dependency led to compromise and negotiation in the implementation of the agency concept in departments. The second is of 'path dependency' in the development of institutional arrangements both across government and within departments.

Initially the chapter will briefly review information presented in chapter two. It will look at how the Next Steps policy was developed and how the key features of the policy reflected the existing institutional contexts and the process of getting Next Steps on the agenda. The second section of the chapter looks at the work of the Next Steps Team and the Treasury and how these departments at the centre interacted with departments to take forward 'Next Steps'. Finally departmental responses are discussed, especially the three departments chosen, the Department of Trade and Industry (DTI), the Department of Social Security (DSS) and the Home Office. This illustrates how the context of each department differed and resulted in adaptations to the 'Next Steps' model.

In conclusion, it will be argued firstly that the interdependency between parts of government caused compromises in the implementation of the agency concept. Secondly, that path dependency in existing arrangements across government and within departments led to further compromises and departmental adaptations. Actors' understandings of what 'Next Steps' meant, of the rules of the game, of the roles they should play, was not uniform across government. Understandings of some of the formal and informal rules were dynamic and often quite departmentally-specific.

Getting Next Steps on the Agenda

The debates and battles in Whitehall as the 'Next Steps' policy was formulated and introduced were outlined in chapter two. It was suggested that the original report was more radical than the published version and that the changes reflected the interests and concerns of both ministers and officials. These assertions are discussed further here.

During 1987 and 1988 the Efficiency Unit and subsequently the Next Steps Team held a far more devolutionary approach towards the establishment of agencies than either the Treasury or most departments. They were concerned with wrenching control over routine management tasks, like pay and personnel, away from the centre and passing it to operational units, "[t]o some extent, with the people who were keen to become agencies, we were sort of like liberators" (member of the Next Steps Team). Those at the centre, in the Treasury did not want to lose control over spending initially (Chapman, 1997), although they could see the link with the potential for privatisation (Lawson, 1993). Equally, ministers and those at the centre of departments did not want to lose control over those resources and departments especially feared the threat of privatisation (Zifcak, 1994). Finally the Prime Minister, and other politicians were said to be unhappy with the radical changes to parliamentary accountability being suggested (Hennessy, 1989).

The collection of ideas that came to be presented as the 'Next Steps' concept in the Ibbs Report can be seen to reflect the debates and compromises during this

gestation period. These ideas were sometimes contradictory. They included the appointment of a Chief Executive figurehead having clear oversight over an area of work, but with limited financial delegation, the proposal that departments were to maintain their role in advising ministers yet were to develop new roles in managing operations at arm's length and also the combination of a policy operations split and yet the continuation of ministerial responsibility.

The ambiguity surrounding the Next Steps message can be seen to be essential as it allowed each institutional actor to seek to fulfil their own wishes through its framework. To some extent this ambiguity was deliberate. One official involved with negotiations at the start suggested, "[e]ither agencies could have been simply within the public sector, doing it better, which is what we said with one side of our mouth you might say, the other side of the mouth said 'there it is packaging it for privatisation' " (interview with former member of the Next Steps Team).

The Next Steps concept was not enshrined in legislation or placed on any statutory footing. One official involved in the early days reflected, "[o]ne of the great things going for Next Steps was there wasn't much written down about it. There was just the original report and the PM's statement...thank goodness we didn't have to do any legal stuff really because we'd never have made it" (interview with former Next Steps Team official).

The only primary legislation which applied to the agency concept was the Government Trading Act 1990 permitting the establishment of agencies as trading funds and the appointment of ACEs as accounting officers. Over time some of the administrative procedures began to be formalised in response to demands from the TCSC, for example the publication of framework documents (TCSC, HC 494, 1988, 8), procedures for the appointment of ACEs (TCSC, HC 348, 1989, 8), and publication of ACE replies to parliamentary questions in Hansard (TCSC, HC 390, 1992, 207), leading to the development of codes and conventions informing the formal rules of the game. The original Ibbs recommendations were supplemented by further recommendations from the centre of government stemming from the Fraser and Trosa reports (Efficiency Unit, 1991; Trosa, 1994). These formal rules

of the game were summarised in chapter two[1]. However at core, the 'Next Steps' orthodoxy was, and still is, a dynamic concept, reflexive and responsive to external events, institutional learning and political imperatives. Or as one former member of the Next Steps Team pointed out "I think it's whatever people can make work".

Accounting for ambiguity

Two ideas from chapter three assist in explaining how the Next Steps concept came to have ambiguous and sometimes contradictory meaning. The first is the idea of resource dependency within the core executive. The Efficiency Unit needed the backing of the Prime Minister. Having the Prime Minister's endorsement gave the policy a strong platform across government. Nevertheless the co-operation of the Treasury in particular and of departmental officials and departmental ministers was essential to put the policy through the machinery of government. The approval and authority of the Treasury was needed because of the potential impact on its role of ensuring public probity. The centre also needed the organisational and informational resources of departments and the authority of departmental ministers to take the policy forward. For example, in the period before the launch of the report, the centre needed to find potential agency candidates in departments for the announcement to Parliament.

The importance of the commitment of the Prime Minister and Head of the Civil Service to Next Steps provided strong incentives for co-operation. For some, it was perceived that their Minister would be keen to progress the project. One deputy secretary with responsibility for drawing up nominations before the February 1988 announcement said "we just assumed our Minister would want to be in the van". (interview with senior official) The dependency between various part of government led to compromise over key parts of the new arrangements and a degree of ambiguity in their interpretation.

The Next Steps concept also illustrates the idea of 'path dependency' in the way that existing institutional arrangements act to constrain change and determine the

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[1] A single comprehensive guide to the various sources of guidance is 'The Chief Executive's Handbook' which combines agency specific references with more general civil service

extent of change in institutions. This can be particularly seen in relation to the accountability arrangements which were introduced. The changes to accountability arrangements were set out in Annex A of the Ibbs Report (Efficiency Unit 1988, 17). This suggested (where agencies remained part of departments) the establishment of a 'convention' understood by ministers and officials, about how to act in order to ensure the autonomy of agency chief executives in operational matters at the same time as preserving the overall doctrine of ministerial responsibility.

This Annex was drafted by Sir Kenneth Stowe and can be seen to relate to his background in the DHSS (interview with former official). The DHSS, which has always had the biggest post bag of the Whitehall Departments, (Norton, 1988) had had to develop this kind of system in order to operate, given the volume of correspondence. Members of Parliament frequently contacted the local DSS office in the first instance and wrote to ministers where problems could not be resolved at local level (Gains, 1990). One official from the DHSS, involved at the start of the project, commented "[t]here's a very direct causal link between what we were doing in the DHSS and the content of the Next Steps report". Another official from the Next Steps Team drew attention to how ministers in the DSS and Employment Department had responded to the changed accountability arrangements, "I think that Employment and the Department of Social Security have been very good... the best, maybe it's the nature of the functions, maybe it's because those departments deal with the public more" (interview with Next Steps Team Official). This institutional history was not shared across government. The messages in the Ibbs Report were ambiguous and permitted vastly different interpretations of the extent of managerial freedom and the meaning of accountability to flourish.

The 'idea' of Next Steps was not entirely a shared vocabulary or creed. The government's Next Steps policy represented a compromise which 'papered over' substantially different approaches in the 'mind set' of actors in different structural positions. This ambiguity, dynamism and compromise continued as agencies were established in government. The following section of the chapter looks at how departments at the centre, particularly the Next Steps Team, operated to take forward Next Steps policy and to develop agencies in government. Later

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references (Next Steps Team, 1997).

departmental responses are explored. The themes of resource dependency and path dependency are seen here also.

The Role of the Next Steps Team

The appointment of a Project Manager to oversee the project and drive it forward under the authority of the Prime Minister and the Head of the Civil Service was a deliberate attempt to provide the project with coherence as well as momentum. The announcement in Parliament stated that Peter Kemp was appointed to this role as second permanent secretary in the Office of the Minister for the Public Service. Kemp headed a small Next Steps team.

During the Autumn of 1987, the Management and Personnel Office had sought candidates for Next Steps status and 12 likely functions had been identified before the launch of the project (Goldsworthy 1991, 10). Kemp's job in the immediate aftermath of the launch was to see these candidates through to agency status, and badger departments to comply with the project by identifying more candidates. Part of the role of the Team and especially Kemp as its head was to 'sell' the reform to the civil service (Gray and Jenkins, 1991/2, 45). This was done in both public and private arenas, through the media and the hearings of the Treasury and Civil Service Committee and in meetings behind the scenes across Whitehall. This was a the first time this type of approach had been taken (Goldsworthy, 1991). Kemp set about giving a coherence to the Next Steps 'story' and engaging the various institutional actors in its implementation.

Kemp had been at the Treasury and his appointment was helpful in smoothing over Treasury concerns. His appointment was also judicious as he had previously worked on the Whitely Council pay negotiations and was known and trusted by the civil service unions "at the expense of a vast amount of trouble and talking I'd built up a certain amount of trust and could pull them along" (Interview with Kemp, 1997). Kemp's hardest battles were with those departments and ministers who were reluctant to engage with the idea of Next Steps.

The role of the project manager and the Treasury and the arrangements for co-ordination were described in a submission to the National Audit Office and subsequently to the Treasury and Civil Service Committee (NAO, 1989, pp 18 - 21; HC 481, 1990). Kemp's role included: liaison with departments to ensure they were informed about the Next Steps proposals and knew what was expected of them i.e. the development of a programme to set up agencies; to help departments set up agencies through the sharing of experience and providing a liaison role between departments and their agencies; to "identify and tackle" issues which arose; to make sure training was offered and provided and to report to the Prime Minister.

Kemp was assisted by a small Next Steps unit of (initially) three members. It is evident that the team felt a crusading spirit

> "we were a close knit community - I mean I don't think we should get starry-eyed or dewy-eyed but there were people who had a real interest and felt themselves to be part of a change which was worthwhile making, there was a bit of a crusade about it with some people", (official in early Next Steps during early phase of implementation).

The three desk officers each worked closely with a group of departments. The aim was to build up close relationships with those departments and to identify potential agencies and process these through to achieving agency status. Kemp explained

> "you had to identify friends... you identified friends, people on your side and you spent an awful lot of time going to meetings with permanent secretaries and things like that to push it along, trying to cash in on the strength which was at the back of you all which was Mrs Thatcher" (Interview with Kemp 1997).

The team was a vehicle to ensure the transmission of the Prime Minister's authority throughout Whitehall and, as Flynn points out, was seen to have positional authority stemming from the backing given to the project by the Prime Minister (Flynn 1990 165).

To help with the implementation process several project groups were established. A Project Executive made up of representatives from the OMCS, the Next Steps Team, the Treasury and the Efficiency Unit met to examine issues which cut across government and to look at key strategic issues, such as the changes to the Trading

Fund legislation. In addition to the Project Executive, two Project Liaison groups made up of departmental representatives, usually the principal finance officers, met, one for the large departments and one for smaller ones. These groups looked at any issues raised by the Project Executive and shared experiences. In the official history of 'Next Steps', Goldsworthy explains "The aim was to foster support for and a sense of purpose about Next Steps at senior level", (Goldsworthy, 1991, 22).

This recollection is not universally shared. One Deputy Secretary who attended the meetings described them as

> "[d]readful, absolutely unspeakable, nightmarish...to some extent we swapped ideas on where we were at but each agency at that stage was pretty much sui generis and there was a limit for which exchanged information was useful, they were totally formless and they really added no value at all".

This really reflects the great antipathy towards the agency concept held by departments. An official in the Next Steps team involved in the early days said "departments were fairly hostile to the whole concept, a lot of them thought 'this'll go away' ".

It is clear that the key imperative was momentum and this lent an urgency to negotiations. "The opposition we had from permanent secretaries, from some ministers, from people down in the machine was fantastic and the only way to do it was to crash at it very very hard" (Interview with Kemp, 1997). Another Next Steps Team member explained "it wasn't a project for faint hearts ... there weren't many prisoners taken in a sort of Whitehall way in the early meetings - trying to persuade people to do things".

One official on the receiving end of a Next Steps team visit explained " they were pretty forceful people coming in and they had different styles, hectoring people or badgering people and this terrible speed at which they did things and then, two hours later, you'd get a letter!" (Interview with departmental official). An official in the DHSS remembered the pressure was "To get it manageable and working to an incredibly short deadline. Again there was this sense of being driven by the centre, of Peter with Margaret Thatcher's force behind him".

This pressure for results led to considerable flexibility in the arrangements – or 'rules of the game' - made for different agencies depending on how far the team and the desk officer in charge was able to resist departmental adaptation (interview with former Next Steps team official). Departments had to be seen to go along with a policy that carried the Prime Minister's authority, however the Team depended upon departments to implement. The power dependency this created permitted compromise. The introduction of the agency concept into departments was path dependent upon the existing institutional arrangements - the existing departmental structure of decision making, as well as the existing rules of the game which departments were reluctant to alter.

The role of the Treasury

The Treasury was important in the continuing development of Next Steps policies or 'rules of the game'. As indicated above, prior to the launch of the initiative the Treasury had negotiated a considerable role in the process of setting up agencies (Henessey, 1988; Chapman, 1997). Although the Treasury were not keen initially with the delegation proposed by Next Steps, once reassured about the controls they could exert they took the initiative (Thain and Wright, 1995, 81). As Kemp explained to the Treasury and Civil Service Committee, the process of creating an agency allowed "the Treasury to be more relaxed" (TSCS, HC 481,1990, p481). This process involved the Treasury at all stages (TCSC, HC 348, 1989).

Once departments identified a function which could be considered for agency status they approached the Treasury as well as OMCS to review the 'prior options'. If agency status was agreed as the right proposal the Treasury were involved with the department, OMCS and any relevant future agency staff in drawing up the framework document[2]. The Treasury advised and authorised the degree to which financial and personnel control could be delegated (Greer, 1994; Chapman, 1997). They ensured that putative agencies had adequate financial and reporting systems and became involved in the process of setting targets. Chapman describes their role as having two purposes, a critical purpose in order to check for flaws and a

constructive purpose to assist in the process of delegating responsibilities (Chapman, 1995, 121). The extent of Treasury involvement has relaxed more recently as delegation to departments and agencies has become more widespread (interview with official in Next Steps team).

The Treasury were responsible for publishing guidance on the financing and accountability of agencies (Cm 914, 1989); on setting targets and measuring performance (HM Treasury, 1992) and on other memoranda on the content of annual reports. In this way, they were important in establishing the formalising of administrative expectations or rules which surround the project over time.

Departmental Responses

It is clear there were enormous differences in the way departments responded, with some eager to move in the direction of developing agencies and others very resistant to the idea. This again highlights path dependency in the Next Steps implementation trajectory. There were several problems for departments in adopting a Next Steps approach. The first involved the fundamental change of role expected at the centre of departments (Zifcak, 1995, 84). The implications of the Ibbs Report were that the centre of departments would have to change from being the apex of a hierarchy which delivered government functions to adopting a purchaser role, setting the framework within which the agency works, and advising Ministers on evaluating performance in a hands off fashion. Although stressing that political sensitivities had to be handled well, departments would have to 'stand back' from the operational details and leave 'managers free to manage' (Ibbs Report, 1988, 11). This was problematic for civil servants who were used to smoothing policy problems and who would have to continue to operate under the system of ministerial responsibility. One deputy secretary explained

> "[d]epartments can never resist meddling, partly because Ministers can't keep their hands out of it when things go pear-shaped politically and partly because

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[2] The involvement of putative ACEs in developing the agency proposals depended upon whether they were an internal candidate, or if externally appointed at what stage their appointment was made.

it does represent the detraction from the power of the central department and nobody likes losing power".

This hints at a less constitutionally-based departmental concern about agencies. For departments, the delegation involved in establishing agencies was very threatening in terms of the control they exerted over resources "it took a certain amount of power away from the central departments which they didn't welcome because a large part of their budgets were no longer under their control" (interview with agency chief executive). The greatest resistance to Next Steps was located within the finance and resources directorates of departments (Greer, 1994; interview with former Next Steps team official).

The focus on management skills was also threatening to the civil servants who had assumed 'the golden route to the top was through policy advice'. There was an expectation that high fliers would have to do a spell in agencies and this had implications for their career development "they didn't want it to be part of their career progression" (interview with official).

Overall, departments were said to be deeply resistant. There were, however, equally strong motivations for co-operating with the project. Flynn et al suggest that some departments, for example DSS and Transport, were already attracted to the federal model (1990, 166). Others departments, as mentioned earlier, felt they had to respond to a policy which had the Prime Minister's backing. A department's perceived readiness to respond was key, "it was then very important for departments to be seen as virtuous" (Former Deputy Secretary, Finance and Resources).

Being seen to respond, however, did not mean jumping in with both feet. Most of the early agency candidates were not key to their departments. One official indicated that some functions were offered up as 'sacrificial lambs' to keep the heat off other parts of their work (interview with senior official). Overcoming this resistance was the key to the first stage of the Next Steps project.

All the three departments studied for this research put forward a candidate for the list of twelve potential agencies announced on the day the Ibbs Report was

presented to Parliament. These were Companies House in the DTI, the Resettlement Unit in the DSS and the Passport Office in the Home Office. (Goldsworthy, 1991). These responses from the three departments encompassed a range of different decision making processes, institutional and individual responses. The next part of this chapter will look at each department in turn to set out historical and contextual features which are relevant to the establishment of agencies in the department and their different and distinct relationships with their agencies.

Department of Trade and Industry

The TCSC took evidence from departments about their plans to implement Next Steps in their first two inquiries in April 1988 and again in July 1989. The response from the DTI gave details about the Companies Registration Office as an agency candidate. It went on to state that the Next Steps recommendations would be examined in relation to service delivery functions which comprised over half the Department. Something of the ambivalence the Department felt towards Next Steps is indicated in their response "The DTI is concerned to improve the quality of services it provides and the value for money that it offers to the taxpayer. Creation of executive agencies can provide a means of achieving both these objectives." (TSCS, HC 494, Unpublished memorandum, 1988).

Peter Gregson the Permanent Secretary at the DTI at the time of the announcement in February 1988 was said to be unsure about the idea of agencies "his initial feeling was he wasn't in favour of it ... the Government having made the decision they were going ahead, his job was to make sure it worked...he was very supportive" (former DTI Agency Chief Executive). The DTI's response to the announcement was co-ordinated through the Departments Finance and Personnel Section in February 1988. One official involved in preparing for the response explained,

> "I hadn't particularly heard of this until suddenly, I think in February it became obvious that Government, driven from No 10, were going to activate it. So we very rapidly got to work on it. But we decided really as officials, that our Ministers would want to be 'in the van'...and we went through the

> DTI functional directory and said that's a potential agency, that isn't, one afternoon, wrote them out on the back of the envelope if you like. And we presented the list to Ministers within a day or so and they said 'Yes we're happy to go along with that' and I believe that every single one of those, either became an agency or was something similar". (Senior official in DTI at time of Ibbs Report).

Companies House (Company Information Office as was), was top of the DTI's list. It had clear executive responsibilities and a geographical base outside London making it very suitable for agency status. The other activities identified were also those with "a low policy content", with the exception of the Patent Office (but the Department split patent policy from the Patent Office before it was created as an agency) (interview with senior official in 1988). The department felt it was able to move quite quickly both with the establishment of Companies House and more generally in the development of agencies because it could benefit from previous hard work on the financial management initiative and had "the systems in place and had got clearly and quite well defined objectives for most of the operations, and targets, and so it wasn't a huge step, it was literally a Next Steps to turn them into agencies and give them more executive responsibility and public targets and the like" (senior official in DTI 1988).

Lord Young, who was Secretary of State at the time was broadly supportive and keen for a speedy launch of Companies House as an agency. It was in fact the second agency to be launched just weeks after DVLC. Nicholas Ridley, who took over in the summer of 1989 was also enthusiastic and even professed ownership of the Next Steps idea (interview with agency chief executive). By 1991/92 the DTI had ten agencies with over 50% of the Department's staff working in agencies. These included laboratories, regulatory agencies and one providing internal services. In 1995 three of the Department's agencies were privatised and the percentage of departmental staff working in agencies fell to approximately 25% (Next Steps Annual Report 1995; interview with Next Steps team official).

Despite this apparently early readiness to move down the Next Steps path, there were differences of approach between the DTI and the Next Steps Unit reflecting the ambivalence outlined earlier. The DTI wanted more control over its agencies than the Next Steps Unit thought appropriate.

In particular, the DTI had a house style for the governance arrangements of its agencies, each of which had a steering board. The Steering Board was chaired by the line manager in the department, usually the Deputy Secretary of the appropriate Division. This role was later described as the minister's representative following publication of the Fraser Report. The Steering Boards also had one or two representatives of the finance division and one or two people with a policy interest in the relevant operational area from the DTI and one or two outsiders. The purpose of these steering boards was to advise the Minister on setting targets, the annual business and corporate plans and on the agencies activities. This arrangement permitted a degree of close control and supervision. One official explained,

> "We felt...that we had to have control, we had to decide what targets to set and we had to know enough about it et cetera and...although we could have an arm's length relationship, it was not - we weren't going to put a blind screen down between us and it. And I don't think that any private sector company will do the same with a subsidiary, I mean we were following a model of parent company subsidiary although I don't think we ever expressed it in those terms but I think that was what we've set up" (senior official in DTI 1988).

This very direct and controlling role for the department led a former official in the Next Steps team to express the feeling that "some of us here never found the DTI to be a particularly Next Steps friendly department. Its always been a very centralist department... I think the Chief Executives, although they would tell you otherwise, have always had less latitude to do what they want than they might have had in some other departments".

The DTI is perceived as being the department closest to the business world. When established, from the historically distinct cultures of the former separate Trade and Industry Departments, it was said to have combined both a strong free trade and an interventionist ethos respectively (Richards and Smith 1997, 8; interviews with officials). Both of these aspects are apparent in its agency dealings and give the DTI's relationships with its agencies a distinct set of formal and informal rules. Its interventionist ethos led it to have a centralising tendency towards its agencies. At the same time its close contact with the private sector meant the DTI was more familiar with private sector management models than most other departments. The

holding company model (which was later recommended for adoption by departments and agencies in the Fraser Report (Efficiency Unit, 1991), was adopted early and consistently in all the DTI agencies. All its agencies were chosen because they did not involve strong policy content.

These historical and contextual features influenced and shaped the framework within which the DTI responded to Next Steps and built its relationships with the agencies within the department. The decision making structures and process were guided not only by the overall Next Steps arrangements but by these departmental 'rules' and understandings. These were quite different in the two other departments studied.

Department of Social Security

The DSS is one of the largest departments in Whitehall in terms of budget or share of government spending and sheer size of operation with its national network of local offices (Henessey, 1989). Unlike most other Whitehall departments it delivers its own 'product': there are no other non statutory providers[3] or professional intermediaries such as in housing, education or health. As a department, it has always had a reputation for producing home grown talent (Interviews with officials, Greer 1994, 43) with many policy officials beginning their career in the local offices delivering benefits and interviewing the public. There has always been a close relationship between policy and operations in the Department of Social Security and an awareness of the complexity and huge responsibility of delivering social security policies. It is argued that the size, interdependence of policy and operations, and relatively contained staff culture of the DSS all contributed to the particular way in which the DSS responded to the Next Steps concept.

The Department's response was guided by a series of reports as the introduction of the agency concept coincided with a review in the Department about the delivery of social security. The Next Steps idea became linked with debates in the department about how social security operations should be conducted (Flynn, Gray and

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[3] Housing Benefit is delivered through local authorities and Job Seekers Allowance is run in conjunction with the Employment Agency.

Jenkins, 1990; Greer, 1995). Karen Caines, one of the members of the Ibbs Team which drew up the report came from the Department of Social Security and it is clear there was a degree of cross fertilization of ideas. Just after the Ibbs team completed their scrutiny in March 1987, Margaret Moodie prepared an internal DHSS study into the operation of the regions, which was completed just before Christmas 1987 and published shortly after the Ibbs Report in May 1988 (DSS, 1988). This report was charged with examining the delivery of social security through the regions. It drew on similar contemporary management concepts which highlighted the need for staff to 'own' their work and for the organisation to get close to the consumer and see their 'business as service' (DSS, 1988).

During the period before the publication of the Ibbs and Moodie Reports, the Department of Health and Social Security (DHSS) was still one department. The DHSS, like the DTI, quickly offered up a candidate in response to the call for candidates before the launch of 'Next Steps' in Parliament. As one official involved in the response explained "there was the usual Whitehall question of do you want to respond in token fashion to get the centre off your back or with something very big" (senior official in DHSS, 1987). The possibility of a developing a 'Collections Agency' gathering together functions from the Department of Social Security, Inland Revenue and Customs and Excise was considered but not pursued (interview with senior official). The Medicines Controls Directorate from the Health side was considered. The Resettlement Unit was finally put forward (Unpublished memorandum to TCSC, 1988). This provided the possibility for a controlled response whilst the Department contemplated the far bigger change suggested by the Moodie Report (Unpublished memorandum to TCSC, 1988).

The Moodie Report

The Moodie Report examined the operation of the regional social security organisation - the delivery arm of the social security side of the department. Its findings were that service levels were highly variable, there was a difficulty in retaining staff especially in London and a lack of mission and measurable targets. In a striking resemblance to the findings of the Ibbs Report it stated "[t]he urgent tends to crowd out the important, the short term necessities obscure the long term objectives". (DSS 1988, 22). These problems could be addressed by the adoption

of strategic oversight by senior management coupled with devolved responsibilities for local managers and a clearer sense of good service. It made several recommendations, one of which - the relocation of work outside London -received the most public and parliamentary attention. Crucially, however, it also suggested that the regional organisation was an obvious candidate for agency status. The report suggested that, though derived independently, the agency solution suggests the same changes. Moving towards the development of an agency would not only be valuable as an objective in itself, but the process of creating an agency would "concentrate everybody's mind wonderfully" (DSS 1988, 23).

This analysis was not uncontested within the department. Michael Partridge, (who took over as Permanent Secretary of the social security side of the DHSS when the department split in July 1988) was keen on the idea of agencies (interviews with officials). The idea of a policy operational split reflected his experiences in the Home Office and the health side of the DHSS where several service delivery functions were provided at arm's length (for example, policing, fire, probation and social services). It also offered the opportunity to cut out a regional tier of management. Partridge was concerned that splitting up the newly created department up might cause fragmentation (interviews with senior officials from Department of Social Security). There was also resistance to the idea which largely stemmed from the finance and personnel division whose chief concern was with the loss of control and power that the centre could exert over finance, pay and personnel policies (Greer 1994, 51; interviews with senior Department of Social Security official). Strong corporate policies were developed to address these concerns.

The Hickey Report

A further study (Hickey Report) was commissioned in July 1988, shortly after the Ibbs and Moodie Reports were published, to examine whether social security operations could be run as a Next Steps agency or agencies (DSS 1989). This type of consideration was essential because of the size and complexity of social security operations. A parallel study looked specifically at the viability of the Department's IT operations running as an agency (Greer, 1994). The Hickey Report (completed at the end of 1988) concluded that agency status would be beneficial. It would

introduce managerialism to the operation and would help to focus Ministers' minds on the need for service delivery improvements. Privatisation, contractorisation, regionalisation and separate smaller agencies covering specific client groups or benefits were considered but not thought to be appropriate because of the politically sensitive and unified nature of social security.

Like the Moodie Report, the Hickey Report emphasised how the process of moving towards agency status would be a vehicle for much needed changes,

> "[a]gency status could reinforce and boost the process of change (even where in theory it might not be an essential pre-requisite), by signalling a commitment to improvement from the top, by imposing new disciplines, by focusing vigorous management attention on the issues, and ultimately by providing a catalyst and a focus for change. The importance of these psychological factors in driving through improved performance should not be under-estimated" (Hickey, 1988, 26).

The report suggested an early appointment of the chief executive and the development of a shadow agency structure prior to launch. It outlined a need for staff mobility across agencies and close working relationships between the policy and operational arms. A number of formal mechanisms for supporting informal close working were suggested. These could be established through policy branches having clearly defined opposite numbers in the agency, and 'benefit boards' could be set up to provide forums for debate about policy areas. The establishment of a departmental management board was suggested to assist the permanent secretary in advising the minister. The key debate was whether the contributions unit should operate as a separate agency – which it subsequently did. These considerations of how close working relationships could be sustained again reflected the complexity of social security and that many staff had experience of working in both policy ad operations.

Although the permanent secretary wanted to move to a more federal style department, Ministers were less keen to relinquish control. One official described the response of Ministers to the proposals,

> "Ministers were always twitchy and it remains the difficulty to this day that executive agencies is about handing over to somebody who's more at arm's length than a policy official or an official under their direct control....decisions and actions which would be of extreme sensitivity and interest to members of Parliament. So Ministers didn't awfully like it".

The risks of moving to agency status however were less than that of displeasing the Prime Minister (interview with officials). So in the spring of 1989 the Secretary of State announced the Department of Social Security would have, in addition to a Resettlement Agency (due to launch the following week), an IT agency from April 1990, a Benefits Agency representing the whole of the department's former operations arm from 1991 and possibility of the development of a Contributions Agency. This would place the vast majority, approximately 98% of the department into agencies leaving a small policy orientated HQ. These four were subsequently joined by two other agencies, the CSA set up to administer new child support arrangements in 1993 and the War Pensions Agency in 1994[4].

Review of DSS HQ

Uniquely across Whitehall, the Department of Social Security produced a 'Review of Department of Social Security HQ, Role, Organisation and Functions' to examine the work of the Department in the light of agencification. It suggested the move to agencies would create an organisation "more akin to a federal or holding company structure", (DSS,1991, 1). This report also stressed mechanisms for cross-collaboration, communication and co-ordination. It recommended a departmental management board - although chief executives of the agencies were not expected to be members at this point.

The department took a very corporate approach to considering the question of agencies, including whether to have them, how to divide them and how they would work with the remaining HQ policy arm. Their response was far more holistic and considered, reflecting the size of the proposed changes, the nature and complexity of the work and the relatively self-contained culture of the Department. In many ways the split replicated existing organisational structures in the sense that the operational arm of the department, the regional organisation, always had a separate management and reporting structure. The predisposition towards agencies was as a solution to existing departmentally identified issues. The Department of Social Security plans were however the most dramatic apparent shift to a new federal way of organising.

The corporate nature of this approach disguised some major and fundamental disagreements between parts of the Department of Social Security, the Next Steps team and the emerging agencies. This aspect will be examined in greater detail in the next chapter. The Next Steps team felt that the department had taken a too cautious approach and stifled the degree of delegation which was desirable (interview with officials at centre). Nevertheless the DSS's approach was markedly different to other departments not only in the scale of the shift to agencies but in the way in which relationships with the agencies were organised.

This partly reflected the unified nature of the social security operations. Because of the technical nature of social security it would be impossible to plan to change a social security policy without considering how this could be administered. It also reflected the size of the operational or service delivery arm of the department. It had the largest executive operation and therefore, logically, the largest percentage of work potentially suitable for agencies. The coherence and continuity of departmental control was maintained, not through individual steering boards but through active staff mobility, historic links and departmental governance through a management board. The Department established structures like the management board, the policy liaison contacts and staff mobility policies, in addition to the Next Steps arrangements which provided formal and informal rules governing the relationship between the Department and its agencies.

Home Office

The Home Office is traditionally described as 'conservative' in constitutional orientation whilst liberal in policy outlook (Dowding 1995a; Hennessey 1989; Lewis, 1997, 25; interviews with officials). Two features are relevant to contextualising the institutional motivations, beliefs and actions of Home Office civil servants in their responses to the agency agenda. Until the Senior Management Review, the Department was organised into separate divisions which operated autonomously. Decision making was vertically segmented officials in the Home Office often stated

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[4] Since 1996 the Resettlement Agency wound up its operations and the Contributions Agency has moved to the Inland Revenue.

that the divisions 'consume their own smoke' (interviews). Secondly, the subject matter of the Home Office is often concerned with questions of the competing values of authoritarianism and libertarianism leading to cerebral and cautious weighing up of philosophical positions in policy areas which do not involve technical clarity to provide definitive answers (Richards and Smith 1997, 14). These factors led to a cautious and individualised approach being taken to the question of agencies in the Home Office with no overall co-ordination As one official put it, "it was a slow, thorough, precedent-driven culture, just about as antipathetic to the sort of new management as you could find in any government department" (interview with former senior home office official). These features again are relevant when considering the way in which the Home Office adapted and implemented the agency concept.

The Passport Office was put forward as one of the first twelve candidates announced on the publication of the Ibbs Report. The Home Office report to the Treasury and Civil Service Committee indicates their cautious approach to further agencification. It said the Home Office was

> "planning a progressive extension of agencies by reviewing other executive functions....No areas of activity are ruled out, though the process will naturally be concentrating principally upon discrete administrative units which are wholly concerned with the delivery of services to the public or to government, which are of sufficient size to justify major structural change, and which could be made independently accountable within their parent departments" (TCSC, HC494 Unpublished memorandum, 1988).

The Passport Office was joined as an agency candidate by the Forensic Science Service in 1990 (Cm 699, May 1989). The recommendation for agency status here came after a consultant's report, a recommendation from the Home Affairs Select Committee and with the keen support of the Chief Executive (HC 26, 1989; interviews with officials). Neither was launched as an agency until April 1991 over three years after the publication of the Ibbs Report (Cm 1509, 1991, 5).

At the Treasury and Civil Service Committee's 1989 investigation into Developments in the Next Steps Programme, the Home Office was criticised for being slow to respond. The Home Office confirmed that discussions were taking place within the Home Office about the possibility of the prison service taking

agency status (HC348, 1989). Kemp was questioned about their response again in the TCSC 1990 report to which he responded "we keep after them" (TCSC HC 481, July 1990). In a Home Affairs Committee investigation into Next Steps Agencies the following year, the Committee took evidence from the official in the Home Office with responsibility for co-ordinating the Department's response to the Next Steps initiative. This was a grade five official who headed a small unit (Home Affairs Select Committee, HC 177, 1991). This unit was felt to be extremely supportive by staff in the agencies (interviews with agency staff) At this stage the Home Office still only had two agencies. The Fire Service College began operations in 1992. However the main pressure from the centre of government was on the Home Office to consider agency status for the prison service (interviews with officials).

Debates about the Prison Service and agency status

The prison service had been a separate department until 1962 when it moved into the Home Office, becoming its biggest division. It was headed by a Director General, the equivalent of a Deputy Permanent Secretary or grade two. It represented three quarters of central government expenditure by the Home Office and therefore presented, like the Benefits Agency in the DSS, a potentially huge transfer. (Cm 611, 1989). The Service had implemented extensive changes in working practices in 1987, called 'Fresh Start' to deal with appalling industrial relations and perceived inefficiencies (King and McDermott 1995; see HC 57, 1997 for background).

The possibility of the prison service becoming an agency was addressed by several reports in the period from the launch of the Next Steps initiative to the decision to set up the agency. The first by P A Consulting in 1989 (commissioned to examine the organisation and location of the Prison Service HQ) was cautious about how the agency idea could be adapted to the prison service. It identified a gulf between the policy instructions, issued at head office to protect ministers from attack, and operational activity in prisons. It identified a need for policy development and operational delivery to work more closely together. The key question the report identified was how much the Home Secretary would be able to stand back from operational matters given the level of public and parliamentary interest, (PA Consulting, 1989). This view in the Home Office, at the time when Ibbs was

published, led the then Director General of the Prison Service and senior Home Office officials to be 'nervous' about separating policy and operations. They felt it was not appropriate for an agency (Interviews with senior Home Office Officials). The Home Secretary at the time, Douglas Hurd, was also not keen (interviews).

Strangeways Riot and the Woolf Report

The years from 1987 to 1992 represented a period of rapid change for the Prison Service. Following the introduction of Fresh Start, fundamental changes to sentencing policy were planned and introduced by the Criminal Justice Act 1991. In the middle of this period the Prison Service suffered a very damaging riot at Strangeways Jail. At the time of the riot, David Waddington had been appointed Home Secretary. The subsequent enquiry into the riot, the Woolf Report, provided the opportunity for a comprehensive review of the problems of the Prison Service and penal policy (Cm 1456 1991). This report achieved a consensus and its recommendations were largely represented in a subsequent White Paper, Custody, Care and Justice, (King and McDermott 1994, 41). The report was very critical of the management of the Service and the neglect of these issues by successive ministers. Amongst many issues concerned with prisoner care and control, it called for more visible leadership of the Service by the Director General and greater responsibility to be delegated to Governors. It also recommended the separation of policy and operations, thus creating a resonance with the Next Steps concept (Cm 1456 1991: Cm 1647 1991). The riot damaged Waddington's career and he was shortly replaced by Kenneth Baker.

The effect of the Strangeways Riot was two-fold. It persuaded the new Home Secretary that he would be better protected from political damage through agency status (interviews with officials). It also provided a very graphic illustration of the management problems facing the Service (Lewis, 1997). Almost immediately after the publication of the Woolf Report a policy of contracting out the running of new and existing prisons was activated and a second report was commissioned specifically to look at the question of moving the Prison Service to agency status (King and McDermott 1995, 47).

The Lygo Report

This report by Admiral Lygo in 1991 was more positive. It pointed to the same need for better management and leadership as the earlier reports, but suggested this could be achieved through agency status. It did argue, however, that agency status needed to be adapted to fit the needs of the Prison Service. He suggested the creation of a supervisory board to permit the Home Secretary to have sufficient confidence in the management of the service to stand back, and a management board to assist the Director General. The report published at the end of 1991 recommended preparations for a move to agency status straight away with "a firm hand on the tiller" (Lygo 1991, letter placed with report). The recommendation was accepted in March 1992 ((King and McDermott 1995, 47). In April of that year the Fire Service College also became an agency.

Another change of Home Secretary after the general election in April 1992 led to Kenneth Clarke taking forward agencification of the prison service. He held a far more bullish attitude towards both agency status and privatisation and contracting out initiatives (Lewis 1997, 5). He took an active part in the appointment of the new Director General rejecting the existing civil servant in the role, Joe Pilling and appointing Derek Lewis a former television executive (Lewis 1997, 11). Two critical organisational decisions were taken during this period in the run-up to the launch of the agency. The first was that policy should stay with operations and become part of the new agency. This reflected the Home Office's historical concern that, without close ties, policy decisions were made that were un-implementable. Clive Whitemore, the Permanent Secretary at the time, explained the reasoning,

> "I insisted that the Chief Executive of the Agency should be responsible not only for the operation of the Service but also for prisons policy. I was quite clear, and I still am, that if I had set up a unit of bright young civil servants at the centre of the Home Office and outside the Prison Service and made them responsible for the development of prisons policy and confined the prison service to the operation of the prison system, we would have seen policy gradually becoming more unrealistic and less soundly based as it ceased to be informed by the hard facts of operational experience"(Whitemore, 1994, 10 - 11).

Whitemore chaired the work of the party which prepared the framework document (interview with senior Home Office official). The agency Framework Document, describes the role of the Chief Executive, still called a Director General - as being

"the Home Secretary's principal policy adviser", (unlike the Benefits Agency which described the chief executive's role as being the Minister's principal adviser on operational functions). Although the permanent secretary, according to the Next Steps principles retained his overall role as the Minister's principal adviser, this was not supported by any policy capacity in the department.

The second key decision was Clarke's absolute refusal to establish a Ministerial Advisory Board as advised in the Lygo Report "Ken Clarke was the sort of person who said 'well I don't care what the norm is - is it going to be useful and in this case, if not then I'm not going to have it' " (interview with former Prison Service official). The Next Steps team wanted an advisory board in this case but they were unable to force the issue (Kemp and Next Steps team official).

After the Prison Service became an agency in April 1993, the Home Office 'caught up' with other departments, with over 78% of its civil servants working in agencies (Cm 2508, 1994). Several factors had led to this change of direction. The new Director General, Joe Pilling, who had been appointed as Lygo was concluding his report was more supportive to the idea of agencies and held the view that any change was better than no change for the prison service which was badly in need of improved management (Interview with senior official, Prison Service). At the same time, Baker, the new Home Secretary was more persuaded and so the Permanent Secretary changed his position (interview with senior official in the Home Office).

But both Ministers and civil servants in the Home Office were cautious about making the Prison Service into an agency and were far less enamoured by agency status than either of the other two departments studied. Their caution was centred around the practicality of being able to separate prisons policy from operational policy - as the agency concept demanded - when recent experience argued for the need to become more cohesive. This was coupled with a perceived difficulty for Home Secretaries in standing back from the detail of operational matters. The arrangements surrounding the establishment of the Prison Service as an agency illustrate the operation of power dependency in the core executive. Under some pressure from the NS team and the Prime Minister to increase its adaptation of the idea, the largest area of executive work available was the prison service (interview

with former ACE in the Home Office). The Next Steps team was unable to exert pressure for the establishment of an advisory board against Clarke's wishes and risk jeopardising the move to agency status,

> "it would have damaged the credibility of Next Steps...it would be seen as the prison service rejects Next Steps or the Home Office rejects the Next Steps approach. And so, the reality of the negotiation, is there is a balance, there are other issues which come into play" (interview with former Next Steps team officials).

Overall the Home Office was a late and reluctant convert to agencification. The development of agencies in the Home Office reflect its compartmentalised structure at the time and the cautiousness of decision making associated with the Home Office. By 1993, the Home Office had four agencies, but there was no overall corporate approach to standardise how the Department related to its agencies as in the other Departments. In the case of the Prison Service in particular, the institutional arrangements set up to support the agency arrangement were uniquely related to the context of its establishment, both the history of the prison service and the decision making of key actors at the time. The set-up flouted the recommendations of several reports and the wishes of the Next Steps Team but they needed the Agency to go ahead and they had no authority to overrule.

Departmental contexts

The third section of this chapter has examined departmental responses to the Next Steps agenda in three departments. It has shown the different motivations and perceptions held by actors holding different structural positions - ministers, permanent secretaries and other senior civil servants. It has also drawn attention to the different departmental structures, histories and 'taken for granted' assumptions about the way each department operated which also had a crucial effect on how they responded. In this way the implementation of agencies in these departments was path dependent upon the existing institutional arrangements.

The DTI responded early and quickly. DTI Ministers were keen. Both officials and ministers were more comfortable with the management ideas behind the Next Steps approach. It identified executive work and separated any attached policy functions.

It developed a strong centralised pattern to its relationships with each agency using a 'steering board' model, with several DTI civil servants as members.

The Department of Social Security also responded quickly but with more caution as it examined the potential for placing the vast majority of the department into agency status. The agency model was adapted to suit existing administrative and management proposals for change. Close attention was given to maintaining the unity of the department given the 'holistic' nature of its work. There were tensions within the department and Ministers were not instinctively in favour but overall the Department of Social Security took a very corporate approach to the establishment of agencies and paid a great deal of attention to additional formal and informal mechanisms for strengthening the link between policy and operations.

The Home Office was very cautious about the agency concept. It was deeply reluctant to apply an agency approach to its biggest block of executive work in the Prison Service. Ministers were also ambivalent initially. There was no clear departmental view of the roles those in agencies and the centre of the department should play. The agency concept was not dealt with at senior level and the department took a compartmentalised approach in line with its vertically segregated structure of the time.

The agency concept demanded an individualised application and stressed that the precise arrangements would vary according to the function and wishes of the Minister. Yet it can be seen, in the three departments examined above, that departments customised and adapted the already ambiguous Next Steps concept. This departmental interpretation is important to identify as it helped to determine which agencies were established (and therefore what resources were exchanged), the perception of the rules of the game and the roles which should be adopted.

Conclusion

This chapter has illustrated that the Next Steps concept and the institutional rules surrounding the concept, were the product of compromise and accommodation to

satisfy different actors across Whitehall. This process occurred both in the development of the government's agency policy and subsequently in its implementation by departments. This compromise arose because of the interdependence of actors within the core executive.

Ministers were dependent upon the Prime Minister's approval and, de facto, the approval of the Next Steps team. The Prime Minister and hence the Next Steps team carried authority which both ministers and departments could not ignore. Equally, ministers were reliant upon their own departmental civil servants. Departments were used to acting to protect their ministers and also controlling financial and personnel resources. The agency concept threatened both these roles. Where departmental advice conflicted with the push towards agencies there was clearly delay and caution. The centre was, in turn, dependent upon departments to activate the policy. This dependence led to compromises, firstly in the development of the policy and then in its adoption and implementation. As one former Next Steps Team member explained "depending upon the personalities in the Next Steps team and the desk officer in charge, some of this would have been resisted more fiercely... and its probably true to say there wasn't a unified approach".

The institutional rules of the game which applied following these compromises illustrate the path dependency of policy change. Both the agency concept, and how this concept was adopted in departments, depended upon the existing formal and informal institutional arrangements. The agency policy carried a mix of old and new 'rules of the game', the introduction of arm's length control alongside a maintenance of the doctrine of ministerial responsibility. These ambiguous rules of the game became more customised when agencies were established in departments. Departmental contexts – existing structures of decision making, organisational histories, attitudes and beliefs about the policy area and roles led to differential formal and informal 'rules of the game'. Here again new formal and informal rules and roles developed and co-existed alongside the maintenance of existing cultures and beliefs.

This chapter has provided information about the three departments examined by the thesis. It has explored the context of the introduction of agencies into each department. It illuminates the appreciative system of those in departments, their understanding of their role and their attitude towards agencies. It has provided more detail on the rules of the game as they applied in each departmental context. This highlights the ambiguous, dynamic and often departmentally specific appreciation of the rules of the game and roles adopted. The following chapter will introduce the seven case study agencies from these departments. It will look at their background, key features and their goals before moving on to look at the resource exchange between each department and agency in chapter six.

CHAPTER FIVE

THE CASE STUDY AGENCIES AND THEIR GOALS

Introduction

This chapter will introduce the case study agencies and their goals. These agencies represent a range of agency size, type, funding regime and organisational history. They have been chosen to test for either literal or theoretical replication for the hypothesis developed in chapter three. This suggested that, where close policy communities with shared values, goals and institutional support exist between departments and agencies, agencies will be successful in implementing government goals. This chapter will highlight details which are key to subsequent analysis in particular about the history of each agency and of the nature of their goals.

A focus on understanding each agency's goals here is important for three reasons. Firstly on a practical level, the agreed operational goals of an agency provide the reason for the development of the relationship between department and agency and the basis for the exchange of resources. The agency's goals are the policy half of the policy and resources framework. Exploration of these goals is a necessary pre-cursor before going on to explore the resulting exchange of resources in the next chapter and how the department and agency manage the processes of exchange in chapter seven. Secondly, the chosen theoretical approach of the thesis places the idea of a sharing of goals – or goal agreement – between network actors as central to ensuring unproblematic implementation. This chapter aims to contribute to an assessment of how far goal agreement can be identified. Finally, an alternative explanation for problematic implementation set out in chapter two sees this as being related to the saliency of policy goals. This chapter intends to look in more detail at the salience of the agencies' goals to address this argument.

Initially the chapter will begin by discussing the difficulty of identifying organisational goals. It is suggested that goals are multiple, hierarchical, and often conflicting.

Guiding criteria for assessing the saliency of policy goals are suggested. Next, each agency will be briefly examined paying particular attention to: their *aims and objectives*, or the *goals* they have agreed with their parent department; any *key characteristics,* and give a brief *history* of their establishment and development up to the current time, highlighting important features relating to the case study hypothesis . The third part of the chapter will look at the saliency of the policy goals and the extent of goal agreement in the agencies. It concludes by suggesting that, for three of the agencies, goal agreement was difficult and saliency high.

Identifying Organisational Goals and Saliency

Before going on to look at each of the case study agencies and their goals, the first section of the chapter examines the question of how to identify an organisation's goals. There are a number of problems in examining the policy goals associated with an agency's sphere of operations. The type and source of policy goals affecting agencies are described below, illustrating that their goals are multiple, hierarchical, sometimes competing, changeable, difficult to identify and often covert as well as overt.

Service or output policies

The formal goals of the case study agencies are expressed in the Framework Document. . Massey describes these as *service or output policies* which specify the needs to be met and the methods used to meet them (1995, 82-3). They may be described as aims and objectives (in the DSS agencies and Companies House) or role and tasks (as in the Prison Service), purpose and aims (in the FSS) or role aims and objectives (the LGC and Insolvency Service). There is no consistency of language across government or indeed in organisations generally. They express what the agency does, and in some cases the client group and method. These general aims and objectives are supported by specific targets annually in the agency's business plan. Depending upon the type of agency, some of these goals stem from statute and earlier legislation (for example those of the Benefits Agency and Child Support Agency), some from non statutory policy purposes (for example the Wilton Park Conference Centre or the Social Security IT Agency). The

policy/operational split was intended to allow ministers to concentrate on establishing the 'what' and 'who' policy framework and free ministers from concerning themselves in detail with the 'how to do it' decisions, although as discussed in chapter two, there are difficulties in sustaining this separation.

The service or output policies which cover an agency's responsibilities can alter, with a change in the legislative framework or, for example, after a change in government. This may be reflected in the annual business plan with an alteration of aims and objectives, or it may not be reflected in these statements but by a different emphasis in the targets set. For example, taking the Benefit Agency's vision statement of 'paying the right benefit to the right person at the right time; every time' (Benefits Agency Annual Report, HC 489,1996), although (as yet) formally unchanged, has been interpreted quite differently by the new Labour administration. The emphasis used to be on paying benefits quickly 'at the right time', with targets based around speed. Now the emphasis is on accuracy, 'the right person' and targets for speed have been replaced with targets for accuracy.

Resource or fiscal policies

Secondly, how an agency is able to deliver its service or output policies is also in part dependent upon economic policy making, and wider *resource* and *fiscal policies* (Massey, 1995, 82 - 83). For example the DSS agencies' running costs were put under pressure by efficiency targets demanded from the Fundamental Expenditure Review in the Department (Cm 3213 1996). Of course, the annual business planning and target setting process between departments and agencies is concerned to update the financial and resource framework within which the agency operates, so that each year there is a specific agreement about what can be achieved within that business plan and what the focus should be. What this means, however, is that when looking at the goals in the Framework Document, sometimes these represent goals agreed at a specific period in time and their achievability, or relative priority, is subject to subsequent alteration.

Governance or administrative policies

Finally, each agency's goals are also influenced by wider *governance or administrative policies* (Massey, 1995, pp 82 - 83). The introduction of agencies

into government is an example of a governance policy itself, for example. More recently, the market testing initiative was a governance policy which cut across the operational responsibilities of agencies and required amendment to their aims, objectives and targets (Price Waterhouse, 1994). This, too, illustrates how policy goals can be competing and contradictory.

Informal or Unwritten Goals

Each of the above type of goal (or policy) - service or output, resource, fiscal and governance - even where changeable, competing and hierarchical finds formal written or overt expression through policy announcements such as agency framework documents and business plans, the Chancellor's budget statement and Command Papers such as the Ibbs Report and the annual Next Steps Review. There may, however, be other policy goals associated with an agency's operations which are covert, unwritten, personal or informal.

It was suggested earlier (chapters two and four) that ministers and departments have policy goals associated with the avoidance of embarrassment and or parliamentary concern (Next Steps Team 1995, 10). They may have policy goals which relate to the preparation for future policy change. A concern with the presentation of policy in relation to the primary policy goals themselves has been a criticism made of the New Labour administration (Public Administration Committee, 1998, HC 770). They may have political goals or ideological goals (Smith 1993, 50). These personal policy goals may be related, or tangential, to the formal goals expressed for the agency. For example, Harriet Harman, when Secretary of State for Social Security, also held the brief as Minister for Women. Her policy brief and well known personal commitment to women's policies was influential in averting the closure of a crèche for Benefits Agency staff (interview with senior DSS official). In a similar vein, agency chief executives and senior agency staff may have their own goals concerned with commitment to a particular policy direction or to do with other personal ambitions, promotion, transfer or retirement. For example, the maintenance of a London base for the FSS was important to key agency staff although never formally expressed in the Agency's annual business plan (interviews with Agency and Department officials).

These difficulties mean it is not as easy to identify agencies' informal goals as those expressed formally in the framework documents. What this section shows is that, when looking at the how agencies deliver government goals, their aims and objectives are hierarchical, multiple, changeable, in some cases contradictory, and are influenced not only by the specific policy area which the agency operates in but by wider economic and administrative aims of government and the personal, private and political goals of actors within the relationship (network). When seeking to identify an agency's goals and the extent of goal agreement within an agency's sphere of operations, it is this messy complex of goals which needs to be examined beyond the formal framework document. This chapter will identify for each agency their aims and objectives (from the framework document). It will summarise their goals more generally by looking at the impact of wider economic and administrative aims of government, and the personal and political goals of actors on their operations and it will seek to make a judgement about the extent of goal agreement and the relative saliency of the policy area. The identification of saliency is discussed next.

Determining political saliency

There have been several attempts to measure the saliency of policy goals (Hood and Dunsire, 1981; Dudley, 1994; Next Steps Team, 1995). Dudley is the author who most directly states that agencies which have a high potential for political salience are unsuitable for operating at arm's length and should be under direct ministerial control (Dudley 1994). He attempts to identify the Next Steps agencies which have a high potential for political saliency by building on earlier work by Hood and Dunsire (1981). Dudley suggests a range of features which indicate the potential for high political salience of a policy area. Some of these features are related to the primary policy goals of the agency and some are related to wider government goals and ministerial priorities (Dudley 1994, 33-37).

He suggests that high potential political saliency of a policy area is related to the size of an agency's budget or operations, the extent to which it has face to face contact with the public, and the extent of parliamentary or press interest. Agencies which are smaller, have a face to face relationship with a more restricted customer

group or work for government itself are expected to have less potential for political saliency although controversial or sensitive issues may increase their saliency potential. A similar exercise was undertaken by the Strategic Management of Agencies Consortium Project which set out criteria which indicate the political profile of agencies (Next Steps Team, 1995, 10 - 11). Drawing on the work of Dudley and the Agencies Consortium Team puts forward the following indicators of high saliency: size; serving the public directly; sensitive or controversial policy area; high degree of parliamentary interest. The saliency of a policy area and the extent to which there is goal agreement are in an iterative relationship with each other. The saliency of a policy area can make it more difficult to agree on policy goals. Equally, disagreement in a policy area can lead to the increased saliency of the goals pursued by the agency.

The Case Study Agencies and their Key Characteristics

The following section of the chapter will introduce the case study agencies and their goals. It will identify their aims and objectives as set out in framework documents and business plans and key features such as their size, the level of expertise of their staff group, their funding regime and income and expenditure. It will then look at the history of the agency, drawing attention to features suggesting integration and to any notable issues affecting the wider goals of the agency and particularly relating to the extent of goal agreement and saliency. The information on DSS agencies and the Prison Service is lengthier than the DTI agencies and the FSS because of the complexity of their spheres of operations.

Companies House

Aims and objectives and key characteristics

Companies House has two key objectives, to keep a record of company information and to ensure that record is made available to the public (Companies House Framework Document, 1988). It is a regulatory agency operating under statute. Companies House became a trading fund in 1991 although the Agency does not have fully devolved pay and employment conditions as yet. It charges fees, set by

statute, for its company registration activities which provide approximately two thirds of its income. The remaining one third comes from the charges it levies, set by ministers, for the provision of information to a variety of users, large and small, commercial, academic and research organisations. In the year 1997 - 98, Companies House had an income of £34.9 million and expenditure of £34.5 million (HC 824, 1998, 32).

The agency operates through a network of search rooms throughout the Country but its head office is in Cardiff where the majority of its 839 staff are based. As a 'business', Companies House is operating in a rapidly changing technological environment which has enormous implications for the way it collects, processes and provides the information it is charged with holding. Companies House has a monopoly of its company registration activities but is in the unusual position of having customers who are also competitors for its information provision (Mellon, 1993).

History and development

Companies House was established in the last century representing one of the first ways in which Government acted to ensure the probity and integrity of the private sector. Companies House was the second agency to be established under the 'Next Steps' programme in April 1988. Its first ACE was an internal appointment, subsequently two outside appointments were made. It is cited as one of the best examples of how agency status can improve the executive functions of Government (Mellon, TCSC, 1993). The agency's prior options process began in October 1992 and the agency went through an extensive period of review following the process, with consideration given to privatisation and contracting out. Finally in February 1996, the review was completed with only two parts of the agency contracted out. Revision of the Framework Document was delayed by the General Election and the loss of prospective legislation since the new Labour administration came to power has scaled down some of the planned developments in the move to electronic incorporation of records (HC 824, 1998).

Laboratory of the Government Chemist

Aims and objectives and key characteristics

The LGC provides a range of chemical analyses in support of government legislation. The Government Chemist was the arbiter of last resort in disputed cases of chemical analysis. When it was established as an agency its primary objectives were to maintain its reputation for independence and authority and to cover its costs (LGC Policy and Resources Framework, 1989).

As an agency, LGC was a self funding, non-monopoly research establishment. Under the Rothschild principle (which states that Government research labs should only do work which customers are prepared to pay for, (Cm 2250, 1993)) and in the more business-conscious environment of the DTI, the LGC had long operated a system of direct charging, although this was routed through the vote system. Well before the LGC became an agency it had clearly identified customers and charges. It moved to net costs running control in April 1990 (LGC Framework Document). The majority of its staff are scientists (there were 273 staff on the point of privatisation) and the Laboratory operated from one purpose built site in Teddington.

History and development

The LGC was established in the last century to ensure the non-adulteration of tobacco as customs and excise duties were introduced. It gradually increased its range of analytical chemistry analysis on behalf of government and in support of legislation in over 23 different Acts. The role of the Government Chemist - who was also the Chief Executive of the LGC - was to act as an independent and impartial arbiter of last resort in the case of disputes over chemical analysis in the courts. It did not directly support Government but was seen as supporting the aims of Government expressed through a myriad of different acts protecting business, consumer and Government interests. The LGC started life under the jurisdiction of Customs and Excise, and had transferred to the Treasury before finally moving to the DTI (Hammond and Egan, 1991).

At the time of agencification, the LGC did almost no work in support of DTI legislation but the majority of its work came from other departments, predominantly Agriculture, Customs and Excise and the Ministry of Defence. The LGC became an agency in 1989 with the keen support of the Chief Executive and the line manager in the Department (the Chief Engineer and Scientist) who had previously been the Government Chemist. In May 1993, after Michael Heseltine's appointment as President of the Board of Trade he ordered a review of all the laboratories in the DTI, which preceded a multi-departmental review across Government (Cm 2991, 1995). This formed the basis of the LGC's prior options process (LGC Annual Report, HC 809, 1993).

By this time, some three or four years after the LGC was established, the efficiency agenda had forced a change in the LGC's customer base as departments increasingly altered traditional links and sought to tender for analysis in support of their work. At this time however - during the period of the review the DTI became a customer of the LGC in support of its National Measuring System initiative (LGC Annual Report, HC 809, 1993). The review was informed by a consultant's report into the possibilities for privatisation or contracting out. The report, published in March 1994 suggested various options were possible, ranging from sale to a third party or to a management buy-out, the creation of a Company limited by Guarantee or a move to a Non Profit Making Distributing Company (NPDC) (KPMG Corporate Finance, 1994). In April 1994, Michael Heseltine announced that LGC would be transformed into a NPDC by April 1996, although the possibility of a trade sale was still a possibility if a buyer could demonstrate "the required independence" (Press Notice, DTI 1994).

The future of the LGC remained unclear during the following year and was "the subject of extensive discussions within the DTI" (LGC Annual Report, 1995). Finally, following Michael Heseltine's move to the office of Deputy Prime Minister, in September 1995, the Government Chemist submitted a consortium business plan which was accepted later that year. In April 1996 the LGC was privatised and sold to a consortium bidder, and is now a Limited Company as a subsidiary of LGC Holdings Ltd which is jointly owned by the staff, the Royal Society Of Chemistry and 3i Group plc. The Chief Executive retains his Government Chemist role under a

purchaser - provider contract with the DTI. The final annual report states the LGC has been transferred into the private sector in such as way that "we will be able to build on and strengthen our reputation as a national centre for analytical science with a hallmark of independence, impartiality and integrity", (LGC Annual Report, 1996). Nevertheless, there was concern expressed about how this independence or the role of the Government Chemist could be maintained, given its increasingly commercial role (Independent, 14 April, 1994).

Insolvency Service

Aims and objectives and key characteristics

The Insolvency Service is a regulatory agency with considerable devolved statutory duties. It is charged with overseeing personal bankruptcies and company liquidations (Insolvency Service Framework Document 1990). These investigations can lead on to prosecution and the disqualification of former company directors from future trading. It also advises ministers on insolvency policy issues.

The Insolvency Service has 1,345 staff who operate from offices throughout the Country (HC 828, 1988). The work is very complex, the service has a strong professional culture and ethic, and Insolvency Service staff, the 'official receivers', are officers of the Court. There are other insolvency practitioners who undertake some insolvency duties and the Service authorises and regulates these private sector practitioners. However, contested and disputed cases and those requiring further investigation or prosecution are only done by civil servants acting on behalf of the Minister. Although the Insolvency Service charges fees for its work, the very nature of its business means that, as well as being demand led, it cannot guarantee to find income from bankrupts and company failures and there is, therefore, no correlation between its input and output. It is felt improper to fund the service from the proceeds of insolvency and so is vote funded. It is, and is likely to remain, a gross running costs agency (interviews with senior agency officials). In 1997 - 98 its income was £37.4 million and its expenditure was £78 million (Insolvency Service Annual Report, HC 828, 1998, 44).

History and development

Like Companies House, the Insolvency Service was established in the last century as part of the state's involvement in overseeing the operation of markets. It became an agency in 1990 with the existing Head appointed as ACE . The agency was a somewhat reluctant recruit to the agency concept and had a very difficult first three years during which time the level of resources it was allocated did not rise while company bankruptcies doubled. This period ended with a very critical NAO report on the lack of company disqualification work undertaken by the Insolvency Service under pressure of work (National Audit Office, HC 907, 1993).

During the Service's prior options process, the then President of the Board of Trade, Michael Heseltine, was keen to consider the possibility of privatisation (interview) and consultants were brought in to consider whether certain parts of the process could be contracted out as a way of coping with fluctuating levels of demand. (Stoy Hayward Consulting, 1994).

The detailed nature of the task meant the consultants needed to work closely with the Insolvency Service in drawing up the specification to meet the high standards of probity expected. Media reporting, although inaccurate in both substance and detail, highlighted parliamentary concerns about some of the bidders for the work (Guardian, 27 February, 1996). It is not clear how much this raised concerns with ministers, who would still remain answerable for the actions of private sector actors. However, the results of the contracting out exercise were that the six bidders were considered by the steering board who made recommendations to Ministers that the work should remain in house and this was the recommendation accepted - again by Michael Heseltine's replacement, Ian Lang, the new President of the Board of Trade.

Benefits Agency

Aims and objectives and key characteristics

The role of the Benefits Agency is to administer social security law and pay out benefits to eligible claimants. The Agency sought to improve its previous levels of service and provide a 'customer orientated service' and information to the public

"so that they are informed about their entitlements" (Benefits Agency Framework Document, 1991, 4).

In 1991 the Agency disbursed £52 billion to 20 million claimants. The Benefits Agency is the largest government agency, the net cost of its operations was 2.5 billion in 1997 - 98 and it employs over 66,000 staff who provide a national service from a network of local offices. The Agency has its headquarters in Leeds (HC, 901, 1998). The Agency operates under gross running costs control; running costs are financed by the Treasury with funding for benefit payments stemming from the National Insurance Fund and general taxation. From the start it had quite extensive delegations, for authorisation of capital projects, to create posts up to grade six, and recruitment below grade seven.

History and development

The Benefits Agency was established in 1991. The Agency was based on the former operational arm of the Department of Social Security following three major investigations into how the Department as a whole would benefit from agency status (see chapter four). Shortly after moving to agency status the Agency had to implement the introduction of the two new benefits, the Disability Living Allowance and the Disability Working Allowance. This caused enormous operational problems with long delays suffered by disabled applicants for the new benefit (Social Security Committee, HC 284, 1992/93; DSS Annual Report, Cm 2213, 1993). This culminated in considerable parliamentary concern and a highly critical report by the Parliamentary Ombudsman (Parliamentary Commissioner for the Administration, HC 652, 1992/93).

The Agency is also responsible for administering the Social Fund. This fund provides grants or loans to claimants on Income Support for essential household items. The fund was cash limited in each office and decision making was discretionary (within guidance provided by the Secretary of State). The money was mostly provided in loan form and claimants had to pay back the loan from their weekly benefit reducing income levels below the minimum. This scheme was highly contentious and closely monitored through Parliament.

The Agency also faced problems when its self-professed customer orientation was threatened by cuts to its running costs to meet the efficiency targets of the Fundamental Expenditure Review (Social Security Committee, HC 382, 1994/95, xx; Cm 3213, 1996). This resulted in the closure of the Agency's 'Freeline Service' which provided advice on claiming, a simplification of the appeal and review system and a focus on anti-fraud activities. Even the Secretary of State Peter Lilley was cited as saying the scale of the cuts "fills me with despair" (Independent 9 Feburary 1996). Nevertheless, throughout Lilley's period as Secretary of State he sought to capture headlines to demonstrate a tough approach to bolster his political ambitions, raising the profile of spending on single parents, asylum seekers and highlighting fraud in the system (Lilley, speech to Conservative Party Conference, October 1993; interview with academic observer).

The Agency went through an evaluation and prior options review in 1994 (BA Annual Report, HC621, 1994/95) which considered splitting the Agency into regional units. The outcome was to retain a single unified organisation. The Framework Document was re-written and reflected contemporary objectives such as the Citizens Charter and a commitment to combat fraud (Benefit Agency Framework Document, 1995/2000). Its most recent Annual Report shows another revised statement of purpose which reflects the new Government agenda, stating the BA will "help to create and deliver an active modern social security service which encourages and enables independence" (HC 901 1998, 4). Throughout these changes in aims, the BA has retained its vision statement which is to pay "the right money to the right person at the right time; every time" (Benefits Agency Annual Report, HC 489, 1996) although as outlined above, the focus has shifted since the Labour Government took office to a focus on accuracy and away from speed.

The change of government has led to the Agency being involved in planning changes to almost every part of the benefits system as well as continuing and developing initiatives like the 'one stop shop' which aim to improve service levels (interview with senior official; Cm 4214, 1999). One of these changes involves reviews to the operation of DLA which has continued to cause problems. The Social Security Select Committee described DLA as an "unstable benefit" which

was ill-defined, complex and unworkable (Social Security Committee, HC 641, 1997/98) and the official 'Disability Living Allowance Advisory Board', in its first report, described the administration of the benefit as 'seriously flawed' (Guardian, 14 March, 1998). Discussions over the future of disability benefits are currently still taking place.

Child Support Agency

Aims and objectives and key characteristics

The CSA seeks to ensure that parents who do not live with their children contribute to their maintenance. It aims to "deliver a consistent, accurate, timely and cost effective service in the assessment, collection and payment of maintenance ensuring that children receive the financial support to which they are entitled" (HC 864, 1998, 2).

The CSA operates from six child support centres and out of the Benefits Agency's local offices. It currently employs 7,909 staff, having grown from 5,000 as envisaged in the Framework Document, (Child Support Agency Framework Document, 1993). Like the Insolvency Service, although the CSA collects money, this does not finance the Agency. It is financed through taxation and operates under gross running costs control. The net cost of its operations in 1997 - 98 was £225 million, (CSA Annual Report, HC 864, 1998) It had, and sought, far fewer delegations than the Benefits Agency (Greer, 1994, 63).

History and Development

The Child Support Agency formally began operations as an agency in April 1993. It was created to effect the 1991 Child Support Act. The CSA was therefore a new organisation, operating under new legislation and moving the state into an entirely new area of involvement with private citizens. Its first Chief Executive was an outside appointee who previously worked for a national mental health charity.

Changes to the system for collecting child maintenance arose from a changing ideological agenda and fiscal pressures compounded by problems in the administration of existing policies affecting child maintenance. A strong ministerial

agenda problematised the growing numbers of lone parents on benefit and sought to reduce welfare dependence and social security spending, enforce parental duties and avoid the state undertaking responsibilities which were seen as belonging to the family (interviews). This stemmed from new right ideological beliefs about the role of the state and the role of the family as well as fiscal prudence in the face of rising spending on lone parents claiming benefits. There was a growing recognition of the effects that benefit structures had on behaviour and incentives. Thus John Moore (Secretary of State at the time) announced at the 1988 Conservative party conference,

> "[w]e have to continue to work on the connection between benefits and behaviour.....Of course we will continue to help poor families. But as we do it we have to ask some hard questions, is the hope of a council flat and a guaranteed income a factor in unmarried teenage pregnancy? Is the knowledge that the state will provide a factor in fathers deserting their families? What is to be done about the nearly half a million fathers who pay nothing at all toward the support of their wives and children?" (Moore, 12/10/88).

The desire for reform of the maintenance arrangements was shared by the Labour Party (Consultation Document, Michael Meacher's Office, February 1990; Field, Guardian, 24/6/90). The Labour Party agenda saw increasing fathers' contributions towards maintenance payments as part of its anti poverty and economic equality strategies. The ideological underpinnings here were linked to a feminist agenda which linked male fecklessness to family poverty.

Thus although stemming from opposite ideological agendas, the Government and opposition agreed on the need for the agency. Statistical and research evidence could be used to support both the new right and feminist interpretations. The number of lone parents receiving income related benefits almost doubled from 1979 to 1988 whilst at the same time, the proportion of lone parent families receiving income support who also received maintenance from an absent parent had fallen from 50% in 1981 to only 23% in 1988 (Public Accounts Committee HC 429, 1990). The same research also provided the evidence for a different interpretation showing the importance of maintenance (along with access to employment and child care) as the key route out of poverty for lone parents (Millar, 1989; Brown, 1989; Bradshaw and Millar, 1991)

At this time (prior to 1993) maintenance was assessed and enforced by the Courts. The Court system was fragmented and led to widely varying payments and ineffective enforcement (Cm 1264, 1990). The Department of Social Security, through its 'liable relative' sections, became involved if the caring parent was on benefit. In these circumstances the Department of Social Security could pay the appropriate social security benefit level to the caring parent and take responsibility for collecting (and recouping) maintenance from the absent parent. The work was not high priority for the Department of Social Security and enforcement of the liable relative provisions was piecemeal depending upon other workload pressures (NAO, HC 328, 1990). Policy changes introduced to simplify the system following the Fowler Review and subsequent 1988 Social Security Act had the effect of reducing incentives for parents with care to work by removing the cost of child care from exempt income (HC 429, PAC, 1990). In part therefore, the 'problem' of collecting child maintenance stemmed from the administration of previous policies.

In the face of a highly critical NAO investigation and PAC report (Public Accounts Committee, HC 429, 1989/90) the Department of Social Security announced strengthened procedures for recovering maintenance through its liable relative sections work and a survey of the maintenance system. A more radical improvement was sought and the experience of other countries was examined, especially schemes introduced in Australia, and Wisconsin USA (Shephard, Hansard, 8/1/90, c692w; Shephard, Hansard, 29/1/90, c137w). Officials visited Australia and a ministerial team visited Wisconsin to examine their newly introduced system (Guardian, 8/2/90; interviews with senior Department of Social Security officials).

The idea of an agency which would enforce parental responsibilities, provide a more comprehensive and equitable maintenance arrangement and collection function and which would save the Treasury money was attractive to Ministers. As one senior official explained "the attraction of the Child Support Agency was here was something which hoiked it out from the Benefits Agency and gave it tremendous prominence and gave substance to the Thatcherite rhetoric" (Interview senior official in Department of Social Security). The intention to set up a Child Support Agency to trace absent parents and to move to a system whereby

maintenance was assessed through a formula was announced by Mrs Thatcher in July 1990 (Thatcher, 18 July 1990, Pankhurst Lecture).

The Government's policy agenda for child maintenance was set out in a White Paper 'Children Come First' which stressed that maintenance was a parental and not a taxpayer's responsibility (Cm 1264, 1990). The White Paper announced that a new agency should be responsible for assessing, collecting and enforcing maintenance payments. The amount of maintenance due would be based on a national formula which took into account income and the existence of second families. Caring parents claiming income support would be required to make a claim for maintenance unless there was good cause and refusal would result in a deduction from benefit. Where the absent parent was also claiming benefits there would be either a very low nominal transfer or no transfer from their benefit. Where however the absent parent was employed, the effect of the new arrangements would be to provide income which would reduce the caring parent's need for means tested support in part or all together. In this way the benefits bill for lone parents would reduce and responsibility for supporting children would transfer back from the state to parents, in particular absent fathers.

The decision to set up this new function as an agency rather than beef up liable relative work within the existing Court system seemed appropriate given the growing agencification across government and especially in the Department of Social Security (interviews with senior officials). The legislation seemed to offer a clear cut line between child support policy and the Agency's responsibilities in administering that policy and thus fitted the agency concept. There was debate about where to locate the Agency and whether it belonged in the Inland Revenue as a tax gathering instrument of public policy, or whether it should be part of the Department of Social Security as it was an instrument of social policy. Treasury ministers did not want the Agency and it ended up being located in the Department of Social Security (interviews).

The Bill to establish the legislation to which the Agency worked passed through Parliament with cross-party agreement. The plans united both the new right and feminist agendas of the parties. The main points of disagreement arose over how

far caring parents should be forced to co-operate with the Agency given the potential for some absent parents to be violent, and the sanctions imposed on those parents who did not want to co-operate (Social Security Advisory Committee, 1991; Hansard, 8 January, 1990).

There was considerable pressure from the centre to recruit an outsider as Chief Executive (interviews) and Ros Hepplewhite was appointed in 1992. The putative agency had one year within which to establish itself before becoming active. Staff were recruited to work in the six new claims processing centres. Existing Department of Social Security liable relative staff from local offices also transferred to the new agency, but overall approximately 70% of the agency's staff were new (Hansard, 20 June 1997).

The agency had a potentially huge 'customer base' and an early decision was to stagger its statutory involvement with different types of cases over a number of years. Unlike schemes running in Australia and New Zealand, which began with new cases, it was decided that the Agency would take on cases where there was no maintenance being paid and where the caring parent was dependent upon income support. During this period new cases would continue to go to Court to arrange maintenance. Then cases where there was an existing court order would be added to the Agency's caseload and finally all new cases would go through the Agency. It was anticipated that this process would take three years.

The Agency was launched in April 1993 with tough targets responding to Treasury pressure (Garnham and Knights 1991). In particular it was expected to make annual benefit savings of £121 million. Within a few months, MPs' post bags began to swell with CSA cases and as early as December of 1993 the Social Security Select Committee was suggesting changes, which were introduced in February of 1994 (Social Security Committee, HC 69, 1993). Amid a media barrage of criticism and the growth of increasingly vocal protest groups, the Labour Party called an Opposition Day debate in July of that year and the Select Committee held a second enquiry in the Autumn (Hansard 4 July 1994; Social Security Committee, HC 470, 1994). Signs of difficulties between ACE and minister were apparent at the hearings, Ros Hepplewhite defended the system as it existed whilst Peter Lilley

took a more cautious approach, acknowledging problems with the agency's performance and stating a DSS insider had been brought in as Head of Operations to improve matters (Social Security Committee, HC 470, 1994).

Before the Social Security Committee report was published, the first Chief Executive resigned, just eighteen months after the agency began operations (Guardian, 3 September 1994). Ros Hepplewhite was replaced by a career civil servant, Ann Chant, who came from being Chief Executive of the Contributions Agency. Non-cooperation in returning forms and paying the newly assessed maintenance, coupled with the change of rules meant the agency failed to achieve its targets for arranging maintenance or savings on benefit in its first year despite the Agency taking on extra staff and receiving extra funds.

The criticism of the agency has subsequently been relentless. Over the next four years, every scrutiny of the Agency by either the National Audit Office (NAO) and Public Accounts Committee, the Social Security Select Committee, the Chief Child Support Officer (overseeing standards of adjudication), the CSA National Client Survey and the Parliamentary Ombudsman and Select Committee for the Administration has been critical of the Agency's standards of assessment, speed, accuracy and relationships with its customers. The timetable for phasing in the work of the agency was delayed, its accounts have been queried and its targets have frequently not been met, or have not been set to demand improvement. The Ombudsman in his first report, noting the similarity of the problems the Benefits Agency had with the introduction of DLA and the introduction of child support was especially critical of the Department for not learning the lessons of the earlier difficulties (Parliamentary Commissioner for the Administration, HC 135, 1994/95).

The Agency has faced several major changes to the policy framework it operates within, through amending legislation. A second White Paper responded to the detailed suggestions made by the Social Security Select Committee and suggested the formula needed to become more sensitive to individual cases and a system of departures from the formula was piloted and subsequently introduced (Cm 2745 Improving Child Support, 1995). This had the effect of creating an even more complicated system which permitted greater delays in maintenance being agreed

and paid. Following these amendments and up until the 1997 election, the agency went through a period where ministers were keen to acknowledge the difficult job the Agency performed and to provide support for its aims and the administration of Government policy by the Agency (Social Security Select Committee, HC 282, 1997; Hansard, 20 March 1997).

Following the election of the Labour Government in 1997 the problems the CSA faced were more explicitly aired. Parliamentary and press information emphasised the rate of non-compliance by both fathers and mothers, the difficulty the Agency had in working with the complicated formula, the backlog of unprocessed cases and the amounts of uncollected maintenance (Observer, 15 June 1997; Hansard, 20, June. 1990; Social Security Committee HC 1013, 1998; Guardian, 21 April 1998; interview with minister). The Agency's prior options review became wrapped up with a fundamental review by the incoming Government of the agency. There were strong lobbies within the Parliamentary Labour party and in the Liberal Democrats for a return to the Court System. There was also discussion about whether the agency should transfer to the Inland Revenue, as had been announced for the Contributions Agency (Guardian, 25 April 1997; Sunday Times, 25 January 1998; interview with senior Agency official).

A Green Paper published in March 1998 proposed to keep the Agency as a Next Steps agency but to make two fundamental changes to the legislation it operated under. The first was to radically simplify the formula to a straight percentage of income, rising according to the number of children. This broad brush approach is likely to be simpler to administer and led to less scope for delay and obfuscation although providing 'rough justice' in some cases. Secondly a maintenance disregard will be introduced allowing the caring parent to keep up to £10 of maintenance before it is deducted from benefit entitlement. This is anticipated to encourage compliance of the caring partner and create better incentives for returning to work. In the last year preceding the introduction of the Green Paper, politicians of all parties acknowledged the very difficult job the Agency had had to do, including the then Minister for Social Security and former Chair of the Social Security Select Committee, Frank Field who stated "I, as a politician apologise for being a member of this place who put the CSA on the statute book. Responsibility

for the CSA rests with this House...This House established the CSA and the House will have to reform it" (Hansard, 23 February 1998). A White Paper confirming the introduction of the changes above has just been published with the new simplified system expected to begin in 2001 (Cm 4349 1 July 1999).

Forensic Science Service

Aims and objectives and key characteristics

The FSS exists to serve the administration of justice through the provision of assistance at the scenes of crimes, the analysis of evidence and the provision of independent expert advice to Courts on behalf of both the prosecution and the defence (FSS Framework Document).

It is not a monopoly as forensic science advice is available in a small private sector and from other government laboratories (including the LGC). It is however the main provider in the 'market' and provides a national fully integrated service (FSS HC 129, 1997). In Court, forensic scientists do not act on behalf of the Home Secretary, in the same way for example as Immigration Officers, but the legal-constitutional importance of their role was still very important to the Home Office in support of the administration of justice (interviews). Independence and impartiality are seen as key (FSS Framework Document, 1991, FSS HC 623, 1994). Like the LGC, it is a non-monopoly research establishment.

The agency employs 1,238 mainly specialist scientific staff in six laboratories covering every area of England and Wales. Its headquarters are in London on the site of the former Metropolitan Police Laboratory, with whom it merged in 1996. It charges for its analysis, the majority of its work comes from the police, but it also provides analysis for the defence side and is increasingly providing international consultancy and casework support. The FSS operates as a net costs agency It is financed by earned revenue and is able to fund investment from its operating surpluses (FSS, HC 129 1997, 14). In 1997 - 98 its income was £59.7 million and expenditure was £54.4 million (FSS HC 878, 1998)

History and development

The Forensic Science Service became an agency in April 1991. The agency developed from six former police labs, which had previously served police forces directly, with funding being provided through a vote from the Police Division of the Home Office (Home Affairs Select Committee, HC 26, 1989). After many inquiries and reviews the FSS became an agency in 1991 with the keen support of its existing Head and future Chief Executive. There were two important changes from its previous organisational features. The first was to increase the amount of work it provided for the defence - to enhance its role supporting the administration of justice and not simply to serve its main customer, the police. The second was to charge for its services and introduce a customer - contractor relationship.

By the time of its prior options review, which was announced in May 1993 during the period of increased privatisation strictures, the FSS had become more of a corporate organisation, was covering its costs (after an early drop in demand from the police after charging was first introduced) and was reaping the rewards of the organisational independence agency status offered.

It was announced that the Agency would remain an agency in 1994. Ostensibly the reason given was that the forensic market was too immature to permit self-regulation and the impartiality and independence of the forensic science advice were best retained under the jurisdiction and accountability provided by association with the Home Office (interviews with Agency and Home Office officials). Shortly afterwards, in April 1996, the FSS merged with the Metropolitan Police Laboratory. This removed forensic work from the jurisdiction of the Metropolitan force, which was thought to be more proper and solved a problem for the Home Office. It also completed regional coverage for the FSS, making it a national service and provided a London HQ, both of which were important to the FSS. A second prior options process in 1998 is likely to result in a move to Trading Fund status for the FSS (Press Notice 20 October 1998) although the revised Framework Document is still undergoing revision. The FSS looks likely to expand considerably during the next three years (Press notice, 29 April 1998).

Prison Service Agency

Aims and objectives and key characteristics

The Prison Service Agency's key aims, as expressed by its statement of purpose, were to keep in custody those committed by the Court and to look after them "with humanity and help them lead law abiding and useful lives in custody and after release" (HM Prison Service, Framework Document, 1993). This statement of purpose, which reflected the findings of the Woolf Report, had not changed with the move to agency status. It placed both punishment and rehabilitation at the heart of the agency's role. This broad aim is supplemented by more detailed objectives and Agency values which were clarified and developed by the incoming Director General in the three months after he was appointed, and before the Agency was launched (interview). The goals were to: keep prisoners in custody; maintain order, control, discipline and a safe environment; provide decent conditions for prisoners and meet their needs including health care; provide positive regimes which help prisoners address their offending behaviour and allow them as full and responsible a life as possible; help prisoners prepare for their return to the community and deliver prison services using the resources provided by Parliament with maximum efficiency" (HM Prison Service Framework Document 1993)

The Prison Service became the third biggest agency after the Benefits Agency and the Employment Service Agency, with 78% of Home Office Staff and 65% of Home Office expenditure (Cm 2208, 1992). The Service had over 38,000 staff in post at the time of launch and over 42,000 prisoners at over 128 prison establishments, the most recent figures show over 39,363 staff in post and 65,435 prisoners (HC 486, 1998). Most of these establishments were owned and run by the Prison Service but it also was responsible for contracting some capacity from private sector prisons. In 1997 - 98 the net cost of its operations was £1.9 billion and it operated under gross running costs control (HM Prison Service, HC 274 1998). The Prison Service's statutory duties derive from the 1952 Prison Act, and rules made under that Act (HM Prison Service Framework Document, 1993). The Prison Service Rules, rather like the Social Security regulations, do not require parliamentary assent but are made available to Parliament for scrutiny (Public Service Committee, HC 313, 92).

History and development

The Prison Service had a long history of being a separate organisation outside the Home Office. In the last century prisons operated locally. The 1835 Prison Act permitted the Home Secretary to appoint Inspectors and in 1878 a Prisons Act brought nearly all prisons under the control of a national system run by a Prison Commission. The Prison Commission ran prisons until 1963 when it became the Prison Department of the Home Office.

The Agency was established in April 1993 after a long period of procrastination within the Home Office (see chapter four). Like the Benefits Agency, the Prison Service Agency corresponded to an pre-existing division of the Home Office which had been headed by a 'Director General' of grade two level. On moving to agency status there was initially little alteration to the organisational structures. The chief executive of the Agency continued being called the Director General. The main operational difference was in the roles and responsibilities of the Director General (which will be addressed in chapter Seven).

At the time of moving to agency status the incoming Chief Executive found three distinct cultures amongst the staff of the Agency. There were the traditional Home Office mandarinate, who moved into the Prison Service as part of their career in the Home Office and whose skills and interests lay in policy work. There were the social-work-trained Prison Governors, who held liberal values and emphasised the rehabilitation role of prisons. And there were prison officers with more authoritarian values, who ran the prisons and who were tightly organised by their trade union, the Prison Officers Association. (Lewis, 1997, p24). There were severe communication difficulties between both the POA and the rest of the service. This was an issue that was being tackled both through the Fresh Start proposals (see chapter four) and through the introduction of private prisons which was aimed at breaking the monopoly that the POA had on prison staffing (interviews with officials in the Prison Service and Next Steps Team). There was also a history of poor communication between the 'policy' people in the Home Office and the rest of the Service which resulted in implementation difficulties. As described in chapter four, this was the rationale for making the deputy directors have responsibilities for both

policy and operations and in making the Director General the Home Secretary's principal policy advisor (interviews with officials).

The new Director General initially focused on the problems identified by the Woolf and Lygo Reports which included addressing the issue of prison overcrowding and the use of police cells, improving the financial controls within the Service and tackling the problematic relations with the Prison Officers Association (POA). Within a few months, however, the Prison Service and was faced with two significant changes which impacted on its work. The first was a change of Home Secretary with Michael Howard being appointed in the summer of 1993.

Howard used this role to establish his radical credentials and to shore up his position as a leadership contender (Guardian 7 March 1997). At his first conference speech as Home Secretary at the 1993 Conservative Party Conference, Howard launched his 'prison works' campaign which signalled a more punitive regime to sentencers, and led to the biggest rise in prison numbers ever seen. In 1993 the prison establishment was 43,000. This had risen to 65,000 by 1998 (Home Affairs Select Committee, HC 486 1998). This meant that virtually from the start of the agency's life, after a period of consensus and gradually falling prison numbers, it faced a rapidly changing policy environment. It also indicated a changing ministerial view of the goals of the Service.

Despite this significant change in the Prison Service's operating environment, the agency made progress in meeting its targets. However during 1994/95 two serious prison escapes at Whitemoor Prison in September 1994 and Parkhurst In January 1995, caused considerable press and parliamentary interest and embarrassment for the Home Secretary. After the first escape an enquiry headed by Sir John Woodcock was established. This reported

> "[t]here exists at all levels within the Service some confusion as to the respective roles of ministers, the Agency HQ and individual prison governors. In particular the Inquiry has identified the difficulty of determining what is an operational matter and what is policy leading to confusion as to where responsibility lies" (Woodcock Report, Cm 2741, 1994).

Following the second incident another report headed by Sir John Learmont was commissioned, with the brief to look more generally at physical and procedural

security in prisons (Cm 3020, 1995). His conclusions were that there were serious lapses of security at Parkhurst, that the Prison Service had considerable management problems and that the control function of imprisonment was being subsumed by the care aspect. Howard used this report as grounds for sacking Derek Lewis. He argued that the report had found fault with operational matters which were not his responsibility and had not criticised his policy decisions. He used the policy operational split inherent in the Next Steps arrangements to argue he could not be responsible. The terms of the parliamentary debate on the matter were shaped by this assertion, with the Shadow Home Secretary Jack Straw seeking to prove that not only had the Home Secretary interfered with operational matters, thus nullifying the distinction, but had interfered so much that he made the Director General's job impossible (Lewis 1997, 209 - 210). For many commentators this illustrated the 'accountability gap' which the Next Steps arrangements had created.

Richard Tilt, a deputy Director and former Prison Governor took over as acting Director General, and after unsuccessful attempts to appoint another private sector candidate was appointed as the second Director General. As prison numbers continued to rise, Tilt faced grave difficulties in avoiding the use of police cells to cope with rising numbers. The election of the Labour Government in May 1997 again altered the environment within which the prison service operated. The new Home Secretary, Jack Straw, immediately announced his intention to resume answering parliamentary questions about the Prison Service in a symbolic gesture to illustrate his ultimate responsibility for prison service matters (Hansard, 19 May 1997; interview with minister in the Home Office).

The new Home Secretary also sought to change the sentencing climate, to signal confidence in non-custodial sentences and alter public perceptions of the value of prison sentences as a deterrent. A review of community sentences was announced, the importance of deterrence and prevention highlighted, the presentation of crime statistics taken out of the political arena and a new policy of research-led policy making looking at 'what works', was announced (Home Office Press Notice, 6 August 1998; Home Office Annual Report, Cm 3908, 1998; Home Office Research Study 187, 1998). This was consolidated by a decisive report from

the Home Affairs Select Committee which expressed grave concern at the growing prison population and urged the use of alternatives to custody whereever possible (Home Affairs Select Committee, HC 486 1998).

The new Government also announced the start of the Prison Service's prior options process (Press Notice 30 July 1998). Early in 1999 following the retirement of its second Director General, a third Director General was appointed. Unlike his predecessors, Martin Narey was not appointed through open competition and, although he has experience of working in prisons, he is a Home Office policy specialist (Guardian, 14 April, 1999)

Despite this more favorable climate since the election, prison numbers have continued to rise. Two new policies have had contradictory effects on the numbers of prisoners. A policy of early release, where prison was followed by a period of monitoring through tagging was introduced, the first time tagging has been used in conjunction with custodial sentences (Guardian, 27 January 1999). This was estimated to cut prison numbers by approximately 4,000. However in March 1999, legislation from the previous administration, introducing minimum sentences for repeat offenders was enacted which is expected to cause an equivalent rise in prison numbers (Guardian, 23 June 1999). Nevertheless, a return to a more liberal regime is indicated. The emphasis has returned to rehabilitation and away from purely punishment. This is signaled by the new Director General who describes his priorities for the Service as improving literacy, suicide prevention and confronting racism in the Service (Guardian, 14 April, 1999). The expression of these more rehabilitative aims would have been unthinkable during Howard's 'decent but austere' punishment-orientated regime.

Summary of key characteristics and agency history

This introduction to the case study agencies highlights their key characteristics, summarised on Table 1, over.

Table 1: Key Characteristics of Case Study Agencies

Dept.	Est.	Agency	Type[1]	Customer	Competitors	Source of Finance	Budget: net cost of operations(£)[2]	Financial Regime	Number of Staff[3]
DTI	1988	Companies House	Regulatory	Public & commercial,	Only org. charged with holding information, some customer organisations also competitors in providing information	Fees and Charges	Income 34.9m Expenditure 34.5	Trading Fund	839
DTI, (until 1996)	1989	Laboratory of the Government Chemist	Research establishment	Other Government Departments	Yes, (including FSS), has contract to provide Valid Analytical Measurement initiative for DTI and Government Chemist still has statutory role in disputed cases	Charges	Income 14.4m Expenditure 15m	Net running costs before privatisation	273[4]
DTI	1990	Insolvency Service	Regulatory	Public and Commercial	Some work is also done by other insolvency practitioners who are regulated by the Agency, IS steps in where problems and is only practitioner able to undertake some activities	Tax, although IS generates income from its insolvency work (i.e. fines and from insolvency process this money is not used to finance the agency)	Income 37m, Expenditure 78m	Gross running costs	1,345

[1] Taken from Next Steps Agency Review 1995, Cm 3164, 1996.
[2] Taken from Agency Annual Reports for 1997/98, published July 1998.
[3] Taken from Next Steps Agency Review 1998, Cm 4273, published 1999.
[4] Staff number at point of privatisation, taken from NAO Report, The Privatisation of the LGC, 1996.

Table 1: Key Characteristics of Case Study Agencies

Dept.	Est.	Agency	Type	Customer	Competitors	Source of Finance	Budget: net cost of operations(£)	Financial Regime	Number of Staff
Social Security	1991	Benefits Agency	Service to the public	Public	Operates as a monopoly, (some benefits paid out by other public sector agencies)	Taxation (&NI)	Net cost of operations 2.5 bn	Gross Running Costs	66,296
Social Security	1993	Child Support Agency	Service to the public	Public (caring and absent parents, taxpayers)	None (access to Courts phased out)	Taxation	Net cost of operations 225 m	Gross Running Costs	7,909
Home Office	1993	Prison Service Agency	Service to the public	Public	Operates as a monopoly (Agency is responsible for contracting private provision)	Taxation	Net operating costs 1.9bn	Gross Running Costs	39,363
Home Office	1991	Forensic Science Service	Research Establishment	Criminal justice agencies, police, some defence work and private sector customers overseas	Largest supplier in developing market	Charging	Income 59.7 m, expenditure54.3m	Net running costs (due to move to Trading Fund)	1,238

The agencies represent a range of types, sizes, and funding regimes. The impact these features have on the type of relationship the agency has with its parent department will be explored in the following chapter. This summary sets out the different histories of each agency. All except the CSA were established parts of their departments, the Prison Service and the Benefits Agency representing very large parts of the their parent departments. Several of the agencies were headed initially by the existing head of the operation, (Companies House, LGC, Insolvency Service and FSS). With the exception of the Insolvency Service these agencies were keen converts to agency status. The FSS and the Insolvency Service still retain their original ACE. In Companies House and the LGC, subsequent appointments were of non civil servants. All three of the remaining agencies, the Benefits Agency, CSA and Prison Service Agency, initially appointed outsiders as first Chief Executives. Subsequently, all follow-up appointments went to existing civil servants (although the Benefit Agency's second chief executive had only joined the civil service as head of the War Pensions Agency in the DSS some two years before, having previously worked in the private sector).

This summary has also provided details of the agencies' service policies or goals and any significant change or addition to these goals arising from other resource/fiscal policies, from other governance/administrative policies or from informal goals held by minister, department or agency. The next section of the chapter will look at the saliency of agencies' goals and goal agreement in the case study agencies.

The Saliency of Agency Goals

An alternative explanation for problematic relationships between departments and agencies with consequent implementation difficulties, links these with the political saliency of a policy area. Political saliency in a policy area focuses parliamentary, press and public attention on the policy area. Saliency highlights the interests of those involved and therefore exposes and exacerbates tensions or ambiguity in policy goals. The argument is that, in highly salient areas, a policy operational split is impossible to achieve. Ministers will intervene and this then places a strain on

the agency concept. The final section of this chapter will seek to assess the saliency of the agencies' policies and address this alternative explanation.

Using the criteria outlined at the beginning of this chapter, (size, serving the public directly, sensitive or controversial policy area and high degree of parliamentary interest) there are clear differences in the agencies in the case study between those with highly salient policy goals and those with low saliency policy goals. The DTI agencies and the FSS in the Home Office are all smaller agencies with low budgets and smaller staff groups. The LGC and the FSS do not service the public directly. Although the Insolvency Service and Companies House do deal with the public, their customers are very few in comparison to the Benefits Agency or the Prison Service for example. Work in these agencies has the potential to become salient but none of these agencies has a history of operating in a sensitive policy area. Similarly, work in these agencies has the capacity to raise parliamentary interest. This occurred with the Insolvency Service for example at the time of the critical NAO report on the level of company disqualifications. In an investigation into agencies and informationary accountability, the fluctuating level of interest in the Insolvency Service is thought to be related to the level of insolvencies processed and the level of parliamentary interest has declined over time (Judge, Hogwood and McVicar, 1997).

This, however, does not compare with level of parliamentary interest shown in the Benefits Agency, CSA and Prison Service Agency measured in terms of parliamentary questions and ministerial/ACE correspondence. The level of correspondence from members of Parliament to ministers and ACEs over a two year period was recorded by the Public Service Committee in their investigation into ministerial responsibility and accountability (Public Service Committee, HC 313, 1995/96). The figures for the case study agencies are shown below, together with the information on the number of parliamentary questions received by each agency in 1995, taken from research by Judge, Hogwood and McVicar (1997). This clearly indicates the far greater parliamentary interest in these three agencies. The Prison Service Agency was the agency with the most parliamentary questions and the Benefits Agency and Child Support Agency received the highest number of letters from MPs.

Table 2: Parliamentary Interest in the Case Study Agencies

Agency	Letters from MPs to ministers and ACEs (1) 1994	1995	Written parliamentary questions to agencies (1995) (2)
Benefits Agency	21,411	2,689 (3)	217
Child Support Agency	9, 092	5,554	231
Prison Service Agency	1,569	2,564	613
Forensic Science Service	not shown	not shown	16
Companies House	79	44	46
Insolvency Service	33	29	109
LGC	under 10	under 10	15

(1)Source Public Service Committee, HC313, 1995/96, xlviii

(2) Source Judge, Hogwood and McVicar, 1997, 109

(3) In addition the Benefits Agency replied to 13,981 letters from MPs sent to district offices

This high level of parliamentary interest reflects the size of the agencies, their coverage, each one serving the public nationwide, and the political sensitivity of the policy area. These agencies are concerned with income replacement in times of hardship, family and financial responsibilities and the deprivation of liberty respectively. Each area is contested and allied with strong ideological stances which are often linked to party political positioning. All three agencies are highly salient. The saliency of these policy areas is reflected when looking at the level of goal agreement in each agency.

Goal Agreement in the Case Study Agencies

Conflicting goals were apparent in all of the case study agencies. In all the DTI agencies the strong commitment to privatisation by Michael Heseltine, when he was Secretary of State, was not shared by the agencies who wished to keep their agency status. This provides an example of two wider government administrative policies being potentially in conflict with one another. Companies House's hopes to introduce changes to the electronic collection and dissemination of date were affected by the loss of legislation after the election and the lack of priority given to this policy by the incoming administration. The Insolvency Service had a serious disagreement over the level of resources required to cope with rising bankruptcies.

Nevertheless, the potential for goal agreement over service policies was far more straightforward in the smaller agencies, the DTI agencies and the FSS. As outlined earlier, the larger agencies, the Benefits Agency, CSA and Prison Service Agency, by virtue of the more complicated operational goals and the saliency of their policy area, had multiple goals not straighforwardly represented by the formal service policies of the agency. The saliency of the policy area also presented the difficulty of separating policy and operational responsibilities, with operational matters quickly becoming the subject of political debate. When problems subsequently arose in agreeing goals this then increased the saliency of the agencies' activities in an iterative relationship.

The Prison Service Agency had established its goals in a post-Woolf era of increasing liberalism in penal policies. Lewis had personally taken charge of developing the objectives and targets which flowed from those goals (interview with former Prison Service official). Howard's personal political goals led to his espousal of a far less liberal agenda, and one which stressed punishment and not rehabilitation. The thrust of the Prison Service's formal goals was at variance with the more austere regime Howard sought to introduce. The policy and operational responsibilities of decision making about the policy of running prisons was hard to distinguish. This is illustrated, for example, by disagreements over television in cells and the Prison Service code of standards (Lewis, 1997, 105 and 117). The result of the change in the political messages led to a change in the sentencing

climate and resulted in the Service having to respond to a rapid rise in prison numbers. This key task was not represented in the formal goals of the agency as represented by its objectives and targets. Here also policy decisions impacted on operational matters causing confusion in assigning responsibility for policy and operational matters. The formal and informal goals of the Agency were conflicting and rapidly changing.

Fundamentally different agendas were also apparent when looking at the formal goals of the CSA. Here the ambiguous ideological origins of the policy, representing both feminist and right wing perceptions of the family and family responsibility, permitted differing intentions to be captured in the new legislation. According to Ann Chant, the social policy aims of the Agency were undermined by the fiscal aims of the Treasury who set high targets for recouping benefits expenditure (Social Security Select Committee, HC 282, 1996/97; interview with former Next Steps official). The political aims of politicians, seeking to have the new agency operational at the optimum period in the political cycle also pressured the agency in terms of the time it could devote to staff training and IT preparations (interview with senior agency official). Child support policy was new, complicated and subject to rapid and frequent revision making operational targets difficult to meet. Here, too, policy and operational responsibilities were difficult to distinguish and goals were conflicting and rapidly changing.

The Benefits Agency also had faced difficulties arising from a clash between the formal goals or service policies of the agency and wider government economic policies, making operational and policy responsibilities difficult to distinguish. The Agency built its culture on service to the customer, (Benefits Agency Framework Document, 1991) yet this was severely compromised by the efficiency cuts following the fundamental expenditure review. Service policies were undermined by wider resource policies. As the Social Security Committee noted, there was a tension between customer service and value for money in the Benefits Agency (Social Security Committee, HC 382, 1994/95). Like the CSA, the Benefits Agency had introduced a new benefit (DLA) which was complicated and faced immediate problems causing political pressure for improvement. Like the Prison Service Agency, the Benefit Agency operated in areas where distinguishing between policy

and operational decision making was both very difficult and highly contentious, for example, in administering the social fund. Government objectives in this area were deliberately highly ambiguous and different to the Agency's view of the aims of the policy, leaving the Agency vulnerable (interview with former senior agency official).

It is clear that these three agencies had multiple, conflicting and rapidly changing goals which were highly politically salient. Separating policy from operational responsibilities was difficult in each case, either because wider government or political goals impacted on operational goals, or because operational matters became politically sensitive. This made agreement about the service policies of the agencies difficult.

At the Public Service Committee Bichard was asked if the difficulties faced by the Benefits Agency were any easier than the Prison Service because the Agency largely administers benefits under statutory legislation which could help to clarify the policy operational split. Bichard replied "the potential for controversy and complexity and political sensitivities in the way in which they are interpreted is still quite considerable" (Public Service Committee, HC 313, 1995/96, 154). Both Sir Peter Kemp and Derek Lewis make the same point in their submissions to the Committee (Public Service Committee, HC 313, 110 and 95 respectively).

If it is accepted that all three agencies operated in highly salient arenas, with similar policy problems and where separation of policy and operational responsibilities are hard to establish, this suggests that saliency cannot be the direct cause of the difficulties in implementing through the agency concept. Despite its saliency, the Benefits Agency is widely cited as being an Agency which has been successful in implementing government policy (Social Security Committee, HC 382, 1994/95; Kemp, Public Service Committee, HC 313, 1995/96, 110).

The hypothesis outlined in chapter three suggested that goal agreement was a feature of smooth implementation. The analysis of the case study agency goals here suggests that this was easier in the smaller agencies which were chosen to provide literal replication with the hypothesis. Goal agreement was certainly

problematic in the two agencies chosen to suggest theoretical replication for the hypothesis. Goal agreement was also found to be problematic in the Benefits Agency, included to test the saliency argument, and yet it is suggested implementation has been perceived as unproblematic. However, this chapter has concentrated on examining the 'service or output' policies (or goals) of the agencies. It has not explored the extent of goal agreement over the administrative or governance policy of operating through the agency concept. This area will be covered more extensively in chapter seven which looks at how the departments and agencies managed their relationships.

Conclusion

This chapter has introduced the case study agencies. It has noted the range of key characteristics and histories of the agencies. It has explored the agencies' service or output goals. This is crucial as these form the basis for the subsequent exchange of resources. The type and size of an agency will determine the extent and nature of the exchange of resource required. The Benefits Agency, for example, because of its nation-wide coverage, huge client group and statutory nature requires a large transfer of resources. The LGC with its specialised role requires a far smaller exchange. It has noted that in all the agencies, goals can be multiple, hierarchical, conflicting and changeable. They may reflect formal goals about the agency's service or outputs, or they may reflect informal goals held by the agency, minister or department. Of the seven agencies, there were three agencies where goal agreement was problematic, the Benefits Agency, the CSA and the Prison Service Agency. This partly reflected the saliency of the policy area and, to a certain extent contributed to the saliency of the policy area.

The chapter has also offered an assessment of the saliency of the agencies' policy goals. It argues that the DTI agencies and the FSS have low saliency policy goals compared to the DSS agencies and the Prison Service. The latter three all operate in an area of high saliency. This undermines the argument that saliency is the reason for problematic implementation. The Benefits Agency did not suffer the public difficulties in relationships and consequent implementation problems that the

CSA and the Prison Service did. The explanation for problematic implementation must lie elsewhere. It is argued that the saliency of a policy area cannot be directly linked to problematic implementation.

An alternative explanation is that close policy communities with shared values, goals and institutional support will led to smooth implementation. This chapter has looked at some aspects of the agencies' histories which indicate whether there is institutional support. It has also suggested that, although goal agreement over the agencies' *service or output goals* has been addressed here, it is intended to look more closely in chapter seven at the extent of goal agreement over the *administrative policy* of operating through the agency concept. Before that, chapter six will develop the theoretical analysis of department-agency relationships by looking at the extent and impact of the exchange of resources which has resulted from agencification.

CHAPTER SIX

AGENCIFICATION AND THE CHANGING PATTERN OF RESOURCE EXCHANGE

Introduction

Chapter three argued that the establishment of agencies has led to changing dependencies in Government. There has been a large-scale transfer of resources from departments to agencies. Departments, acting under the authority of their minister, exchange resources with agencies to achieve agreed goals. The creation of semi-autonomous agencies holding resources in order to deliver government goals has led to power dependency relationships between departments and agencies. The extent of power dependency will vary according to the extent and type of resources exchanged. Differing dependencies are likely to lead to differing types of networks. Chapter four looked at how departments responded to agencification and chapter five looked at the goals of the case study agencies. This chapter examines the changed distribution of resources following agencification in the case study agencies. It looks at who holds what resources, what dependencies have developed and the power dependent networks which are created.

Initially, the chapter will look generally at who holds the resources of legitimacy, authority, finance, organisation and information, and at how this has changed following agencification. It will outline what dependencies are created arguing that new power dependency relationships between ministers, departments and agencies have developed. Next the power dependent relationship between each department and agency will be analysed and finally the chapter will assess the level of dependency in each relationship. In conclusion, it is argued that the transfer of resources to agencies has increased their power potential. New power dependent relationships between ministers, departments and agencies have been created. Power in these relationships is relational although differing levels of dependency were discernable.

The Changing Distribution of Resources

According to the Rhodes model of power dependency organisations exchange resources to achieve their goals. Political legitimacy, authority, finance, organisational and informational resources are described as the means for supplying the needs of public sector organisations (Rhodes 1988). The first part of the chapter will look at each of these resources to examine who *holds* what, resources and who *needs* what, following agencification. It will draw on evidence from all the case study agencies, commenting generally in order to preserve the confidentiality of interviewees. The latter half of the chapter will look specifically at the power dependency relationships between each department and agency.

Political legitimacy

The resource of 'political legitimacy' provides the rationale for public interventions by the state and underpins the activation of the other resources of authority, finances, organisation and information to operationalise policy intentions and delivery. Political resources are held by elected representatives and both lead to their election and derive from their elected office (for example having or gaining party and public support). Political resources grant "access to public decision making structures" (Rhodes, 1988), or the electoral process. Thus elected representatives using their political resources gain the legitimacy to be able to make policy proposals, make legal and statutory provision for these to be carried out and issue instructions for their implementation. The constitutional arrangements of parliamentary democracy, cabinet government and the convention of ministerial responsibility places these resources largely in the hands of government ministers. However, political resources are held by elected officials outside government i.e. opposition and backbench politicians and in other tiers of government, for example by local authority councilors and, since devolution, by the regional parliaments.

The development of agencies in government has not altered the distribution of political-legitimation resources in any way. Agencies operate firmly within the realms of ministerial responsibility and remain part of departments. Like departments they have no access to electoral structures and unlike local authorities

they do not have separate political legitimacy. They cannot act politically in their own right. Agencies, like departments are dependent upon ministers holding political resources for the legitimacy to operate.

Authority

The legitimacy to act is confirmed through the resource of authority granting "mandatory and discretionary rights to carry out [actions] by statute or constitutional convention" (Rhodes 1988, 110). Ministers hold authority deriving from their political legitimacy and stemming from constitutional conventions. Framework documents are based on the assumption that agencies are established to carry out ministers' policies and thus acknowledge the over-riding dominance of ministerial authority. All the ACEs interviewed routinely acknowledged their accountability to their political masters. One Chief Executive when asked to describe agency culture stated "giving priority to the policy of Ministerial objectives" as a unifying theme (interview, Chief Executive).

As Smith points however, out the extent of ministerial authority can vary, for example, according to the amount of personal and political support held or their degree of success (Smith 1999a, 74). Personal confidence, party loyalty or policy achievements can boost the extent to which ministers can exert their authority. This was suggested by one senior civil servant from the Home Office who commented that Kenneth Clarke had a high level of personal security which "affects his whole style in dealing with the media and every other respect" (interview with former Home Office Deputy Director).

The exercise of ministerial authority might also be related to their interest in a policy area. This might rise with a personal or manifesto commitment or if the area has a high media or parliamentary profile. For example, the priority given by Nigel Griffiths, junior Minister at the DTI, to the Insolvency Service was far greater than his predecessors (interviews, Insolvency Service Annual Report HC828, 1998). Equally in the absence of these features, ministers may not take a close interest in an agency's business. As one Chief Executive stated of his minister "he wasn't that interested in what we did".

Conversely, there are factors which reduce the degree of authority a Minister is able to exert and can leave a vacuum for departments to fill. The relatively short period of time ministers are in post reduces the degree of influence a minister can have. Secondly, the more complicated the policy area the harder it is for ministers to grasp. One former chief executive explained how a mixture of short tenure and a complex policy area constrained the extent to which ministerial authority could be exercised

> "in my time I had 5 junior ministers and three secretaries of state, they had an enormous changeover and with each one you had a very different sort of industrial policy...It was a revelation to me about politicians at that level...some were intellectually very strong and others were very weak and of course few of them had any knowledge of science" (former Chief Executive).

These factors equally applied to the exercise of ministerial authority over departments before the establishment of agencies. The move to agencies in government, operating as it has within the existing constitutional framework, has not ultimately altered the overriding dominance of ministerial authority in central government decision making (Gains, 1999). Ministerial authority can, however, be devolved and delegated through statutory or administrative means to actors operating in other tiers of government and there have been changes in the way in which ministerial authority is devolved because of the development of agencies.

It is clear that, in some cases, because of the factors outlined above which may constrain a minister's ability to exercise authority, ministerial authority is sometimes delegated to departments and that agencies look to departments for the authority to act. In some cases this is the norm. All of the DTI agencies studied saw the Department as the realistic 'day to day' point of authority as did the Forensic Science Service. One chief executive described the grade 2 to whom they were responsible as "the minister's representative on earth" . Another explained

> "There is this gulf between the constitutional theory and the reality....I mean I'm appointed by a minister and I report formally to the minister, I'm accountable to the minister....I see almost nothing of ministers...I mean that's the reality, and that's how it should be, I mean you don't keep a dog and bark yourself" (chief executive of a DTI agency).

The delegation of authority to departments, and specifically to the permanent secretary, is given formal expression through the role of Accounting Officer.

In some cases the minister delegates authority to appointed individuals or bodies who have statutory duties to report or advise on policy and/or standards. For example in the DSS, it is the Social Security Advisory Committee and the Independent Case Examiner (who replaces the Chief Adjudicator and related roles) and in the Home Office, HM Chief Inspector of Prisons and the Prisons Ombudsman. These roles are appointed by ministers and the legal framework under which they operate is subject to legislative change. Unlike ministers they do not have separate political resources. They do, however, carry some public legitimacy and delegated authority because of the statutory and public nature of their role.

Authority is also delegated by ministers to agencies. The agency concept involves a delegation of operational decisions to the Chief Executive who becomes responsible for those aspects covered in the Framework Document. Thus, for example, depending upon the financial or personnel flexibilities, ACEs may have the authority to recruit staff. One chief executive recruited from the private sector was astounded at the degree of authority over financial matters delegated to him "The delegations were vast - far bigger than you would give a subsidiary company", yet this same chief executive was frustrated by not being able to recruit and appoint his own personal secretary. The extent and type of authority over financial, organisational and informational resources will be discussed next. However it is clear that turf wars between departments and agencies discovered by the Fraser and Trosa Reports (Efficiency Unit 1991; Trosa Report 1994) were largely about who held the delegated authority for these resources with departments deeply reluctant to give up control.

Ministerial authority is delegated to agencies if the agency and its staff undertake statutory duties on behalf of the Secretary of State. Some statutes are detailed and changes can only be made by new legislation. Here, operating under statute gives an agency a legal and binding authority to operate which can insulate them from ministerial authority and provide a separate source of legitimacy for their activity. Prisons cannot refuse to take prisoners sent to them by the Courts, the Benefits Agency cannot withhold benefit from a person who is legally entitled. Of course

ministers can initiate changes to the statutory environment and having a statutory function does not protect an agency from the overriding dominance of a minister's authority. The LGC was privatised on Michael Heseltine's request, despite working to 23 separate pieces of legislation and supporting the statutory role of Government Chemist (Gains, 1999). Nevertheless, operating under statute can protect an agency from rapid change. Some statutes provide for enabling legislation which permits greater ministerial discretion in determining the policy direction, here ministerial authority can be more directly and immediately applied.

The move to agencies has had the effect of passing the opportunity to exercise authority to both departments and agencies. A former senior official in the Home Office in the pre-agency period felt the role provided considerable autonomous authority to represent the service "I felt the agency arrangement made sense of that, it legitimised it, it gave the chief executive an obvious locus to sort of speak on behalf of the service as a whole and that's what the service had been craving for and badly needed because the people who filled the vacuum were trade union leaders". A chief executive of a medium sized agency performing statutory functions explains what the transfer of authority can mean in practice, providing as it does access to ministers, select committees and the NAO "I do have a range of mechanisms that I can use to actually surface issues".

This section has tried to show that, although in constitutional theory and in the agency arrangements, ministers hold the resource of authority, this did not reflect reality pre-agency and that post-agency an even wider distribution of the resource of authority has occurred. Constitutional theory means that ministerial authority is dominant in the exchange relationship, however, in reality authority is held in varying degrees by ministers, departments and agency chief executives, depending upon the minister and on the goals of the agency. The dependency relationship is predominantly from agencies to ministers and departments. This may be in a linear relationship, i.e. agencies look to ministers through departments for the authority to act, or a triangular relationship, where agencies are dependent upon both ministers and departments directly. However the agency arrangements create a delegation of ministerial authority to agency chief executives and agencies' dependence upon

ministerial authority may be lessened where the agency provides a statutory service.

Financial resources

The creation of agencies led to an unprecedented large scale re-structuring of budgetary responsibilities. As outlined in previous chapters, chief executives became responsible for their administrative budget (and became agency accounting officer) or for the whole of the programme budget (becoming an additional accounting officer). Spending decisions on capital, staffing, training and delivery are specified in each framework document and, over the years since the start of agencification, the trend has been to delegate more and more responsibility (interviews with officials in the Next Steps Team). The creation of agencies created a massive transfer of financial resources to the control of agencies. The most extreme example of this is in the DSS where 98% of the staff work in agencies. The agency concept sees this transfer of resources as from minister to agency. In fact, the picture is more complicated with cross-cutting dependencies developing between ministers, departments and agencies.

The proper control over public spending has been the concern of the centre of departments since the creation of the role of Accounting Officer for Permanent Secretaries (see chapter two). This is the one area where officials have an independent source of authority and the ability and responsibility of challenging improper decisions by their political masters. Agency arrangements make departments dependent on agencies to ensure that the money delegated to agencies' control was properly spent.

The loss of control over budgets was a source of great anxiety for departments. Several interviewees reported the effects on the principal finance officer and permanent secretary in one department where an agency moved to trading fund status and lost a great deal of money. One senior official explained "I think it really shocked them and it affected their relationships with the other agencies because they were no longer to take things on trust or let things go their own way, ... it was a very frightening experience for them I think". A chief executive from an agency in

the same department explained the effect on his permanent secretary "we were joint accounting officers for the agency and he gathered in the reins 'OK so it may say you report to the Secretary of State but you actually report to me' was much more of the line" (interview with former Chief Executive).

The dependency relationship between ministers, departments and agencies for financial resources will increase with the size of the budget. Large agencies demand a greater share of departmental budgets and are more visible. Peter Kemp explained why Michael Partridge, the Permanent Secretary in the Department of Social Security when agencies were developed, kept close control "He took an enormous interest and why, aside from his own qualities? Because he knew very well that if his agencies went down, the department collapsed. The department was the agencies.... and he couldn't afford to let it go" (interview with Sir Peter Kemp). This degree of anxiety and loss of control obviously increased with the size of the budget.

The creation of agencies operating under a resource framework transferred an enormous degree of power and authority to agency chief executives. One chief executive described the move to agency status and net cost control as "heaven sent....we could manage our resources in line with our income....It was our income, it came to us....well it still had to come via the vote system which was a complication, but at least we had more direct control over it...We knew where all the money was coming from and going to" (former chief executive). This is recognised by departments, one official explained

> "you know what your money is before the beginning of the financial year, you know what your targets are, you can get on and meet those targets within that budget and you've got flexibility to do that. If you're bombed out mid-year then you may have a problem but you can't be raided by the Department in the middle of the year if its going to affect your targets, because Ministers will have to go back to Parliament ... that's public, its not a fudge within the Department and that gives the Agency Chief Executive tremendous strength" (former Fraser Figure).

This is particularly evident where the agency is providing a statutory service, or one with high visibility. Another chief executive of a large agency described how the agency framework has given authority to chief executives "we have been quite successful in the last two years in getting additional money when we desperately

needed it... and you know the Chief Executive of the agency is able to use avenues that you couldn't use if you were just sort of part of the main civil service structure".

However the dependency relationship is not one way. The delivery of public policies requires financial resources. The obtaining and securing of financial resources illustrates the dependency which develops between ministers and officials. Ministers use their political resources to argue for financial resources within cabinet and with the Treasury. The electoral process grants legitimacy to tax and spending decisions. Departments want ministers who will win resources to develop new or support existing programmes to which there is likely to be strong departmental commitment and support (Smith, 1999a 125). One senior civil servant described what makes a good secretary of state "they have to handle themselves in cabinet, they have to handle themselves in the PES round" (interview with departmental official).

With the establishment of agencies, departments' dependency upon elected ministers to provide legitimacy and authority to spending plans is shared with or transferred to agencies. Under the quasi-contractual relationship, departments and ministers are 'purchasers' and agencies 'providers'. It is argued this transference is not total however. Because Ministers are transient, it is often to departments that agencies will look for support for spending plans. One chief executive explained how the agency's 'Fraser Figure' had helped with a financial matter

> "we needed a particular outcome on what we call our external funding limit... its the extent to which we can draw down our reserves in the Treasury's piggy bank, its our money but we have to ask them for it (which is another story), and having somebody who knows their way around the central system, who can get results in those kind of areas is very beneficial".

Again, it is a triangular or linear dependence which develops, not the bi-lateral one depicted in the formal agency arrangements. Between departments and agencies, therefore, there is the capacity for either conflict, if the goals or policies are not shared, or collusion and shared dependency upon Ministerial approval if there is shared commitment to a particular policy. This potential for co-operation, (or collusion) was seen in the Department of Social Security where bids for the forthcoming PES round were decided at the departmental management board, which consisted of the Permanent Secretary and all the Chief Executives of the

Department of Social Security agencies before the Permanent Secretary and Secretary of State approached the Treasury. Virement was permitted and encouraged between the agencies' budgets (interview with former departmental official).

The potential for conflict was mentioned by several of the agency chief executives in the agencies studied, particularly in those cases where access to ministers was not frequent and the dependency relationship was through the department. One chief executive described the situation on the second day after becoming an agency

> "on the Monday I was called into the department, 'yes there's your budget - we can only give you £11 million', and I said no, now I'm an agency its nothing to do with you, its my £12 million - you can get lost,...and I said sort it out, [name of minister] made me an agency on Friday, will you come to his office with me now and you tell him he can't give me what he said I can have on Friday and of course they gave it to me, but that was the sort of break point between myself and the department".

Another graphically explained the impact of the transfer of operational authority, particularly for statutory duties, on agencies and how an agency was able to demand more resources in this case. As it so clearly sets out the exercise of power potential arising from resource dependency it is quoted in full.

> "What I am clear about and what the department is now clear about is that there is an equation between caseload, resources, and outcomes. And if in setting the business framework for this year and next year and the year after, it will start on the basis that there is in effect, an equation of caseload, resources and outputs and if ministers want to set outputs at certain levels then if something happens, such as case numbers go up or resources go down, them something has to happen to outcomes. And they also know now, because its been made very clear... that if somebody wants to attempt to gloss over all this there will be a letter from the agency accounting officer - myself - pointing out very clearly to Ministers what the consequences of the policy will be, added to which of course it's been clarified at least in that event ... they have to be copied to the National Audit Office. So through all this pain and anguish there has been a very significant clarification of the relationship between [*name of agency*] with the department and with its ministers.....That sort of sharpened up in a way which I think some civil servants in the centres find very difficult to cope with, because I think that the mind set at the centre of departments is this - that their job is in some way is to square away and square up all the figures which actually don't add up because there's never enough money to do the things that need to be done or which ministers think they want to be done....Pre agency of course, this would have been all done and dusted away and tidied away amongst officials but I think agencies have now put chief executives much more in the driving seat" (Former Agency Chief Executive)

This case illustrates how agencies' dependency on ministers and departments for financial resources may be lessened if the agency is operating under a statutory framework which confers a right to a service or a legal obligation to provide a service. Agencies with these types of goals are less susceptible to frequent change or challenges to their budgets although not immune to efficiency savings or long term legislative change to their goals. The demand-led nature of their provision leads them to be less vulnerable than agencies with discretionary goals which may be curtailed or withdrawn without legislative challenge.

In a similar vein, agencies which are monopolies are less likely to face change in their financial circumstances than agencies where there are competing providers. One senior official in the centre of a department reflected on the approach taken to a non-monopoly agency "you got the real incentive on the customer to say, how good is the value for money I'm getting... and can I get this cheaper elsewhere" (senior official). In this case, the quasi-contractual relationship introduced through agencification, coupled with a pressing efficiency agenda, provided a powerful alternative to move directly to a fully contractual relationship.

The dependency of agencies on Ministers and departments may be reduced, however, if they are able to charge for their services to cover their costs or generate their own income. Though still requiring ministerial legitimacy and authority to operate, agencies not relying on treasury funding are more self reliant. Indeed, these type of agencies report operating under tight Treasury control a constraint (Greer 1992; Massey 1995; Price Waterhouse 1994; interviews). One chief executive appointed from outside the civil service remarked

> "commercial accounting and company accounting is very different to government accounting and the vote limit is essentially a cash limit. And in government you have to balance the books to the nearest sort of pound if you can at the end of the financial year in cash terms not the commercial, whether you recover your full economic costs, is the expression for the commercial term. So although I had the objective to recover full economic costs, the day after I arrived I was told that I also had an objective to keep to this vote limit. Now cash is important but it is a rather artificial - so you suddenly realise that although the organisation had been set up to be fairly free standing and well run within a government department, there were these additional constraints" (former chief executive).

These constraints are eased for agencies which operate as trading funds and therefore able to build reserves and invest within specified limits. As one chief executive of a trading fund explained "I think it's highly beneficial, it's not quite as liberating as people might have you believe, but it does allow us to account in sensible ways for our activities and to plan one year on another. So it gives us a measure of freedom and our revenues are relatively buoyant so that we are relatively able to build for the future". Another chief executive waiting to move to trading fund status outlined the need for the move "we need more freedoms, we need lots more money to invest".

The changes to financing in central government as a result of agencification has had a major impact on the dependency relationships between ministers, departments and agencies. The transfer of financial resources to agencies had created a ministerial and departmental dependency. However departments and agencies are still dependent on ministers to provide the political support for spending decisions, and agencies depend upon departments for access to financial resources. The degree of dependency between ministers, departments and agencies for the obtaining, stewardship and spending of financial resources will vary according to the size and type in agencies. In particular it will vary according to the degree of statutory work, the availability of substitutes to the agency and the agency's ability to charge for its output and fund itself. The relationship is not a straightforward bi-lateral transfer from minister to agency. The implications overall are a transfer of power potential from ministers and departments to agencies.

Organisational and informational resources

A similar picture of shared dependency varying with the size and type of agency is found with the transfer of organisational and informational resources to agencies. Ministers and departments need agencies to use those organisational and informational resources to deliver the agencies' goals. Organisational resources include the physical manifestations of people, buildings and equipment. The control and use of these resources additionally transfer tremendous amounts of information to agencies. This is not only information held by staff members as expertise or professionalism, or in technology, for example through records and

data, but also experience and expertise of policy implementation and intelligence relevant to that policy area. As with financial resources, departments lost control of these resources and either with ministers, or in place of ministers, became dependent upon agencies to achieve the policies set out in the policy and resources framework.

Agency status gave more power to agencies by transferring organisational and informational resources. All the chief executives interviewed expressed the feeling agencies were better able to input to the policy process and better able to articulate their needs than previously. For example, one chief executive said "I think one of the biggest hidden things was actually increasing the respect and the value which was placed on operational matters ...it raised the profile within the department mandarin group that operations actually had to be valued - it was no good devising the policy without seeing how you actually worked in practice" (Chief Executive).

The degree of dependency varies again with the size, type and saliency of agency. Indeed the size of the agency could increase the likelihood of political problems emerging (interview with former Prison Service official). As Peter Kemp explained "If Companies House goes down, its not the end of the world, it's a pity and there will be trouble but nevertheless its not the end of the world. But in the Department of Social Security, if the Benefits Agency went down then you were in trouble, you had riots on the streets, you had people not getting their giros and you had real dead trouble" (interview with Sir Peter Kemp).

It is not only the size of the Benefit Agency's command of organisational and informational resources which creates a large dependency between the agency and the department. It is the type of function, which binds all the DSS's operational agencies and the department together. Social security policy is complicated and integrated and requires cohesion between the goals of each agency (interviews with former senior official, and Secretary of State). This is different to both the DTI and the Home Office, whose agency functions were unconnected.

There are other features which increase the power potential of the organisational and informational resources held by agencies, for example, staff expertise and

professionalism. This is particularly the case if the agency is performing a statutory responsibility or is the only provider of this specialism. The FSS's development of DNA technologies made the agency a world leader and became important to the Home Office as a 'flagship policy' (interview with senior Home Office Official).

The coherence of organisational and informational resources was strengthened if the agency maintained its former organisational structures as was the case in the Benefits Agency, Prison Service Agency and the Insolvency Service (interviews with Chief Executives and senior agency officials). It was not found in the Child Support Agency which recruited new staff, working with new technology to new legislation. This weakened its power potential considerably. A senior agency official stated

> "[t]he policy was a very new one and there wasn't really a test bed for it all....a lot of the practical issues just weren't thought through and realised sufficiently....ministers were very keen to get it in by certain dates because of things like general elections and so forth and that was really too quick and so for some very basic things like the IT system - there just wasn't time to do them properly.... and the staff were insufficiently trained to start with for the same reasons. They're now very experienced and very good but they weren't when they were taken off the streets.... I don't think it helped that there wasn't an agency actually in being at the time when that policy and that law was actually being put through. The operation was set up later and sort of inherited this and asked to make the best of it" (interview with senior agency official).

To try to retain some control over the amount of information held by agencies, ministers and departments sought various ways of obtaining information from agencies[1]. One DSS official remembered "Michael Partridge used to drive Michael Bichard absolutely bananas at his quarterly review meetings because he used to enquire into areas that Michael Bichard thought were entirely his". For some chief executives this duty was irksome but unavoidable "we're providing information for a very heavily slated Ministerial agenda and we're not providing information via that means which we would regard as giving a true and fair picture of the agency, what is important within the agency and what the agency is" (interview with Chief Executive). Another former chief executive in the same department felt more able to resist

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[1] The ways in which departments and agencies managed this dependency will be explored in the following chapter.

> "from time to time we'd have little contretemps with HQ who'd want some information which we hadn't got and my line of argument was, if I don't need it to run the organisation why do you need it from outside and if you convince me its valuable then I need it for running my organisation and I'll provide it and if you can't convince me its valuable - you can whistle for it" (interview with former chief executive).

A former departmental official suggested why departments depended upon agencies for information, explaining that although the Next Steps philosophy suggested

> "there should be a degree of monitoring of the lightest sort... departments never can resist meddling, partly because Ministers can't keep their hands out of it when things go pear-shaped politically and partly because it does represent the detraction from the power of the central department and nobody likes losing power".

The dependency on organisational and informational resources does not run only from ministers and departments to agencies. Agencies also require the organisational and informational resources retained in departments. This may be for the policy expertise covering the area of an agency's operational responsibilities, for example, Companies House pays a fee for engaging the advice of DTI lawyers or for more general administrative matters such as pay, personnel and training resources (interviews with departmental official). Agencies need to use departments, particularly the finance and resources sections to access information about financial matters or to access resources from the Treasury. This is particularly the case for smaller agencies. Bigger agencies such as the Benefits Agency and the Prison Service Agency have at certain periods been able to deal directly with the Treasury (interviews with agency officials). The dependence agencies have on departmental organisational and informational resources is sometimes focused through the role played by the agency's Fraser figures or structured through other formal processes such as meetings and sometimes obtained through informal contacts. (These processes of exchange will be explored further in chapter seven).

In summary, as with financial resources, the transfer of organisational and informational resources to agencies creates ministerial and departmental dependency upon agencies to deliver policies using these resources, increasing the power potential of agencies. However, the dependency relationship is not one way.

Agencies are also dependent upon departments for the organisational and informational resources they hold, particularly, organisational access to Whitehall and ministerial decision making and the accompanying policy and policy process knowledge. Again, the degree of dependence intensifies where agencies' policies are of major importance to the departments or minister, are politically salient or highly professionalised. Dependency may be less if the service can be replicated or is more executive-type work. Overall the dependency varies and is not bi-lateral, but linear or triangular.

Resources held and dependency arising from resource exchange

Agencification has altered traditional patterns of power dependency between ministers and departments, creating new and dynamic patterns of resource exchange and dependency, particularly between departments and agencies. The resources held by each actor are shown on Table 3 (overleaf). Ministers retain political resources and authority. Departments hold devolved authority and some organisational and informational resources relating to access to policy machinery and policy information. Agencies also hold some devolved authority for operational matters and sometimes devolved statutory authority. They control financial, organisational and informational resources. Where agencies have a monopoly over policy implementation their power potential is vastly increased.

The impact of this transfer of resources has altered dependency between the actors, and these dependencies are shown in Table 4 (page 160). Ministers are dependent upon their permanent bureaucracies for the resources to translate policy desires into action. Departments traditionally controlled organisational and informational resources through a unified and uniform civil service. The establishment of agencies at arm's length from departments headed by a chief executive has caused a visible and tangible transfer of resources from departments, thereby extending dependence between ministers and departments to achieve shared goals, to a dependency between ministers and agencies. Most crutially it is suggested that because of the transient nature of ministerial tenure and the high involvement of departments in policy making, a dependency between departments and agencies is also created.

Table 3: Resources held by Ministers, Departments and Agencies

Actor	Resource held	
Ministers	Political	• derived from elected office
	Authority	• over goals and spending decisions
Departments	Authority	• (devolved) and for financial probity
	Organisational	• access to ministers • control over departmental rules • access to other parts of Whitehall especially Treasury
	Informational	• policy information • policy process information • financial information
Agencies	Authority	• (devolved) for operational matters • (devolved) for statutory functions • (devolved) for financial probity
	Finance	• control over financial resources
	Organisational	• buildings, staff and technology
	Informational	• operational information • specialism, professionalism and expertise •

Table 4: Dependencies Arising from Resource Exchange

Actor	Dependency on	Resource
Ministers	Departments	• organisational resources • information resources policy knowledge knowledge of Whitehall operational knowledge
	Agencies	• financial resources) to deliver • organisational resources) policy • informational resources) area
Departments	Ministers	• political resources and authority • financial resources (access to)
	Agencies	• financial resources) to deliver • organisational resources) policy • informational resources) area
Agencies	Ministers	• political resources and authority • obtaining financial resources
	Departments	• authority for policy area • financial resources (access to) • organisational and informational resources (access to ministers & Whitehall machinery) •

Ministers need their policy intentions translated into practice. Ministers need the experience, co-ordinating skills and time which departmental civil servants have to make and develop policy (Smith 1999a, 125). Before the development of agencies they also required the administrative, organisational and informational capacity of extended bureaucracy to deliver policies. These resources are now held by agencies. In some cases these resources are extensive - the vast network of local offices held by the Benefits Agency, for example. It is not simply the amount of organisational and administrative capacity or size of agency which creates the dependency. It is the type of function it delivers. The separation between policy making and policy implementation can be difficult to discern. Implementation may led to the identification of further policy problems or may need to be adjusted to achieve policy goals. The experience of operationalising a policy is a key resource for future policy making. Where the task is complicated or discretionary, agencies will retain the expertise and informational resources which are essential to maintaining and reviewing the policy process.

Agency theory suggests there is a bi-lateral dependency between a minister (supported by their department) and agencies. This bi-lateral relationship is assumed to arise from the quasi-contractual relationship and replace the bi-lateral dependency between minister and civil servant under a command relationship. Power is seen as a zero sum game. However it is argued here that the agency arrangement represents an idealised relationship and, in practice, power dependency relationships exist between ministers, departments and agencies. This dependency has always existed between ministers and their departments. Their dependence now extends to agencies. For departments, however, the creation of agencies structurally removed their access to key resources and their control over implementation. Their dependency on agencies is new and has grown since the senior management review which has further emphasised their policy making role. Power is relational, rather than a zero sum bi-lateral relationship: there is a more complicated triangular or linear dependency between ministers, departments and agencies.

Ministerial commitment to a policy area will vary. It may be high, for example, if the policy represents a manifesto pledge and less so if the policy is an inherited

commitment. Their commitment will also vary according to their abilities and interests and, most crucially, the time they spend in post (Gains, 1999). Larger, more visible and especially more politically salient agencies will demand greater ministerial attention than smaller, more executive-type agencies. Where ministerial commitment or interest is high, there will be a three way or triangular dependency relationship. Ministers provide legitimacy and authority and possibly financial resources, but rely on their departments for policy skills and background knowledge of the policy area (enabling them to be an intelligent customer in the 'agency' jargon) and on agencies for delivery, implementation and operational policy advice. Departments will provide the continuity in policy knowledge and policy skills to support ministers. Both will depend upon agencies to deliver policy goals using their informational and organisational resources.

Where ministerial commitment is less, the dependency relationship may be more linear. Ministers may delegate responsibility for oversight to their departments and rely on departments to ensure the function is delivered. Agencies may look to departments and not necessarily to ministers for support for the policy process. In this linear situation ministers still provide the legitimacy and authority but do not exercise it. In the vacuum, departments use their informational and organisational resources to steer the policy process.

In both circumstances key and new dependency relationships between departments and agencies have emerged. Departments have institutional commitments to policy areas which have developed over time (Richards and Smith, 1997). They want to control the policy process in order to avoid policy problems. Departments require agencies to deliver policy goals and avoid actions which would embarrass or draw parliamentary attention to the minister. Agencies look to the organisational and informational skills of departments to smooth the policy process and maintain continuity in policy goals.

This section has argued that a range of dependency relationships will be found following agencification. Differences will relate to the size, type, funding regime and saliency of the policy area as well as depending upon the interests and capabilities of ministers.

Departments and Agencies as Resource Dependent Organisations

The difficulty of trying to classify agency characteristics into typologies in order to relate this to other phenomena, such as their relationship with the parent department, was discussed in chapter two. Massey (1995) suggests that a continuum is more helpful in categorising agencies, ranging from fully autonomous 'autarky' agencies to purely executive 'cipher' agencies. This research will also view agencies and their parent departments as having relationships that vary on a continuum from high to low dependency based on the extent and type of resources exchanged to meet their agreed goals. The second part of this chapter will re-examine the departments and agencies in the study as resource dependent organisations in a power dependency relationship with each other.

Department of Social Security

In the DSS, ministers, the department and all its agencies are highly dependent upon each other. This is partly because of the amount of financial, organisational and informational resources held by agencies, particularly the Benefits Agency and the control they have over implementation. Partly it is because of the nature of social security policy, which is very complicated and technical. It requires a unified response from the department as policies affecting one group of claimants will impact on the work of several agencies, and the goals of each agency have an impact on the operations of the others. Social security policies are also very salient, they involve direct contact with large numbers of the public, whose personal circumstances are greatly affected by the actions of the agencies. This saliency draws in ministerial involvement, whilst the technical nature of the policy area and brevity of ministerial tenure (Peter Lilley being an exception) means the Department has a high incentive to retain the control over resources it held pre-agencification to maintain policy continuity and protect ministers from embarrassment.

For the Department of Social Security the Benefits Agency represented the greater part of the former department dealing with politically sensitive business and, therefore, the dependency was very great and the anxiety about loss of control huge. In the Department of Social Security this dependence arose partly because

of departments' traditional role in protecting ministers from political problems and embarrassment, one official at the centre explained "especially for areas like social security, departments don't want to lose control ... because so many things could go wrong and ministers could end up with a lot of egg on their face" (interview with official in Next Steps Team).

The dependence also arose because the department had its own needs met by the Benefits Agency. Uniquely, because of its organisational history and size, the Agency provided payroll, purchasing, personnel and training services to the other Department of Social Security agencies and the rest of the department (TCSC HC 496, 1990/91 Session). Both the Benefits Agency and the Prison Service Agency, when part of their departments, had provided career appointments for high flying administrative trainees (or fast trackers). A former Department of Social Security official explained "There was this tremendous distrust and paranoia of the Benefit Agency because it was so huge that from the outset it could have been completely self-sufficient if it had chosen to" (former senior official in the DSS). This led to much concern, initially, to ensure staff mobility and common personnel policies as, without it, the Department was concerned it could not offer a comprehensive career progression to its high fliers (interviews with several senior departmental staff).

Tension about how to manage this dependence caused early difficulties in the Department of Social Security (interviews with senior officials). One senior official candidly acknowledged

> "[the Benefits Agency] were flexing their muscles, they didn't see why they had to have these common personnel policies, they'd been set up to be independent, they had their own culture and ... when the rhetoric sets such store by culture and own management ... you create a Frankenstein's monster. Now you need to unpack an awful lot that's hidden in that statement, at face value its the stuffy and statesman-like senior bureaucrat who's only concerned with the welfare of the department overall. At a level rather below that it was [an official] whose power was diminished by this ... there was an awful lot of power play" (senior official in the Department of Social Security).

Agencification has led to the Benefits Agency holding a huge store and monopoly of financial, organisational and informational resources due to its size and function. The statutory nature of its role gives it a delegated source of authority. Its previous

history as a former division within the Department gave a coherence to the utilisation of those resources and the agency arrangements, while the stress on building up a corporate identity and culture increased this coherence. The Benefits Agency is tremendously powerful. A senior official from the Agency confirmed

> "the Benefits Agency became a powerful force within the Department of Social Security and had to be listened to ... and we were listened to in a way that an operational arm of the department headed up by a grade three in the department who owed his future entirely to the permanent secretary and his appraisal reports would have found it very difficult to do" (former senior agency official).

However the Agency depended on ministers for the political authority and legitimacy to act and particularly for obtaining resources both for operational budgets and programme budgets. It also depended upon the department for access to decision making and policy knowledge and for access to the Secretary of State. In response to the new administration's extensive policy agenda for social security and 'joined-up thinking' initiatives, the Agency's dependency on the Department has increased since the election and there is less direct contact with the Secretary of State (interview with senior agency official). Nevertheless, the Agency's power potential, given its monopoly over implementation resources, is very high.

The Child Support Agency holds far fewer financial, organisational and informational resources than the Benefits Agency. It is also far less coherent than the Benefits Agency, being newly established. These factor reduce its power potential. However, ministers' and departmental dependence on these resources is high because the policy area is new (and therefore the department has no residual knowledge) and highly salient (and the potential for ministerial embarrassment high). It has been very dependent upon both departmental and ministerial support for operating budgets and negotiations with the Treasury about financial targets.

Home Office

In contrast to the Department of Social Security, the Home Office is described as a 'loose federation' (interviews). Ministerial and departmental dependence upon the financial, organisational and informational resources held by the Home Office agencies is more individualised than in the Department of Social Security. Ministers again retain political legitimacy and authority. The complexity and legalistic nature of Home Office policies makes ministers dependent upon the policy knowledge held by officials, particularly in relation to the highly politically salient area of penal policies. This policy knowledge and access to ministerial decision making was transferred to the agency in the case of the Prison Service Agency but was retained in the Department in the case of the FSS. The Home Office retained devolved authority, therefore, for the FSS but not for the Prison Service. Yet, both the Department and ministers retain a high dependency upon the agency for the smooth operation of penal policies to maintain support for the policy and avoid embarrassment for ministers.

The Prison Service Agency, like the Benefits Agency, represented a huge part of the department, and controls very large budgets and organisational resources. Ministers and the department are highly dependent upon the Prison Service to deliver its goals in order to protect ministers from embarrassment in an area of high saliency and sensitivity. It had a very coherent institutional structure based on its history as a identifiable organisation. Unlike the Benefits Agency, there was less internal fluidity between the operational, managerial and policy roles within the organisation, although like the Benefits Agency, the Prison Service had provided a stepping-stone in the careers of Home Office high fliers. The agency holds policy and operational information. It is dependent upon ministers for political legitimacy and authority to act, although operating in a statutory framework under the jurisdiction of an Inspectorate and Ombudsman provides an additional and alternative source of authority. Its other key dependency is for resources which became acute after the rise in prison numbers. This dependency was on ministers for their political support and with the Home Office for its organisational and informational support.

The Forensic Science Service is smaller and less salient. Nevertheless, its expertise, legalistic function and near monopoly position mean there is a strong dependency relationship between department and agency. Although Forensic Scientists are officers of the Court and operate under legal processes, the FSS currently relies heavily upon the legitimacy and authority of the Home Secretary backed by the Home Office for its credibility. Although there are other providers of forensic advice including other Government laboratories, the FSS is the leader in its field and the biggest operator, creating ministerial and Home Office dependency on it. Attempts to establish industry bodies and independent oversight are seeking to reduce this dependence, however.

The FSS holds financial, organisational and informational resources. Although able to raise its own income through charging, the majority of its funding comes from the police and thus there is an indirect dependence between the FSS and the Home Office, who indirectly fund it through the police funding mechanism. Until its transition to trading fund status it is dependent upon Home Office and ministerial approval for its budgeting plans. Since merging with the Metropolitan Police Laboratory it has provided national coverage. The specialism of forensic scientist knowledge increases dependence upon the Agency which has become more pronounced with the development of DNA testing. This 'flagship policy', in which the FSS is a world leader, has become very important for both the Home Office, for example its international section, and for politicians who benefit from both the kudos of the technology and the increased prosecutions it delivers. The dependency relationship between the FSS, ministers and the Home Office has kept the FSS within the remit of the department despite its capacity as a non-monopoly, fee-charging agency to move from a quasi-contractual to a fully contractual agency operating in the private sector.

Department of Trade and Industry

Although the DTI moved quickly into establishing agencies and at one time had over 50% of its staff working in agencies, these agencies were smaller and did not individually represent a large section of the department in the same way that the Benefits Agency and the Prison Service Agency did. Trade and Industry policies

are also not as coherent and interlinked as social security policies, and unlike both social security and penal policies, do not directly affect large numbers of constituents to the same extent. This means they are less inherently salient although their policies retain the capacity to develop saliency as a political issue arises. For example, the Companies House investigation into the former Paymaster General Geoffrey Robinson's company registration, became very salient when it was discovered that the former Secretary of State with responsibility for sanctioning that investigation, Peter Mandelson, had borrowed money from Geoffrey Robinson to buy a house, leading to accusations of a conflict of interest and contributing ultimately to his loss of authority and resignation.

Thus, the dependence of Ministers and the Department on its agencies was intrinsically less than in the other two departments. Ministers were less likely to be faced with political difficulties and each policy area was comparatively more straightforward. Nevertheless, the department still sought to retain control over the financial, organisational and informational resources transferred to agencies through strong governance arrangements (which will be discussed further in chapter six). This controlling instinct springs partly from the Department's interventionist history (Gains, 1999) and partly from modelling business arrangements, with which it had a great deal of contact. Also it arose (as in the Department of Social Security), to compensate for the loss of resources to agencies. In general, because the policy areas covered by the three agencies studied were relatively routine and straightforward, ministerial attention was low and authority devolved quite considerably to the department.

Companies House provides a statutory service and therefore depends upon ministerial authority to operate. Some parts of its work (the provision of information for other users), could be provided by non-statutory organisations and it is a political decision as to where the boundary for the agency's information provision lies. This has varied according to ministerial approach. Michael Heseltine sought to investigate whether part of its work could be privatised or contracted out, the current administration have, by contrast, by not prioritising enabling legislation, curtailed the agency's ability to compete with its customers. This illustrates that ministerial dependency varies according to ideological and policy beliefs and commitments.

The work is very straightforward causing little controversy. The agency charges for its services, reducing its dependence for funding and approval for operating budgets. However its autonomy is limited as because of its statutory nature, and the extent of fees and charges it sets are subject to ministerial (and therefore also departmental) approval. Although the Agency is still dependent upon the Department for several services (personnel, pensions and Company Law policy advice) it holds considerable amounts of organisational and informational resources, particularly about the technological advances which will alter the service it delivers. This emphasises a ministerial and departmental dependence on the agency which is balanced by the authority the agency needs to make the changes.

The Insolvency Service, is in some ways similar to Companies House. It operates throughout the Country and upholds company law, serving to regulate the market. There are several key differences, however. Insolvency is a far more sensitive subject, especially through the recession of the early 1990s. This leads to a higher level of ministerial casework and parliamentary interest and a greater propensity for political salience. Like company registration, insolvency work is also demand-led. However, the work is more legalistic, with Insolvency Officers acting as officers of the Court and overseeing the work of private sector practitioners. It is more complicated and profesionalised. Like the Prison Service Agency, the Agency is also responsible for providing advice on insolvency policy. The informational and organisational resources held by the agency lead to a greater departmental and possibly ministerial dependence. Conversely, although the agency accrues income, it cannot use this income to fund its activities and is wholly dependent upon departmental and ministerial approval for level of financial resources and budgetary approval. The statutory nature of its activities, professionalism of its staff and control over informational resources provides the potential power to its negotiations with the Department and ministers in this respect and protects it from radical alteration of its activities such as attempts to contract out parts of its work.

The Laboratory of the Government Chemist has many similarities with the FSS, as it is also a self funding, non-monopoly, specialist provider of scientific information working under statute. There are, however, key differences in its customer base, the saliency of its policy area and the departmental context in which it operates,

which led to a far less dependent relationship between the LGC, ministers and the DTI than was indicated with the FSS.

The LGC was one of the smaller agencies, with staff based all on one site in a relatively new and very well equipped laboratory. As well as the organisational resource represented by the laboratory, the agency's staff were highly skilled and expert, in a similar way to scientists in the FSS. Again like the FSS, although the staff of the Agency were extremely professionalised and specialised, this expertise was available in the private sector. The role of Government Chemist was a statutory role which involved the potential for appearing in Court as an independent and impartial arbiter of last resort. This was a rare outcome, with disputes being more usually resolved through the authority devolved to the Government Chemist by virtue of the office. Therefore, although the LGC in theory could offer a similar legal role in Courts as the FSS (and indeed competed for and gained some forensic work) this was a far smaller part of the agency operations. The agency therefore did not depend as closely upon on DTI ministers or the department for the authority to act, this authority came from the legislation it worked to which related to several departments. This authority has been maintained in privatisation through a new arrangement and the Government Chemist role is retained by the Chief Executive of the privatised LGC for a fee of £10.

Again, like the FSS, the agency, although not a trading fund, had been able to charge for its services since its establishment and was able to operate under net costs control. It was therefore less dependent upon DTI or ministerial approval for funding than for example the Insolvency Service. It was, however, highly dependent upon a range of departments for continuation of contracts and, as there were competing providers, this made them vulnerable to loss of that work. As the DTI did not fund the LGC it did not have the same need to ensure value for money as the Home Office did in the case of the FSS. Indeed the DTI and DTI ministers did not depend upon the LGC to meet its own goals in the way that the Home Office did with the FSS. The analyses it provided, under numerous Acts, were mainly for departments other than its parent department although latterly, as the agency was being privatised, it was providing a role in supporting the DTI initiative for which it retained the contract.

The department did not depend upon the outcomes of the agency to meet its goals in the same way as the other agencies in this study, as the agency was meeting the goals of several departments. Where it was working to satisfy a DTI policy agenda, this was not a key or especially salient area of work. The agency did not depend upon the department for the devolved authority to act, access to decision making or financial support. Its statutory role was insignificant and again dispersed in importance across departments according to the legislation the Government Chemist was acting to enforce. The dependency relationship between the LGC, its ministers and the DTI was low. It is this lack of dependency, coupled with a departmental propensity to consider privatisation, given its closeness to business, which meant that a strong ideological commitment to privatise DTI agencies by Michael Heseltine resulted in the LGC's change in status. The stronger dependency between the other two DTI agencies and between the FSS and the Home Office reduced the propensity for these agencies to change their status.

Conclusion - Agency Arrangements and Power Dependency

This chapter has examined the changed distribution of resources following agencification showing that the introduction of agencies has transferred financial, organisational and informational resources to agencies and thus a great deal of power potential. However, although agencies hold delegated authority over operational matters, political resources legitimising the operation and the authority to act are still held by ministers. Departments too, sometimes provide the authority to act in lieu of ministers and it is to departments that agencies look also for authority and financial resources. Departments also crucially retain organisational resources – access to ministers, control over rules, access to other parts of Whitehall – and they hold informational resources about policy, the policy process and financial information.

New patterns of resource exchange are identified leading to the development of new power dependent relationships between departments and agencies. Ministers still depend on departments to support them and on agencies to deliver policy

goals. Departments also depend on agencies to deliver to protect their ministers, they also depend on ministers for the authority and legitimacy to act where that authority is exercised. Agencies also depend on ministers ultimately for this authority and legitimacy and on both ministers and departments for obtaining finance. They need departments for the organisational and informational resources still held there.

The exchange of resources creates dependency relationships between all three parties. It does not represent the type of zero sum power relationship envisaged in the principal agent model or in constitutional theory. Each actor is dependent upon each other, power is relational. Ministers' traditional dependence upon departments is now extended to agencies. For departments, however, their dependence upon agencies is new and this changed pattern of dependency has increased with changes to departments arising from the senior management review. Agencification has had the impact of making the dependency relationships in Government more explicit. The identification of goals and a financial and resource framework has removed some of the indeterminacy and secrecy of executive operations. The level of dependency varies. Big or monopoly agencies, salient agencies, agencies with complicated and multiple goals create high dependency. In less complicated policy areas, the ability of an agency to raise its own finance, or being one of a number of providers lessens the degree of dependency.

The change in the distribution of resources has created new power dependent networks and has altered the power potential of participants in those networks. In some cases agency arrangements have resulted in an enormous shift of power potential to agencies, for example in the Benefits Agency and the Prison Service Agency. In some cases, such as the LGC, the arrangements have revealed the lack of dependency and the vulnerability of relationships. This examination of the exchange of resources and dependency this creates, however, only indicates the power potential of agencies in government and in their relationships with departments. To look at how this power potential is exercised it is necessary to examine the processes of exchange or how these relationships were managed. The next chapter will look at these processes of exchange between department-agency networks in the case study agencies.

CHAPTER SEVEN
RULES, ROLES AND RELATIONSHIPS – THE PROCESSES OF EXCHANGE

Introduction

The last chapter explored how agencification changed the distribution of resources in central government, suggesting that the exchange of resources between departments and agencies created new power dependency relationships or networks. This chapter will look at how these relationships were conducted - at the *processes of exchange* used to manage department-agency networks. This is important in identifying: how department-agency networks operate, how and why they vary, and how they develop and change over time.

The first two parts of this chapter will consider the formal and informal aspects of how departments and agencies managed their relationships, looking across all the case study agencies. These sections permit a broad discussion of the issues affecting all department-agency relationships, for example the relative importance of formal and informal arrangements for managing the relationship. As with chapter six, looking across all cases allows themes to be explored whilst preserving the non-attributable nature of contributions.

The first section will examine the formal processes involved in establishing and maintaining the arm's length relationship (or network). These stem from changes in the administrative arrangements associated with the agency project (see chapter two) and from departmental arrangements (introduced in chapter four). These formal arrangements changed the rules of the game and role expectations. It will show that these formal arrangements structured relationships very differently between different agencies and departments. Partly this relates to the level of dependency between department and agency identified in chapter five and partly to the departmental context. In this sense these relationships are institutional.

Other processes of exchange are informal and underpinned by informal networks, by both departmental and wider civil service culture and by individuals' perceptions of their roles and the rules of the game. The second section will highlight informal

rules and understandings, cultural and contextual factors. It will illustrate how department-agency relationships are dynamic and changing. As well as developments in the formal arrangements prompting change, it is argued that critical events can lead to both organisational learning and to changes in role perception which alter the nature of relationships between departments and agencies.

The third part of the chapter will return to looking at each case study agency, summarising the way agencies conducted their relationships with their parent department underlining salient features and changes over time. In conclusion, the chapter will argue that networks between departments and agencies, which have developed since agencification, based on power dependency, operate through both institutional (i.e. structural) and interpersonal or informal links. An examination of the processes of exchange indicates that the way relationships or networks operated varied according to the degree of dependency, the departmental context and changes in both formal and informal rules and understandings. These processes of exchange (and the patterns of dependency discussed in the previous chapter) are important to identify before looking at the question of why some relationships work better than others, or whether the concept of policy networks can provide an explanation, which will be addressed in chapter eight.

Power Dependency and the New 'Rules of the Game'.

The framework document

The basis for how the arm's length relationship between minister (and therefore department) and agency should operate is formally established in each individual framework document. This document is backed by instructions and guidance applying across Government. These formal 'rules of the game' were described in chapter two. The framework documents do not set out detailed arrangements for how the relationship should work. They do, however, provide boundaries for the relationship, both through the roles and responsibilities ascribed for the various parties, and sometimes in setting out certain governance arrangements.

Table 5 (over) shows the roles, responsibilities and governance arrangements set out in the framework documents in the case study agencies. This analysis of the arrangements for consultation and governance and the roles and responsibilities ascribed to each party in the original Framework Documents of the seven agencies broadly confirms the pattern of dependency traced in the last chapter.

Those agencies which have a high dependency relationship with departments and ministers because of their size and type, such as the Benefits Agency and the Prison Service Agency, have high levels of contact built into the Framework Document and a greater involvement with policy development. In these agencies, the Secretary of State is expected to have regular and personal contact with the Chief Executive. In the Prison Service Framework Document, the Director General is directly accountable to the Home Secretary, in the Benefits Agency the Chief Executive has personal access to the Secretary of State. In the Prison Service the Director General is the Secretary of State's principal policy adviser on matters relating to the prison service, in the Benefits Agency the Chief Executive is the Secretary of State's principal adviser on operational functions. In both, the Permanent Secretary is the Secretary of State's principal adviser on the Department as a whole and advises the Secretary of State on the agencies' performance.

Of note is the far greater detail on how the relationship between the Chief Executive of the Benefits Agency and the Permanent Secretary of the DSS should work together, and the specification that the Chief Executive is expected to participate with the Department on policy proposals, and can make operational policy proposals. In contrast the Home Office does not have a specific policy role in the Prison Service's Framework Document. The Director General is responsible for advising the Home Secretary on prison matters generally, including both operational and policy matters and the expectation that the Home Secretary would expect to be consulted by the Director General on sensitive operational issues is built into the framework. In the Prison Service Framework, the relationship between Director General and Minister is structured to be far more direct and the role of the Department far less. The reasons for this are discussed below.

Table 5 - Roles, Responsibilities and Governance Arrangements in Framework Documents

Agency	Role of Ministers	Role of Chief Executive	Role of Departmental Officials	Agency Involvement in Policy
Companies House (October 1988)	Determine policy framework - not involved in day to day management	Accountable to and reports to line manager and steering board, asked from time to time to report to ministers	Link with Dept via responsible line manager who will monitor and report to Ministers on performance of agency. Perm. Secretary is Accounting Officer	Expected to contribute to development of Departmental policy on subjects relevant to the activities of Companies House and on operational and management activities
LGC (October 1989)	Determine Policy - not normally involved in day to day activities	Accountable to Ministers, asked to report regularly to Ministers, designated Agency Accounting Officer, reports to Chief Engineer and Scientist	Link with Dept. via Chief Engineer and Scientist assisted by steering board, will advise ministers on performance. Perm. Secretary Accounting Officer	ACE to report on Agency's place within Departmental policy
Insolvency Service April 1990	Answer to Parliament on policy governing IS - not normally involved in day to day management	Accountable to and reports to DTI Ministers, and to Steering Board, designated Agency Accounting Officer	Permanent Secretary is Accounting Officer, link with DTI through Dep. Sec. who is assisted by Steering Board.	By introducing and developing a more pro-active approach to policy, to provide advice to Ministers on policy issues reflecting the changing economic needs of society.
Forensic Science Service (April 1991)	Secretary of State answers to Parliament for FSS. Not normally involved in day to day management. Advised by Home Office Deputy Secretary for Police on overall matters affecting policy for FSS & the performance of the Director General	Director General of FSS is Chief Executive with delegated personal responsibility for managing FSS effectively and efficiently and to meet targets, Director General is Agency Accounting Officer. Accountable to the Secretary of State.	Deputy Secretary for Police advises Ministers assisted by an Advisory Board which Director General will attend. Permanent Secretary is Accounting Officer	Advice will be provided from the Agency as part of the Department in the usual way

Agency	Role of Ministers	Role of Chief Executive	Role of Dept. Officials	Agency Involvement in Policy
Prison Service (April 1993)	Home Secretary is accountable to Parliament for PS & allocates resources. Will not normally become involved in the day to day management of the PS, will expect to be consulted & receive reports from the Director General on handling of operational matters which could give rise to grave public or parliamentary concern.	Responsible for day to day management and is also the Home Secretary's principal policy adviser on matters relating to the Prison Service. The Director General is directly accountable to the Home Secretary for the Prison Service performance and operations. The DG is additional accounting officer.	Permanent Secretary is the principal adviser to the Home Secretary on matters affecting the Home Office as a whole and advising on the Prison Service's plans, targets and performance. Perm. Sec. is Principal Accounting Officer	DG is Home Secretary's principal policy adviser on matters relating to the prison service.
Benefits Agency (April 1991)	Secretary of State defines scope of Agency's activities, sets targets, resources, agrees its strategies, objectives and annual business plan	Chief Executive has full authority delegated from Secretary of State for managing Agency in its day to day operations, is Secretary of State's principal adviser on operational functions, provides reports for the Permanent Secretary, is Agency Accounting Officer	Permanent Secretary is principal adviser to the Secretary of State on matters affecting the management of the department as a whole, also responsible for advising Secretary of State about Agency and monitoring on his behalf	ACE has personal access to the Secretary of State following consultation with the Perm. Sec. on issues affecting his responsibilities, will participate in any discussions including policy proposals and is consulted by the Perm. Sec. before any proposals bearing on work of Agency put to Secretary of State. Contributes to Dept's policy development providing operational info can make policy proposals designed to improve effectiveness with which Agency meets its objectives, after consulting with Perm. Sec.
Child Support Agency (April 1993)	Secretary of State defines scope of Agency's activities, agrees strategies, objectives and business plan and sets targets and resources.	Delegated authority from Sec. of State for managing operations, principal adviser on these matters, responsible for meeting targets, standards & objectives within resources. Agency Accounting Officer. Provides regular reports for the Perm. Sec. & info for Secretary of State.	Principal Adviser to the Secretary of State on DSS as a whole, responsible as Principal Accounting Officer, monitors and advises Secretary of State on performance of Chief Executive and Agency	Chief Executive provides information required by the Secretary of State or Permanent Secretary for policy development and evaluation and for other purposes.

Those agencies with lower dependency, (Companies House, the LGC and the FSS) had the expectation of less close contact with Ministers built into the Framework and a more overt role for departmental civil servants. Initially, the Chief Executive in Companies House was not expected to report to Ministers routinely, and the framework stated reporting would be to the line manager in the Department. These framework documents specified reporting to 'Ministers', not the Secretary of State, and in each case the main link with the department is the former line manager. The line manager in these cases is supported by a Steering Board (DTI) or Advisory Board (FSS). This more linear relationship reflects the lower dependency between Ministers and Agency, with Departments playing a linking role.

The remaining two agencies in the case study fall between the two groups above. The Insolvency Service shares many characteristics in its governance arrangements with the other DTI agencies. The link with the Department is through the Deputy Secretary who is supported by a Steering Board. The Agency has however a greater involvement in policy development, arising from its specialised statutory role and professionalised skills and knowledge. Finally, the Child Support Agency shares many of its governance characteristics with the Benefits Agency. Like the Chief Executive of that Agency, the Chief Executive is the Secretary of State's principal adviser on the Agency's operations. The Chief Executive is expected to report to the Secretary of State and Permanent Secretary reflecting the statutory and salient nature of the policy area. However, the Framework Document suggests a less active role in policy involvement than that proposed in the Benefits Agency Framework Document, reflecting the Agency's comparatively small size and discrete area of operations.

Agency contact with ministers and department

In practice, fieldwork confirmed the trend suggested by looking at the framework documents. Agencies with a high dependency relationship with departments and ministers have high levels of contact, and at a higher level. This contact is both to deal with day-to-day policy matters and to manage administrative processes like authorising agency targets, agreeing the annual business plan which support the framework documents. As Bichard explained "[w]e are treated now more as a

partner. We are all involved in policy development activities and that is written into the Framework Document, but, more important than that, it happens" (TCSC, 1994 242). Agencies where the dependency with department and or minister is less, being smaller, less salient, non-monopoly, self-financing etc. have less contact and at a lower level. This confirms the findings of other more quantitative studies of this aspect of the relationship between agencies and Ministers (Massey, 1995; Hogwood, 1997).

The primary contact for the three DTI agencies and the FSS was with the line manager, currently a grade two in the department. Contact with ministers was infrequent and was not usually with the Secretary of State. In the Benefits Agency, Child Support Agency and Prison Service Agency contact with ministers was regular and frequent. In both the Benefits Agency and the Prison Service, ACEs access to the Secretary of State occurred when necessary or desired.

This preliminary review of the formal arrangements for managing relationships indicates a link with the power dependency relationships identified in the last chapter. However, whilst dependence appears to be a key determinant of how the relationship between departments and agencies are set up in the Framework Documents, there are other historical and contextual factors which influenced the particular arrangements which came to be in place for each agency which are considered next.

Departmental rules and arrangements

As chapter four set out, the agency concept was supported by formal administrative rules and guidelines, but not by legal or constitutional change (except for the trading fund arrangements). These formal 'rules of the game' were developed out of conflicting beliefs and tensions over the reallocation of resources involved. The concept was understood differently in different parts of Government and, in order to achieve implementation, was flexible and retained the capacity to be adapted. In looking at the governance arrangements or processes of exchange designed to manage the new relationships, the degree of *departmental* adaptation of the agency concept is apparent, arising from existing departmental culture and history. This led

to specific departmental understandings of the roles and responsibilities and supporting governance arrangements introduced to manage the dependency relationship. These departmental adaptations will be examined next.

DTI Supporting Arrangements

In all the DTI agencies, the ACEs reported to the relevant line manager, who was assisted by a Steering Board. Latterly, this person would be described as 'the Minister's representative'[1], but in all cases it was the relevant line manager. The 'department line' was maintained through the representatives from the Finance and Personal Resources Division (interview with senior DTI official). These arrangements were closely linked with a model of corporate governance and reflected the DTI's close links with the business community. One former DTI official explained

> "we know how business works. It wasn't a theoretical concept for us....it was quite clear seeing that sort of operating subsidiary relationship with head office, if you like and we were very clear that we needed to identify business units and then try and give them scope to operate" .

The Boards held similar remits - to oversee the development of corporate and business plans and to monitor performance against targets. They followed a similar formula for membership and indeed there was quite a lot of duplication of DTI membership with key finance and personal staff being members of more than one Steering Board, again bringing coherence of expectations and role clarity to the arrangements. Other members were non civil servants with an interest or expertise in the policy area and, in the case of the LGC, civil servants from its other customer departments. The number of DTI representatives on each steering board fell after the first few years as confidence in the new arm's length relationships rose and the DTI became more relaxed about how to manage agencies (interview with departmental and agency officials).

Several other features of the DTI arrangements encouraged the development of a shared understanding of the new arrangements. The Department placed a Grade 5 Administrative Officer in each Agency to assist in the development of informal links with the Department and to provide a bridge between the existing Departmental

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[1] A change introduced in response to the Fraser Report (see page 182).

culture and the developing agency cultures. Initially, all the ACEs in the DTI met every three months to look at new initiatives and share experiences. This, again contributed to the formation of strong identification of the role of Chief Executive and how to operate in the new arrangements.

DSS Supporting Arrangements

In the DSS, the arrangements in the Framework Documents for the two agencies are very similar and these were backed by a range of other formal and informal departmental processes to support department-agency relationships. Because of the integrated nature of its work, the DSS had given extensive consideration to how it would manage its relationship with its agencies and co-ordinate the work of the Department (See chapter four). The Agency Study Report (1988) recommended setting up a shadow agency structure and making early appointments to Chief Executive posts. The Review of DSS HQ Role and Functions stressed there must be "regular formal and informal channels of communication", (DSS 1991 40). A steering group met to plan each agency and develop the Framework Document. These groups then reported to a 'Permanent Secretary's monthly steering group' which included all the existing and shadow Chief Executives and other senior staff from the Department.

The formal links which the DSS had with its agencies involved liaison roles for staff at all levels in the agencies to support the expectations of the Framework Document. These arrangements were described in evidence to the TCSC and included, 'Benefit Boards', project teams, cross training initiatives and staff interchange "to make [the] co-ordination...more effective (TCSC, HC 496, 1990 - 1991, 32). These mechanisms to ensure collaboration and communication between the centre of the Department and its agencies were built upon a strong departmental culture stemming from staff being 'home grown' (Greer, 1995; interview with senior officials in DSS).

The DSS established a Management Board following recommendations in the 1991 Report. Initially this Board did not include the ACEs who were invited to join following an early management away-day and the body became known as the 'Departmental Board' (interviews with officials). As one participant wryly explained

"the agencies were intrinsic to the work of the department - and it was better to have them inside the tent anyway - because tensions were already beginning" (interview with DSS official). This had an important influence on the roles ACEs were expected to play. Board members were expected to take a corporate approach, as Michael Partridge, former Permanent Secretary at the DSS explained, "the Board runs the department because the chief executives are running large parts of it but they must not represent their parts of the department on the Board. They are there in a personal capacity as the managers of the Department" (Social Security Committee HC 382, 1995 143). One DSS Chief Executive explained how this corporate approach cut across existing their agency management role "while each of us have our own management responsibilities, on the Board there is much greater visibility of the overall picture".

Home Office Supporting Arrangements

Apart from continuing to call its ACEs, 'Director General', the Home Office did not place a strong departmental imprint upon its relationships with its agencies. This reflects its traditionally vertically compartmentalised structure. As one former Permanent Secretary explained "the Home Office is a lot of different dip sticks" (interview with former Home Office official). It also reflects the very different operations which moved to agency status in the Home Office, leading to very different power dependencies. The FSS framework suggests a similar arrangement to the DTI relationships, with the Chief Executive reporting to the former line manager, a Deputy Secretary, who is assisted by an Advisory Board. The Prison Service is, in some ways, similar to the Benefits Agency arrangements, with a similar role suggested for the Permanent Secretary although without the liaison with the Director General that is built into the DSS model.

There are several historical and contextual reasons why the arrangements for managing relationships took the form that they did in the Prison Service (see chapter four for background). The dominant view in the Home Office at the time that the agency was established was that the separation between policy and operations had contributed to the managerial problems which faced the Service. Therefore the Director General has a wider policy role being the Home Secretary's 'principal adviser on matters relating to the prison service'. This in effect meant the policy

capacity associated with the Prison Service remained with the agency, unlike the DSS where policy stayed within the Department.

The recommendations of the Lygo Report were not followed. The report argued accountability requirements, particularly when incidents occur and Ministers and their advisers want to become involved, meant that "rather different arrangements are required for its top structure than has been the case for other agencies" (Lygo, 1991, 9). The Report recommended the establishment of an Advisory Board, chaired by the Home Secretary to advise on major policy and resource questions. Kenneth Clarke, the Home Secretary at the time of Agency Status coming to fruition, did not wish to have the additional bureaucracy of an Advisory Board. Clarke and Lewis, the newly appointed Director General, both felt comfortable dealing directly with each other, modelled on a chairman - chief executive basis.

Thus there were no additional arrangements structured into the 'rules of the game' to support those set out in the Framework Document. The Prison Service Agency did not have the same degree of links at all levels between the Agency and Department as found in the Benefits Agency. This reflects the history of the way the old Prison Department was structured within the Home Office – due to its long history of being a separate body (interviews with officials). The arrangements relied entirely on personalities (interview with senior official in Home Office). As Lewis explains "the current constitutional arrangements are too dependent on the personal chemistry between the Home Secretary and the Director General of the day" (Lewis, 1997, 231-232). This reliance on personality alone left the relationship between Agency and Minister very vulnerable, as events were to demonstrate.

Cross government initiatives: Fraser and Trosa Reports

As well as the formal arrangements reflecting dependence and contextual departmental factors, there is evidence of historical development in 'the rules of the game'. Several civil servants involved in drawing up the Framework Documents mentioned the degree to which there was 'policy learning' from earlier Framework Documents "it was drafted from a model - where else would you start?" (interview with agency chief executive). Two examples of this are arrangements adopted

following the Fraser and Trosa Reports (Efficiency Unit, 1991; Trosa, 1994). The recommendations of both reports post date most of the arrangements made in the case study framework documents (with only the CSA and Prison Service Agency document being completed after publication of the Fraser Report). The reports did affect the way in which roles were described and perceived and the language used to label relationships which had already developed between departments and agencies and so these developments are reviewed here.

Fraser figures

The Fraser Report made recommendations on how to improve relationships between departments and agencies including the adoption of a 'single focal point ' of contact between departments and agencies at senior level. This role became known as the 'Fraser figure' (Efficiency Unit, 1991). The 'Fraser figure' was to act as both as a challenger, supporter and facilitator of the work of the Chief Executive. The adoption of what came to be known as a 'Fraser figure' was subject to confusion and led to different types of arrangement in different agencies, "so many people had different views about what it should be, was he a champion for the agency, was he a representative from the department laying down the law, was he a mediator" (interviews with Next Steps Team). In some cases the arrangements which already existed were adapted or re-named so that the line manager, or permanent secretary was described as the Fraser figure.

The Fraser Report suggested the figure should be the minister's adviser and should develop a personal relationship with the Chief Executives, what may be described as 'a friend at court' role (Efficiency Unit 1991, 7). In different agencies these aspects were emphasised differently. As one Chief Executive put it "I think people have different views...and when I say people I mean this can be MPs, ministers and informed commentators... I don't think by any means its universally agreed. So I suppose over time people have reacted to the perception of expectations". Although according to the 'agency orthodoxy' the Fraser figure was meant to have different role to a 'traditional line manger', in the four cases studied, it was the existing line manager who chaired the steering board and was described as the 'Fraser figure'.

There was a good deal of consensus about the value of an identifiable figure centring on being a 'friend at court'. One senior agency official said of his Fraser figure "he is the line manager and advises the Secretary of State, but a much stronger role is actually advising [the ACE] and being sort of friend and counsellor". This is especially the case if the ACE is new to the civil service. One described the Agency Fraser Figure as "very supportive and patient and [he] explained that you couldn't quite do it that sort of way but if I did it a different way that would be acceptable" (former ACE).

In one case all contacts with the Department were routed through the Fraser figure, in another only the most sensitive were. In this latter agency most contact with the Department was via pre-existing links. In the DSS agencies, Michael Partridge has been described as the Fraser figure (interviews with Next Steps team) and undertook the dual role of advising Ministers on agencies' performance and advising agencies (interviews with agency and Department officials), although, in fact, contact occurred at all levels between Department and Agency. According to Derek Lewis, the role played by the Permanent Secretary in the Home Office was unclear. The Department was too big and complex for the Permanent Secretary to act as the Home Secretary's principal adviser, yet there was no opportunity for him to act as 'chief executive' as most decisions were made by the Home Secretary (Lewis, 1997, 34).

A further report, the Trosa Report (1994), was commissioned to examine departments' arrangements for managing agencies in the light of the Fraser recommendations. This recommended that Fraser figures should be supported by Ministerial Advisory Boards which included outside experts to take a strategic overview of the agency. Not all of the recommendations were accepted by the Cabinet Office and it did not have much force across the civil service (interview with Next Steps Team). In the case study agencies the arrangements which utilised some form of Board were in place and preceded the Trosa recommendations.

Steering Boards

Four of the case study agencies had a steering or advisory board whose role was to advise a Fraser figure, or departmental manager, and through that person, the

minister. These boards were set up to manage the relationship between agency and department acting on behalf of the minister[2]. Their role varied between agencies and sometimes within the life cycle of an agency. Boards played an important role, however, in providing a timetable and an agenda around which communication between department and agency took place formally and informally (interview with senior agency officials). Three of the four agencies had a specific person or small secretariat whose job it was to service the boards and liaise with the department.

In general, these bodies were thought useful in bringing a cultural awareness of private sector practices into agencies. The business acumen of non civil servant members was appreciated and the introduction of private sector language and disciplines was said to be helpful. In some instances the boards appeared to be passive, rubber stamping bodies which formalised pre-existing decisions. In one case, the board did not see the business plan before it went to ministers. In other cases the board had a substantial input to the preparation of documents and appeared to gain independent informational and legitimation resources, "everything that we'd done had got a good scrutiny before we gave our reports to the department and this undermined any attempts by the department to try to alter, change it or say it wasn't sufficient" (interview with former agency chief executive).

Some Fraser figures who ran Boards saw them as assisting in providing external confirmation of Agency plans and progress. One 'Fraser figure' explained they gave an independent view on the situation "whether things were going well and whether things were going badly rather than decisions on that being simply a balance between conflicting pressures". (Interview with 'Fraser figure'). In other cases those conflicting pressures were played out through the Board agendas. A former Fraser figure saw them as a means of putting pressure on the Chief Executive "to run it properly". And another saw the Board as a means of reassuring ministers that the department was giving 'official confirmation' to agency plans

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[2] Steering boards had a different purpose to the 'management boards', (in the Prison Service, BA and CSA) made up of senior agency personnel and non civil servants with policy or management expertise whose role was to advise the ACE; and the 'departmental boards', (in the DSS and Home Office) which take a corporate approach to departmental management.

(interview with former and current Fraser figures). One ACE said "I can use the Board to twist the tail of the department". Another described his determination to try to operate the board as a link to ministers by telling the department "Its between me and my board how I spend the capital".

In some instances the boards became the sites of fierce battles about the status and autonomy of agencies. This was seen particularly in the case of the DTI agencies during the period of their prior options processes which coincided with strong pressures for privatisation and / or large-scale contracting out. The steering boards took part in the processes surrounding the prior options process, including drawing up specifications, scrutinising tenders and making recommendations to ministers. All of the steering boards had reservations about privatisation or contracting out. Their desire to make representations to ministers revealed confusion over their role and that of the Chair. In one case a Chief Executive thought the Chair covered up the concerns of the steering board from ministers, and attempts to appeal directly to ministers were blocked. In the other two cases, concerns of the steering board were conveyed to ministers via other ministerial routes.

In all cases the steering boards thought they had greater authority to act in an advisory role than proved to be the case. For ACEs this highlighted the dominance of ministerial authority. It also pointed to the ambiguous role played by the Fraser figure as chair of the steering board, line manager, ministers representative and 'friend at court'. One senior civil servant reflected on the potential for contradictory pressures on a Fraser figure "I always think one of the prime requirements for being a civil servant is controlled schizophrenia".

The importance of formal arrangements

The formal arrangements expressed through framework documents, Fraser figures, steering boards and associated departmental processes are key in understanding how relationships operated, as they suggest rules and roles for the participants. One Permanent Secretary explained "whenever anything went wrong the existence of the formal relationship, the framework documents means that the Chief Executive

has the power, if I got too close, to say to me at any time, 'that is actually my business would you mind standing back a bit'". For Michael Bichard the expression of formal roles and responsibilities and governance arrangements in the framework document was of great importance in facilitating the development of relationships "the framework document gives the right to be involved in policy - agencies, especially big ones become more confident in providing feedback...we forged partnerships with policy colleagues" (speech, Sheffield University 16/3/99).

The Importance of Informal Features

However it is not only the formal arrangements which are relevant. As chapter three argued, although the formal arrangements determine the allocation of institutional resources and prescribe some of the roles and rules of the game, informal understandings are also crucial. Informal features impact upon how intra-state network relationships are conducted for two reasons. Firstly, because informal understandings need to be shared, as Michael Bichard points out "[the framework document] does deal with relationships and at the end of the day those do depend upon a degree of trust and communication" (TCSC HC 27, 1994, 153). Secondly, because the skills and tactics chosen by actors in the networks will depend upon how well they understand the rules, roles and how to operate within them. Informal understandings influence and guide behaviour. One ACE doubted whether his framework document clarified his relationship with ministers and department, but explained "I am entirely clear in my own mind of how its going to work and I think that's all that matters really".

Chapter three and chapter four suggested that, whilst the introduction of agencies had led to the introduction of new formal and informal rules and norms, these understandings were superimposed upon more traditional models of behavior. It was also suggested that the adoption of changed roles and rules of the game varied across departments. The next section of this chapter will look at factors which impact upon the ability of those involved within the networks to develop trust and communication and to utilise skills and tactics. It will examine the importance of informal networks and actors' understanding of the roles they had to play.

Informal networks

Alongside the formal arrangements set up to manage the relationship between departments and agencies, it is very clear that most networks relied upon the maintenance or development of strong informal networks, long an important feature of Whitehall ways of working. Many interviewees, when asked how well the relationship worked between department and agency, responded by referring to pre-agency links and employment history "the fact I'd done administrative work for 10 years and understood how the department worked and knew everybody was just enormously helpful" (ACE). Informal links between the Chief Executive and the Department arising from shared previous history helped, giving advance warning of problems. One Chief Executive said he rarely routed any enquiries through the formally appointed Fraser figure, but would use his extensive network of pre-existing contacts "you can't work without your contacts". Another Chief Executive was described as influencing policy "its not something he's directly operationally responsible to the Secretary of State for, its part of the networking within the department".

Those coming in to the civil service also realised, the importance of informal networks. Having staff in the agency with links to the department was very helpful in that they could act as an interpreter. Staff crossover was thought valuable and important in maintaining good communication, (interviews with former and existing ACEs). If informal links were not already developed it was seen as important to develop them. One ACE appointed from outside the civil service said he realised he would have to cultivate links with the Finance and Resources Section of his department. He commented

> "it is actually quite difficult for an outsider, you forget, civil servants forget, how used they are at dealing with Ministers, dealing with procedures and so on they know the ways to do things and the ways 'round here' of doing things, but for an outsider its all rather intimidating".

These informal links existed personally between the first ACEs and their parent departments in the DTI agencies and the FSS. In the Benefits Agency, the first Chief Executive was appointed before the launch of the agency and was involved in

drawing up the framework document. In addition there were deeply embedded informal links at all levels in the respective organisations which were encouraged to develop. One DSS ACE attended a Select Committee with his 'policy relation' from the DSS, he explained "Whenever there is a policy issue, Anna is basically the person I would go to to seek clarification. In the past it was the sort of relationship we would have needed to use frequently, but in more recent years most policy issues have been clarified and it is a more informal relationship" (Social Security Select Committee, 1995, 13).

There is evidence however that the development of informal links between the CSA, the PSA and their respective departments was problematic, both institutionally and individually by the ACE. For the CSA, as a completely new agency operating from scratch, with the majority of its staff and its ACE recruited from outside the DSS, informal links did not exist. Further, although Ros Hepplewhite was appointed to run a shadow agency for a year before the formal launch, there is evidence that the development of informal links was not a priority. One former senior DSS official suggested, "she didn't as an individual make any real attempts to sort of blend in and learn from the civil servants. So I don't think there was the same organisational loyalty if I can put it that way that there might have otherwise been. I think she was sort of needlessly tactless on occasions with colleagues". Another former official suggested "Ros's problem was she wouldn't heed the signals because she was arrogant and thought she knew it all. She was an example of somebody coming in from the outside" (interviews).

Similarly, the Prison Service had a history of there being poor communication between operations and HQ (see chapter four; Lewis 1997, 22 - 24) because of the traditionally separate cultures of administrative grades, Governors and Prison Officers within the Service itself and little movement of staff between HQ and the field unlike in Social Security, (interviews with Home Office and Social Security officials; Home Office 1995, 102 - 105). The first ACE Derek Lewis did not develop informal links with the department (interview with senior agency and Home Office officials). Much of his energy went into working with the Prison Service Management Board, which had no links with the Home Office (Lewis 1997, 19, 75). His only contact with the Home Office was through a fortnightly meeting of the

Deputy Secretaries. His description of the agenda of these meeting as "structured gossip" (Lewis 1996, 36) provides a flavour of the value he placed on contact with his peers in the Home Office initially. The existing links between the Agency and Department were not utilised and in fact *Hidden Agendas* suggests a poor relationship between Lewis and the Deputy Directors who had Home Office backgrounds (Lewis 1997, 18). A senior Home Office Official suggested "He had not a lot of patience for either the Home Office or the political side of the business and I think that's probably in the end why he was dismissed".

For the Chief Executives who replaced the two outsiders, Hepplewhite and Lewis, the cultivation of informal networks was stressed as important. One suggested "one needs to see those links and make sure they are being properly worked through" (Interview with former Chief Executive). Richard Tilt, stressed the necessity of a close relationship with the Permanent Secretary in the Home Office (Home Affairs Select Committee HC 57-II, 1996, 12). Lewis latterly recognised the importance of informal networks and acknowledged that if starting again, he would have given priority to developing contact with the other Grade Twos in the Home Office (interview with senior Prison Service Official). This difference between the outsider ACEs and ACEs appointed from within the civil service is also seen when looking at how they managed the role of Chief Executive.

Understanding the role of chief executive

The agency arrangements prescribed new roles for ACEs. The ACE was expected to provide visible ledership and to manage operational autonomy with the requirements of being a civil servant operating under the auspices of ministerial responsibility. This was unproblematic for ACEs of the smaller, less sensitive agencies. As noted earlier, looking at arrangements like the steering boards, one model of relationship which actors drew upon, and which the agency concept drew on, was that of the corporate 'business-like' arrangement. Thus department or minister was seen as chairman, and ACE as chief executive. One chief executive explained "I play it very much as one would in the private sector between chief executive and non executive chairman and our steering board I treat very much as one would the board of an ordinary company". This was found not only with those

ACEs who came from the private sector but also was adopted or used to explain their pattern of behavior by ACEs who had previously been civil servants. This type of understanding of how the relationship should work was described by Derek Lewis when talking about his relationship with Kenneth Clarke. Clarke described his role as that of 'non executive chairman, Lewis writes "[h]e was someone I felt I could work with in a relationship with which I was already familiar", (Lewis, 1996, 11).

This type of relationship appeared to work, where its limitations were recognised. Most ACEs were aware of these and related the successful adoption of a businesslike relationship either to the fact that the agency was not involved in highly sensitive work, and or to its adoption alongside traditional ways of working.

Managing the role of chief executive involved a far greater degree of dexterity for the ACEs of the larger and more sensitive agencies. It required a clear sense of the boundaries of the role of ACE and an appreciation of where the distinction between policy and operational matters might be drawn. All the ACEs interviewed stressed the degree of autonomy they felt the role of ACE gave them. One stressed it provided the ability to 'surface issues' in different arenas. Another suggested "the Chief Executive of the agency is able to use avenues that you couldn't use if you were just sort of part of the main civil service" but stressed it was crucial to be careful and use this ability sparingly.

The balancing act ACEs were required to undertake was demonstrated in Select Committee hearings as committee members asked probing questions about their involvement in policy and accountability. At an early TCSC Committee, Bichard was questioned about the operation of the Social Fund and the take-up of benefits, at the time very politically sensitive issues, and the agencies' input into policy decisions. Bichard replied "...it is part of our task to draw these sorts of cases and problems of budgeting to the attention of ministers and that is what we are doing", he continued later "I will operate this system on the framework laid down for me, it is a political decision for others to make and I will manage within it" (TCSC HC 496, 1991, 29 - 34). Although coming from outside the civil service, Bichard had a background in local government and was familiar with working within a political framework.

In a similar vein, Ann Chant, the second Chief Executive at the CSA was questioned repeatedly about whether ACEs should be responsible to Select Committees, an issue upon which the Government had expressed a contrary view. Chant replied "I would be very happy to do whatever ministers or Parliament called upon me to do" (Public Service Committee, HL 68, 1996 - 97, 125).

Richard Tilt, similarly, was questioned in a Home Affairs Select Committee about which category of prisoners should be sent to prison, given the increasing pressure on the prison population and was urged to answer because of the independence accompanying agency status. In response Tilt delicately replied "I do not think it gives us a licence to express views on matters of political controversy....I devote my expertise to managing the system and dealing with the people who are sent to us in proper way" (HC 57-II, 1997, 5). At the same hearing he suggested that in trying to interpret the boundary between policy and operations he would 'err on the side of caution'.

One ACE who came from the civil service explained "I think I am personally fairly clear about what decisions I take, what I inform Ministers about, which decisions I should involve the minister in or ask the minister to make those decisions" (interview with ACE). One of the problems for the early 'outsider' ACEs was confusion about the role and the ambiguity between the agency rhetoric and the realities of working in a system still dominated by ministerial responsibility. A senior Home Office official suggested that Lewis did not pay heed to the imperatives of working with ministers on matters of political sensitivity "I don't know whether he appreciated the need for it, but he certainly didn't give much time to it".

This is illustrated by two incidents recorded in *Hidden Agendas* where Lewis records how he interpreted his role with far less caution. In one incident he and Howard disagreed over the publication of operating standards in prisons and Lewis walked out of the meeting. Later he commented "[o]thers told me afterwards that civil servants do not walk out on Home Secretaries", (Lewis, 1997, 118). Lewis's more autonomous interpretation of the extent of his authority is also demonstrated by an incident involving the return of IRA prisoners at a sensitive time during the

peace process. Howard had approved the transfer of the prisoners but Lewis took the decision on the timing of the transfer without consulting Howard. Lewis, reports a conversation between himself and Richard Wilson, the new permanent secretary, after they briefed the Prime Minister on the incident "we reflected on the main differences between us. I was used to taking decisions [Wilson] said, while he believed in passing the most difficult decisions on to ministers. Civil servants were not paid well enough to take risks like that" (Lewis, 1997, 148). These incidents provide examples of the contradictions inherent in the agency concept where the autonomy of a chief executive is set alongside the overall doctrine of ministerial responsibility.

Ros Hepplewhite was also said to have interpreted her role too literally and in doing so to have encroached upon the role of ministers and become too personally identified with the policy. Her background was in a campaigning organisation. One senior civil servant in the DSS commented that Ros Hepplewhite went "too far in public and therefore incurred the wrath of ministers". Another explained "if I was sitting in front of a parliamentary committee I would instinctively say, because I've been trained in it since I was an administrative trainee 'that's really a matter you need to talk to ministers about, I can answer you on this, this and this'. And I think [Ros Hepplewhite] just hadn't got that sort of basic instinctive training". When her successor, Ann Chant was appointed a newspaper reported colleagues as saying "Ann Chant is an outstanding civil servant who understands Whitehall, how to prompt ministers and how to present ministerial policies to the public" (Guardian, 3 September 1994), underlining the traditional civil service skills she would bring to the job.

Departments' understanding of their role

Although the agency arrangements focus on the relationship between minister and ACE, the reality is that departments faced the biggest change to their role and had a high involvement in policy making (Smith, Marsh and Richards 1993). Departments in theory at least were expected to move from what Barberis calls 'policy management' to a role of 'policy orchestration' (Barberis, 1995). Under the agency orthodoxy, departments were meant to help ministers be informed

purchasers (Kemp 1998, interviews with Next Steps team). It is clear that civil servants have adapted to new roles of tendering, contracting out, setting targets (Newman, Richards and Smith, 1998). Departments were expected to move away from their traditional skills of 'speaking truth to power', providing policy continuity, smoothing the policy process and protecting ministers. This partly however depends upon ministers playing their role as active policy managers. One former member of the Next Steps Team commented

> "looking at Next Steps over the years I think a fundamental problem has been, although the theory says that there's a minister and a chief executive, and for it to work properly means that there's two active players. The minister isn't in most cases an active player. So at the start you're handicapped in clarity and accountability, in lines of accountability, because the minister isn't [an active player] which turns it over to the department".

The whole concept relies upon ministers having the personal and political resources to match the authority granted by their office. As suggested in the last chapter looking at resource dependency, ministerial attention, interest, ability to understand the complicated technical and legalistic output of agencies and the time to become more informed, can be limited, constraining their ability to exercise authority. In these circumstances, departments continue to fulfil a 'policy ballast' role (Foster and Plowden, 1997).

In addition, the ability of Ministers to stand back from the operational issues in highly politically salient policy areas is unlikely, because of the doctrine of ministerial responsibility. So again departments see a perceived need to utilise their policy skills heavily, especially given the high turnover of elected representatives. As one former senior civil servant in the DSS stated

> "That's why civil servants stay, because they are the experts, and that's why they have to learn political skills and being able to work with different Ministers at different times....Ministers know they depend entirely on the civil servants, there are no outside experts in the world of social security, the experts are all in the department... so you've got to trust them and use them and try to have a constructive relationship with them".

Departments were also required to adapt to new 'rules of the game' whilst retaining and practicing their existing traditional skills because agencies still operated under the doctrine of ministerial responsibility. This ambiguity was recognised by the Next Steps Team.

> "Departments have yet to master getting the information they need to offer advice and actually trying to tell chief executives what they should be doing and like so many things, these things will never happen because the joker in the pack is politics and human nature and we just can't legislate for that or we can't put that down in the framework. At the end of the day ministers can still do what they want" (former member of the Next Steps Team).

Therefore for both departmental and agency staff, the new arrangements required a mix of new and traditional skills and ways of working. The extent to which these new roles were understood and guided behavior varied considerably across the agencies and departments studied.

The DTI and the DSS both made considerable department-wide arrangements (reviewed earlier in the chapter) to supplement each individual framework document. These permitted these departments to retain enough control to facilitate their 'ballast role'. The development of these arrangements strengthened their role understanding. In the Home Office, however, there was no department-wide role understanding at the outset because of its compartmentalised nature. Role understanding by the Police Division in respect of its relationship with the FSS was good. The Home Office's understanding of its new role in response to the move of the Prisons Service to agency status appeared less clear. It assumed the role of Director General to carry a greater degree of autonomy, for example, than the DSS conceived for the Chief Executive of the Benefits Agency. It envisaged that its policy management and policy ballast roles could be fulfilled by the Permanent Secretary acting as the Home Secretary's 'principal policy adviser'.

Understanding roles across agencies and departments

To operate an agency arrangement required ACEs, departments and ministers to subtly appreciate the balance between the agency rhetoric, drawing on a business model, *and* the constitutional imperatives of a system dominated by ministerial responsibility. This complex interplay of the new rules and roles with traditional ways of working - 'quasi government' and yet of the realities of ministerial responsibility - was understood instinctively by 'insider' chief executives and by Bichard with his local government background. It was not understood by 'outsider' chief executives. For Hepplewhite and Lewis, working in politically sensitive agencies, the contradictions left them very exposed. Several officials in both the

Prison Service Agency and the Home Office commented that Lewis could not read the subtext, he went by the book, he believed in the 'rhetoric of Next Steps'.

It is possible to see how this occurred. The agency concept was ambiguous and based on compromise (see chapter four). The circumstances of Lewis's appointment fed into this picture. Lewis describes being advised not to visit the Prisons Minister because the Home Office was unsure how the role of ACE would cut across the junior minister role, providing a confusing picture of the degree of delegation and accountability which went with the post (Lewis, 1997, 14). In his relationship with Clarke he was promised autonomy and it was delivered (Lewis, 1997). Lewis did not have the public sector background to provide the experience of working with politicians and the imperatives of political life. Likewise, Ros Hepplewhite came from a campaigning background. The appointment of two outsiders to these posts was deliberate (interview with Next Steps and DSS officials). Both appeared to have been given the job in order to draw attention to the autonomy of the new role. Neither had the informal networks to mediate or provide assistance.

Policy learning

In examining the processes of exchange between departments and agencies, it is clear the understanding of roles and rules of the game has changed over time. This has arisen through deliberate changes to the formal rules. In addition, the *interpretation* and *understanding* of roles, appropriate behavior, the boundaries and possibilities of action have also been shaped by changes in the informal understanding. In particular, the very public experience of Ros Hepplewhite and of Derek Lewis between September 1994 and September 1995 were symbolic events which shaped beliefs and role understanding. Ros Hepplewhite was seen to have become over-involved in the policy agenda, and her abrupt departure served to illustrate the boundaries of ACEs ability to show leadership in respect of the policy area in public at least. Derek Lewis's sacking further pointed to the limits of ACE autonomy and highlighted the ambiguity of the policy/operational split. In both cases it was widely interpreted that ministers utilised the agency arrangements, and the policy and operations split, to avoid responsibility for policy problems. Nearly all

those interviewed referred to these incidents to explain the rules they operated under and how they understood their role. One ACE explained "I think its understanding the Secretary of State is the owner of the agency". Actors were reminded of the overarching dominance of ministerial authority and responsibility and this led to a gradual retreat from expressions of ACEs freedom to act.

This 'policy learning' included politicians. One Secretary of State recounted how he'd asked his officials to clarify his position upon hearing of the difficulties that Howard professed (interview former Secretary of State). One of the first actions taken by the incoming Labour Home Secretary in May 1997 was to announce the resumption of his responsibility for answering parliamentary questions (Hansard 19 May 1997, c396w). Just as with developments in formal arrangements, the informal understandings that support the rules of the game developed and changed over the ten years since the launch of agencies. The way in which agencies and departments conduct their relationships has not been static over time.

Informal v formal

This section of the chapter has illustrated that overlaying formal processes of exchange, reflecting the degree of dependency between department and agency and the departmental context, informal factors impacted on the way in which actors within networks operated. All interviewees were asked which were most important, the formal or the informal mechanisms. Whilst the importance of formal mechanisms was acknowledged, particularly in the breach, for example with the Prison Service, most respondents held the view that the informal was the most critical 'process of exchange' to get right. One ACE suggested "the Framework Documents in my experience are very rarely referred to and if they are its because you've got a real problem at the informal level". A senior official in the Home Office explained

> "I would always go with the informal rather than the formal as being truly significant. But I think the formal have their significance particularly for newcomers. You know if you are a newcomer to an organisation you have to start by looking at the what the book says, if you're not a newcomer, then you're not interested in the book. People give it to you but you just stick it in a drawer and you don't read it and you know all that stuff, but more important is a whole

network of relationships and you begin to rebuild them if you've been somewhere else for a period".

Another departmental official stated "The thing about the relationship that made me confident that it was delivering the goods was my direct relationship with the Chief Executive which was more important than my relationship with the Board. The fact that I could trust the Chief Executive and I think he could trust me and seek help from me" (interview with Fraser figure)". A chief executive of a large agency talked about the formal and informal arrangements supporting his relationship with the parent department and said, "But you are going to get it wrong sometime, the thing is hopefully with that environment and with that willingness to have that communication and that dialogue the chances of something major going wrong or certainly building up a head of steam are much reduced".

The Arrangements in Practice - Managing the Arm's length Relationship

Having looked at formal and informal 'rules of the game', at the operation of informal networks and at the perception of roles, it is possible to summarise the key features of each of the department-agency networks. The next section will look at how relationships between ministers, agencies and departments in the case study agencies worked in practice. The material for this section is drawn from primary sources (agency annual reports) and interviews. In order to preserve Chatham House rules direct quotes are used very little.

Networks between the case study departments and agencies.

Companies House

Companies House was an early and enthusiastic partner in the agency concept with traditional ties with the department. The work of Companies House is fairly rountinised although of a statutory nature and contact between the Chief Executive and Ministers is very infrequent. The primary contact is with the Department through the Fraser figure (line manager). Companies House has a Steering Board

made up of DTI staff, outside non-executives from the private sector, the Chief Executive and chaired by the Fraser figure. The Agency has a policy section which acts as a policy secretariat to the Steering Board and liaison point between department and agency.

In the early days of the agency, the line manager was a Grade Three who headed the companies policy division within the DTI. The second ACE David Durham described her as his "ally within the department" (TCSC, HC 496, 1991, 21). Following the Senior Management Review, the line manager became a deputy director in the DTI who is also the current line manager (and Fraser figure) for the Insolvency Service and (before privatisation) the LGC. Contact between the current ACE, recruited from the private sector and Fraser figure is good and based on a shared understanding. Most of the communication between department and agency is routed through the regular Board meetings. Both formal and informal links between department and agency are strong and there was and has remained a shared understanding of the agency concept and department and agency roles and how they should work together.

LGC

LGC became an agency with the keen support of the chief executive (the 'Government Chemist') and the Chief Engineer and Scientist, his line manager (a former Government Chemist). There was a shared understanding of the needs of the agency and the context in which it operated. The Chief Engineer and Scientist was keen that reporting should be directly to ministers and ensured (unlike the earlier Companies House Framework) that this was built into the Framework Document. However, as most of the work the LGC did at this time was for other departments, contact with ministers was infrequent and the main contact was with the department via the line manager. The Chief Engineer and Scientist chaired a Steering Board, whose role was to advise on the workings of the agency. This body is unusual in that it had representatives from other government departments representing their customer interests. Initially there were strong formal and informal links between Agency and Department and a shared understanding of roles and how the relationships should operate.

Following the retirement of the first ACE, the current ACE (or Government Chemist) was appointed from the private sector. His initial line manager was the

Chief Government Scientist and Engineer who provided helpful informal links to the DTI. Following the retirement of that post holder, these informal links weakened although the presence of former DTI staff in the agency proved valuable to the Chief Executive on key occasions. Contact was routine, mainly about the administration of the agency as the agency did very little work for the department, although towards the end of the agency's life in the public sector it did win a contract as part of the DTI measuring initiative.

During the Agency's prior options process, as it was considered for privatisation, contact was primarily between the Department and Agency and was both formal, through the Board and regular meetings, and informal. In the final part of the Agency's period in the public sector formal relationships were well organised but reflected the weak dependency between department and agency. Informal relationships were weaker than at the Agency's inception. At the point of privatisation there was a shared understanding between the ACE and current line manager of how the agency would operate on a customer contractor basis to undertake the measuring work and how the Government Chemist would continue to oversee the small amount of statutory work involved from outside the public sector.

Insolvency Service

The Insolvency Service has a very strong professionalised staff group which has always led to a separate culture from the mainstream DTI. The ACE was appointed from within the Service and has a long history of contact with the Department and there were strong informal links. The Insolvency Service has more of a policy role than the other DTI agencies because of its specialised and statutory nature. However contact with ministers was still infrequent, (reflecting the low salience of the policy area) and the primary contact was between department and agency.

Like the other DTI agencies the formal arrangements involved reporting to a line manager who chaired a Steering Board. The Service was an unwilling recruit to the Agency experiment. Although welcoming the freedoms agency status offered, the lack of control over its inputs led to doubts about how provision could be delivered within the relatively inflexible constraints of a Framework Document. There was not a shared understanding of the agency concept in relation to the agency at the outset. These new arrangements were tested during the critical NAO investigation into the Insolvency Service.

During the period of the agency's prior options process, when Michael Heseltine sought to contract out large parts of the Service, there was initially conflict between department and agency. Currently however, there is a good informal relationship between the current Chief Executive and Fraser figure, there is a shared understanding of the roles and relationships required and strong formal and informal links between the department and agency are maintained.

FSS

FSS has always been headed by a former scientist, who also had a long history of administrative work in the Home Office and was an enthusiastic recruit to agency status. Although accountable under the terms of the framework document (which she had a great personal involvement in writing) to the Home Secretary, her main contact is with her line manager in the Home Office, who also chairs the FSS's Advisory Board. The function of the Advisory Board is to provide independent advice to the chair to support his role in advising the Home Secretary. In practice their main role appears primarily in the provision of private sector experience to the ACE and as a 'cipher' in rubber stamping formal submissions to the Home Secretary as part of the business cycle of the agency. The key line of accountability and decision making relationship appears to have been a direct one between the ACE and the Deputy Director, who was her line manager and head of the police division. Informal relationships and understandings between the Chief Executive and her line manager were close and based on a shared Home Office culture. These informal arrangements were backed by formal arrangements.

Prison Service Agency

The establishment of the Prison Service Agency was controversial and not uniformly welcomed by politicians or civil servants, although it did have the backing of the Director General at the time. Much of the preparation for becoming an agency was undertaken by this official, who was a Home Office civil servant. Derek Lewis was appointed three months before the agency's launch and completed work on the framework document, specifically in drawing up targets for the Agency's first year of operation (Lewis, 1997). The Framework Document highlighted the relationship between Chief Executive (or Director General) and Minister and did not set down formal arrangements to outline the role of the department or how the agency and department should work together.

There were therefore no arrangements for communication between the Agency and the Department. Thus despite the high level of dependence between the Home Office and the Agency (see chapter Five), at the outset, the formal arrangements to manage the relationship between the Home Office and the Agency were weak. They relied on the agency rhetoric, as expressed in the Ibbs Report and that the Framework Document said that the Permanent Secretary was the Home Secretary's 'principle policy adviser'. These vague terms were not supported by formal arrangements. Informal relationships were also weak at the time of the agency's launch. Lewis as an outsider had no previous contacts and did not share 'insider' knowledge of how the governance arrangements should work, given the doctrine of ministerial responsibility, or the experience of working in a political environment. Although two of Lewis's deputies were Home Office civil servants, neither was highly regarded by Lewis or their experience and contacts used (Lewis, 1997, 90). There were fewer informal links between the rest of the Agency and Department as responsibility for policy stayed with the agency and there was little cross-over of staff.

During the first few months of the Agency's existence there was a good shared understanding between Clarke and Lewis; of role expectation, how the relationship should be conducted and how this related to the agency concept. Clarke had a high degree of personal security and authority within the Government. He was prepared to take the required 'arm's length' approach to prison service operations. Lewis saw the relationship as a replication of the chairman - chief executive role in the private sector and felt familiar and comfortable about how he should operate. In some senses this very direct relationship between Secretary of State and ACE represents the agency concept in its purest form. It also illustrates the vulnerability of the concept to personnel changes. Whether the relationship worked depended upon the understanding of these two individuals and was not embedded in the wider Home Office or civil service culture. Their understanding was not backed up by formal or informal arrangements to support the dependency between Minister, Department and Agency. Following Michael Howard's appointment to Home Secretary the fragility of the relationship became increasingly exposed. As Sir Peter Kemp argues, problems with the Prison Service arose because "the two individuals chiefly concerned – the Home Secretary and the Director General – failed to

understand and/or failed to want to make work, the delicate system with which they had been entrusted" (Public Service Committee, HC 313, 1996, 110).

Howard was ambitious and sought to use his law and order platform to boost his standing with the right wing of his party (Guardian, 7 March 1997; Lewis, 1997, 119). The McNaughton Study, (commissioned as part of the Home Office senior management review and written by Howard's former Principal Private Secretary) provides an insight into Howard's perception of how well the relationship was meeting his requirements. It said the Prison Service was perceived as lacking in responsiveness to the Home Office and Ministers; that Ministers did not trust information and did not feel advised; there was failure to recognise "the legitimacy of political imperatives". It argued that a highly centralised management style of the Prison Service was impeding joint working with the rest of the Home Office (Home Office, 1995).

The relationship between Howard and Lewis quickly began to deteriorate and both the formal and informal links between them weakened and became increasingly strained (Lewis, 1997, 103). There was little personal contact and formal meetings became large events with little opportunity for positive communication. Lewis's main link with Home Office officials was through Howard's private office staff with whom he had relationships of varying warmth (Lewis 1997). Two initiatives were taken to provide additional formal arrangements to support the Framework Document. The new Permanent Secretary established a Departmental Management Board along the lines of the DSS model but the agenda was largely about 'housekeeping' matters (Lewis 1997, 122). Secondly, and following the Whitemoor prison escape (see chapter five), a Prison Service Management Unit (PSMU) was set up to support the Home Secretary and Permanent Secretary monitor the Agency's activities. Far from improving relationships, the PSMU added to the delay in communication between Agency and Minister. The arrangement became entrapped in the lack of trust between Lewis and Howard, and the Unit got bogged down in double checking submissions from the Agency to the Home Secretary, adding to frustration and lack of communication on both sides.

The Learmont Inquiry, reporting on the disastrous second prison escapes from Parkhurst Prison also urged improved arrangements to support the relationship between the Director General and the Home Office. Following the ideas of the

Fraser Report (Efficiency Unit 1991) it urged that an 'owner' should be nominated for the Service to fulfil the line manager role for the Director General and that this 'owner' should be supported by a policy unit staffed by those with operational experience. These arrangements were not put in place, but Howard used the Learmont Report as the basis for sacking Lewis. He argued it pointed to operational and not policy mistakes and therefore he was not responsible. Although Lewis was later to receive compensation, and clearly had the support of members of the Prison Board, the Prisons Minister, and the sympathy of the Permanent Secretary (Lewis, 1997; Hansard, 19 May 1997, c398w), the legitimacy of the Home Secretary's action was not questioned. This serves to show the underlying strength of ministerial authority in the perceptions of those involved, if not in legal reality.

Lewis was not aware of the primacy of ministerial authority, and mistaken in is assumption of the degree of authority his role as Director General provided for him. Yet as head of the Prison Service he did control informational and organisational resources. The Home Office and Howard had at the outset underestimated the degree of dependence they had on the Agency. Formal and informal arrangements for supporting the dependency relationship were weak. The relationship between Minister and Director General was primary and the link between Agency and Department weaker than in other agency arrangements. One senior Home Office official suggested "the decision on where the border lay between executive and policy making responsibilities was less clearly thought out". More precisely it relied on an appreciation between all parties of the new and traditional 'rules of the game'. The incoming Chief Executive did not have this knowledge. There had not been the same degree of collaboration over developing arrangements in the framework document to manage the relationship and build a shared understanding of the agency concept as was the case in the DSS (interviews with Agency and Departmental officials).

Following Lewis's departure Richard Tilt, a former Governor who had worked at Prison Service HQ for a number of years, was appointed. He was more aware than Lewis of the importance of working to ministerial authority, (Home Affairs Select Committee, HC 57,1996, 11). During his period in charge of the Agency, attempts were made to improve both formal and informal arrangements for consultation with

the Home Secretary and the Home Office. The Learmont Report had recommended that the Home Office should look at its relationship with the Prison Service. This recommendation was not followed, and instead the Home Secretary announced that an Advisory Board would be established in line with the Lygo recommendations (Home Affairs Select Committee, HC 57 1996-97). However no further progress on establishing such a Board was made until the general election. Tilt's relationship with his Home Office contemporaries was warmer and more valued. During this period, all parties in the dependency relationship, Ministers, Home Office, and Prison Service, were far more aware of the dependency they had on each other. Despite the existence of difficult issues, such as the unexpected early release of prisoners serving concurrent sentences, there was a more successful relationship between all parties.

Following the election the incoming Home Secretary announced he would resume responsibility for answering parliamentary questions and MPs letters. This change underlined the informal re-adjustment in understandings of both the agency concept and of the role of key players which had taken place since Lewis's sacking. This was a symbolic assertion of the reality of ministerial responsibility for prison matters and an expression of the limits of agency autonomy. Additionally, the Service underwent a number of internal and Home Office-led reviews including a formal prior options process (Hansard 30 July 1998). An internal review announced that, in place of an advisory board, a quarterly meeting chaired by ministers would formally review the performance of the Prison Service and within the Service there would be training for staff on political awareness (Lords Hansard, 10 November 1997, col 8). Relationships were far better at both the formal and informal level with the new administration with the Home Secretary actively pursuing an agenda to reduce prison numbers and support community sentences (Home Office Press Notice, 18 September 1997; Guardian Society, 30 September 1998, 6). Although the Agency's prior options process confirmed its agency status, the drift back to a more traditional relationship between the Prison Service and the Home Office was confirmed when a replacement for Richard Tilt was not appointed through open competition but sought from within the civil service.

Martin Narey, the current Director General, had experience as a Governor but also a high flying career within the Home Office. In his first interview on appointment he set out a personal and very liberal agenda for improving literacy and reducing

suicide rates in prisons, and cast doubt on the future private status of two institutions (Guardian, 14 April 1999). That he could offer such policy opinions indicates a degree of trust and co-operation between Director General and Home Secretary which would have been unimaginable immediately following Lewis's sacking. Thus over the six years since the establishment of the Agency there has been improvement in both the formal and informal arrangements for managing the relationships, as well as considerable alteration in how that relationship is perceived and in the roles key actors are expected to play.

Benefits Agency

The establishment of the Benefits Agency was linked with the DSS's pre-existing plans to reform and was welcomed by the Permanent Secretary. Much thought and planning went into setting up the arrangements to manage relationships between the Department and its agencies. Good communication was important because of the integrated and legalistic nature of social security provision. These arrangements were extensive and at all levels of the Department. The arrangements in the Benefits Agency Framework Document were the result of close co-operation between senior members of the DSS and the newly appointed future ACE. Michael Bichard joined the Department six months before the launch of the agency and was involved in these discussions. This process ensured the details of the Framework Document were agreed in advance by both the department and the incoming Chief Executive, as one involved in the discussions put it "we both knew it by heart" (interview with DSS official). Bichard's local government background provided an awareness of working in a political environment. There were regular review meetings between Permanent Secretary and ACE, and between ACE and Secretary of State. The ACE was a member of the Departmental Management Board. Arrangements such as 'Benefit Boards' and 'policy groups' ensured active and regular communication between Department and Agency at all levels. Agency staff were provided with training courses in political awareness and sensitivity (Treasury and Civil Service Committee, 1994, HC 27, 233). These formal mechanisms were supplemented by good informal contact at all levels. There was traditionally a great deal of staff mobility between HQ and the operational arm with good understanding of each part of the Department's work.

Part of Bichard's aim was to develop a strong agency culture based around the Agency's core tasks. He was keen to enforce as much delegation as possible.

Privately there was undoubtedly a great deal of adjustment and friction between the ACE and parts of DSS HQ (the Finance and Personal section in particular). One agency official commented "it was a fairly rough ride on many occasions". A DSS official remembered "I can remember some pretty awful meetings of the Board with ... Michael Bichard hunching his shoulders and looking like a cross gorilla, ...we had to try again and again and again". Nevertheless these disagreements were over relatively minor issues. One cited in interviews was the use of the Benefits Agency logo on benefits books instead of the DSS logo; and the most serious anyone can recall is over the development of mutually acceptable appraisal systems. They also remained private. Given the highly politically salient nature of social security policies, despite the Agency's desire for autonomy, these tensions in no way undermined what were basically strong formal and informal links based on a clear and shared understanding of the relationship required between Department and Agency and the roles each should play.

Following Bichard's promotion to Permanent Secretary at the Department of Employment[3], the agency was headed by a temporary ACE. A prior options review changed little in the formal arrangements to manage the relationship. The new (permanent) ACE Peter Mathison came from one of the smaller DSS agencies. Over his period of leadership, a new Permanent Secretary was appointed and the 1997 election provided a change of Government.

Over this period there has been a change in the processes of exchange between Agency and Department and a reduction in Agency autonomy. Meetings between the Secretary of State and ACE are less frequent and the practical requirements of delivering changing social security policies, (especially with the Labour Government's focus on 'joined-up thinking' and outcome-orientated objectives), means Department and Agency are working together in a far less distinguishable way. One senior minister explained "I never knew who was from the Department and who was from the Agency". This does not however undermine the power potential that the Agency can exercise given its control over the implementation process. The formal and informal processes of exchange are embedded in the current working culture. There is clarity about the way the relationship should be managed and the roles which should be played.

Child Support Agency

The CSA, was a new organisation. As the Agency was not operational when legislation was drawn up, there was no input from existing operational staff to drawing up the Agency's framework. Its new ACE, coming from the voluntary sector, was appointed to run a shadow agency for a year before it went 'live'. She became involved in discussions about the shadow agency's targets and in drawing up the future Agency's targets after her appointment in the Spring of 1992 (DSS, Cm 1914, 1992, 33). There was not the same degree of shared understanding of the activities of the Agency, as in every other agency, before being set up.

The formal arrangements established to manage relationships were similar to those for the Benefits Agency, although access to Ministers was less frequent. Initially she met ministers monthly whilst providing a weekly written report (Social Security Committee, HC 69, 1993-4). The ACE was a member of the Departmental Board and she had regular quarterly review meetings with the Permanent Secretary. The Agency had regular contact with the relevant policy group and quarterly review meetings.

The informal links between the Agency and Department however were less established or embedded into the day-to-day operations of the Agency. Most of the staff in the six processing centres of the Agency were newly recruited. There were less informal points of liaison and contact. Quite early on in the Agency's history a DSS 'insider' was appointed as Head of Operations to improve Agency performance (Social Security Select Committee, HC 470, 1993-94 Session, 139). There was considerable criticism of Ros Hepplewhite in the press and in Parliament for her handling of the operational problems which beset the Agency. Parliamentarians were angry that their letters were not given priority (Hansard 31 March 1994, col 1083 - 1090) and she was seen to become overly identified with the policy aims of the Agency (interviews). This suggested Ros Hepplewhite was ignoring both the reality and rhetoric of ministerial responsibility and pointed to a lack of clarity in the role of ACE.

[3] Now the Department of Education and Employment

Like Lewis, Hepplewhite appeared to follow the 'Next Steps' rhetoric of demonstrating leadership, showing 'ownership' of an agency's policy aims and defending the organisation from attack. At the same time, like Lewis, Hepplewhite appeared to ignore, or be unaware of how to use, more traditional civil service skills, such as caution, co-ordination, and consultation. It was announced that Ros Hepplewhite had resigned in September 1994. She undoubtedly 'carried the can' for problems that were beyond her operational responsibilities. It was convenient for ministers and the DSS that she was perceived to be responsible. Part of the explanation lies in the fact that neither ministers, Department or Agency Chief Executive realised the dependency they had on each other and, although formal arrangements were in place, informal arrangements to manage this high dependency were weak.

Ministers and the Department were taken by surprise at the controversy caused by the Agency activities. The high level of policy consensus within the department and in Parliament led them to underestimate the degree of opposition to the changes (interview with minister). Ann Chant suggested in a letter to the Parliamentary Ombudsman, "I do not think it was fully appreciated that the agency's intervention into the most personal and sensitive areas of people's lives would make such a negative impact; nor was it realised how many people would actively resist or reject prioritising child maintenance above nearly all other financial commitments" (Guardian, 19/1/95). They were not prepared for the dependency they had on the Agency to use it resources to deliver. Ros Hepplewhite was not aware of her dependency upon Ministers for legitimacy and authority and on the Department for information and policy making expertise. She was also not aware of the Department's dependency on her. One former DSS civil servant said that as an outsider, the pressure was on Ros Hepplewhite to conform in her first few months "All that time she needed to be saying you know you can't deliver this or you can't deliver it in this timescale". She did not have the role understanding to make demands upon either Ministers or the Department, as did the ACE of the Insolvency Service, (also offering a statutory provision with no control over inputs). Neither did she have existing informal contacts, nor did she make them in order to learn how to manage the very difficult situation she was facing.

Ann Chant's subsequent period of leadership is spoken of with universal praise both within and outside the Department and in Parliament (Daily Telegraph, 2 February 1996). Her role awareness was based on traditional mandarin skills and her sensitivity to the political arena is demonstrated by the institution of an MPs' 'hot line' to answer constituency casework speedily. Her appointment, and that of her successor, Faith Boardman, also a civil servant with a long history of administrative work, has not led to significant changes in the formal mechanisms for managing the relationship with the Department. There is now however a DSS ACEs meeting and, since the Labour Government, there have been far more cross-agency initiatives requiring much greater consultation.

There has been a change in the informal arrangements supporting the relationship between DSS and Agency. The CSA has continued to have grave difficulties in implementing the Government's policies for child support. The two subsequent ACEs used their existing contacts to create a shared perception of the policy and operational problems facing the Agency. They were both more confident in their role and in how they should operate at arm's length but under the doctrine of ministerial responsibility. Giving evidence at the Social Security Select Committee, Ann Chant declined to comment on the role the Treasury played in setting impossible targets for the Agency at the outset, but explained

> "what we have found its that you will never stop Ministers, that is their right and their prerogative, wanting to bring in legislation, which they think is good they want as quickly as possible. But there are ways you can help them and one the of the ways you can do that is to get all parties involved at the planning stage to contribute in a constructive way to what can be done and what cannot be done" (Social Security Select Committee, HC 282, 1996/97, 8).

Both recognised the importance of having a good relationship with the Department. It is acknowledged that both organisations learned from the early problems faced by Ros Hepplewhite. Ann Chant expressed the view that "Our relationship with the DSS is a very good one. It is worked at very hard. It does not just happen and there was quite a lot of learning going on in the very early days" (House of Lords Committee on Public Service, 1996, HL 68, 123). The amount of learning required was far greater and the problems in the relationship far more problematic because of the informal process of exchange between department and agency were not satisfactory during the first period of the Agency's existence.

Conclusion

This chapter examined how department-agency networks managed their dependency relationships. Partly these processes of exchange were informed by arrangements representing changes in the formal rules of the game and roles to be played, set out in each Framework Document. These were supplemented by specific departmental structures and updated by cross government initiatives, such as 'Fraser figures'. Comparing agencies in the case study, it was noticeable that the Home Office and its Permanent Secretary did not have a clear role and had no formal arrangements to ensure access to information from the Prison Service.

Informal features were also key to how departments and agencies managed their relationships. Informal networks were key to the exchange of information, the development of trust and the transmission of awareness of the rules of the game and roles played. These type of contacts were not as strong in the CSA and the Prison Service. ACEs understanding of their role was a key factor in managing the transition to the new 'rules of the game' within the tradition of ministerial responsibility. This was difficult for Ros Hepplewhite and Derek Lewis, both coming from outside the public sector, who did not appreciate the dominance of ministerial authority in the exchange relationship. Following their exit, it is suggested that through 'policy feedback' (Pierson, 1993, 603), the appreciation of roles and rules of the game gradually changed so as to restrict the autonomy of agencies. This process has continued since the election of the new government.

This chapter has examined how department-agency relationships operate, how they vary and how and why they develop and change over time. Networks arising from power dependency operate through formal and informal processes of exchange. They vary according to degree of dependency, the departmental context and the type and nature of informal links. They change and develop due to changes in the dependency relationship, in perceptions of that dependency and in response to policy learning and policy feedback.

One question in the literature on networks has been whether they have an institutional or structural basis (arising from formal organisational and constitutional

arrangements determining roles, rules and the allocation of institutional resources), or an interpersonal basis (personal, shared, cultural networks that that structure, influence and guide behaviour) (Marsh and Rhodes 1992b). The analysis here suggests both institutional and interpersonal features are important to understanding these intra-state networks. The networks exist only because of new formal arrangements which alter the distribution of resources, rules of the game and roles played. The changed distribution of resources leads to power dependency relationships. The way those relationships are managed relates in part to the degree of dependency and is informed also by the changed rules of the game and role expectations. In this sense it is possible to view department-agency networks as institutional, reflecting institutional structures and changes.

However, it is also clear that the sort of informal networks traditionally associated with the 'Whitehall village' (Heclo and Wildasky, 1974) have had an equally defining impact on the processes of exchange between departments and agencies. Informal networks were used to smooth the policy process and led to shared understandings of the 'rules of the game'. In this sense they encouraged the development of trust and communication in the networks. They informed actors' perceptions of the roles they should play and of the skills and tactics available to them. It is argued that the case study networks were driven by both institutional (or structural) and interpersonal factors. A 'historical institutionalist' analysis argues that both the formal and the informal are crucial to understanding how 'the organisation of political life makes a difference' (March and Olsen 1984, 747).

In particular, this chapter shows that the Prison Service Agency did not have the kind of formal arrangements which matched the power dependency between department and agency. Also there were problems in the informal arrangements supporting the relationships between both the Prison Service Agency and the CSA and their Departments. Existing informal networks were weak and the two 'outsider' Chief Executives did not have the same understanding of the rules of the game and the roles they should play as other ACEs in the study. A policy networks approach would identify these factors as important in understanding why some networks work well and others face implementation difficulties. The next chapter will explore this approach.

CHAPTER EIGHT

DEPARTMENT-AGENCY NETWORKS AND POLICY OUTCOMES

Introduction

Earlier chapters examined the institutional context in which department-agency relationships were established, agency goals, and power dependency arising from the exchange of resources. The last chapter looked at the processes of exchange or the way in which the power dependency was managed. This chapter will explore what kind of department - agency networks have become established and how these networks impacted on outcomes. It will seek, in particular, to address the question of why the Child Support Agency and Prison Service Agency faced implementation problems when the Benefits Agency did not.

Initially, information from the three earlier fieldwork chapters on history, goals, dependency and processes of exchange will be amalgamated to provide a comparative picture. Information on these areas will be linked to the Marsh and Rhodes typology (1992, 251) and used to discuss what type of networks were found. It will look at whether fieldwork in the case study agencies confirmed the expectations of the multiple case study. In particular, the degree to which there were shared values, goals and institutional support, will be examined to see whether these factors, rather than the saliency of the policy area, are more closely linked to problematic implementation.

Secondly, the ways in which networks impact on outcomes more generally will be discussed. This question was not the primary focus of the thesis and these observations are speculative. It is suggested here that, in some circumstances, department-agency networks influence operational outcomes, pursue policy paradigms and act to defend the network. The chapter concludes by suggesting department-agency relationships resemble policy communities and implementation difficulties were related to the level of integration of the network.

Viewing Department-Agency Relationships as Networks

Chapter three introduced the idea that department-agency relationships could be viewed as power-dependent networks arising from resource exchange. It discussed the difficulty of using the Marsh and Rhodes typology of network characteristics in relation to department-agency networks (1992, 251). These intra-state relationships were set up to exchange resources to deliver ministers' goals at arm's length. Membership is closed and institutionally linked. The policy and resources framework document which set out the formal rules applying to each relationship determines the roles and relationships each party should play and the governance arrangements.

Thus, according to the 'diagnostic criteria' put forward by Marsh and Rhodes, the dimensions of membership (number of participants, type of interest), resources (distribution within and without of network), and power, although varying, should show characteristics of policy communities. However, it was expected that the degree of integration - the amount of interaction, continuity and consensus - would vary between networks. It discussed how empirical work concerned with both intra-state and inter-state networks suggested that the degree of integration of a network could impact on policy implementation. It proposed the following hypothesis - "where closed policy communities, based on shared values, goals and institutional support exist between agencies and departments, agencies will be successful in implementing government goals".

A number of agencies were identified, of varying sizes, types, funding regimes and previous institutional history, to provide a multiple case study. Four of these agencies were chosen in the expectation that they would provide literal support for the hypothesis and two, the Prison Service Agency and the Child Support Agency, were chosen in the expectation they would provide theoretical support for the hypothesis (i.e. would not support the hypothesis but for predictable reasons). The Benefits Agency was added to challenge an alternative explanation for problematic implementation, as being related to the political saliency of the policy area. The first section of this chapter will look at what type of networks between departments and

agencies can be identified using the Marsh and Rhodes typology and, in particular, whether fieldwork confirms the inverse relationship between the degree of integration of a network - the extent to which there are shared values, goals and institutional support - and problematic implementation.

Fieldwork findings in the case study agencies

Chapters four and five provided information about the institutional history of each agency and parent department. It also set out the goals of each agency, both primary policy goals and other coexistent, competing or informal goals. It looked at the saliency of the policy area and the degree to which there was agreement about the goals of the agency. Chapter six looked at the resource exchange between department and agency and the power dependency this created. Chapter seven examined the processes of exchange. The key findings from each of these chapters has been synthesised in Table 6 (over). This information assists in identifying what type of network exists and whether features of the network are related to problematic implementation.

What type of networks were discernible?

The agency arrangements established the basis for a 'policy community' type of network according to the Marsh and Rhodes criteria. The relationship involved an exchange of resources and in all but one case, a positive sum power game ensued. Membership of the network was limited and based around government goals. Differences between the networks were discernible, however, in all these areas and particularly in the degree of integration.

Low dependency networks

Broadly, two groups were identifiable from this research (others may exist where the pattern of resource exchange is different). Firstly, the three DTI agencies and the FSS at the Home Office showed similarities in their relationships with the parent department in the first few years. This partly reflected the strong corporate model operating at the DTI but also indicates the similar size of these agencies and the low saliency of their policy goals.

Table 6: Summary of Department-Agency Network Properties

Agency	History of Agency	Goals: saliency & goal agreement	Nature of Dependency with Dept.	Formal Links?	Informal Links?	Degree of Role Understanding by Dept. & Agency	Shared Understanding of Agency Concept?
Companies House	Established part of DTI, keen to be agency, first ACE internal	Low saliency, policy area straightforward, goal agreement	Not high, low saliency but statutory basis	Strong	Strong	Good	Yes
LGC	History of moving within Gov., keen to be agency, first ACE internal	Low saliency, goal agreement straightforward, with more Depts. than DTI	Very low but small statutory basis, non monopoly, little work for department	Strong	Closer at Agency's outset	Good at start and again at privatisation	Yes - at start & again at point of privatisation
Insolvency Service	Established part of DTI, agency ambiguous about agency status at outset, first ACE internal	Complicated - legal, & contact with public, medium saliency, mostly goal agreement	Not high, low saliency but statutory basis	Strong	Historically based	Better now than at Agency's outset	Yes - greater now than at Agency's outset
Forensic Science Service	Established part of Dept., keen to be agency, first ACE internal.	Multiple goals but low saliency, high goal agreement	Not high, low saliency but statutory basis, non-monopoly	In place but inactive	Very strong	Good	Yes

Table 6: Summary of Department-Agency Network Properties

Agency	History of Agency	Goals: saliency & goal agreement	Nature of Dependency with Dept.	Formal Links?	Informal Links?	Degree of Role Understanding by Dept. & Agency	Shared Understanding of Agency Concept?
Prison Service	History of separate Department, ambiguity about becoming agency, first ACE external	Multiple, conflicting and rapidly changing goals, highly salient, little goal agreement	Very high - size and saliency	Weak at outset, strengthened over time	Weak at outset, strengthened over time	Very uncertain, improved over time	No initially, improved over time
Child Support Agency	New organisation, new staff, assumption of creation as agency, first ACE external	Multiple, conflicting and rapidly changing, highly salient, goal agreement difficult	High - not recognised at outset	Strong	Poor at all levels at outset, strengthened over time	Very uncertain, improved over time	No initially, improved over time
Benefits Agency	History of being operational unit, agency concept welcomed, first ACE external	Multiple, conflicting and rapidly changing goals, highly salient, goal agreement problematic	Very high - size and saliency	Very strong	Strong - multi level	Good	Yes - Agency able to use resources autonomy initially

Although these four (the DTI agencies and the FSS) provided statutory services, the nature of the dependency with the department was relatively low. Membership of the network, therefore, did not routinely include ministers but was with a Fraser figure, supported by a board. Direct contact with ministers, if at all, was usually to formally ratify agency documentation such as the business plan and targets. Contact with the Fraser figure was not frequent, usually three monthly, except at an informal level.

All four had close informal links with their parent department at the outset. They also all had first chief executives who were internal appointments and two, the FSS and the Insolvency Service, have the same incumbent ten years after their launch although their departmental line manager (the Fraser figure) has changed. In the other two agencies, the first ACEs have been replaced by outside appointments. Although the Insolvency Service was initially uncertain of the benefits of agency status, across the four there was basically a shared understanding between the department and agency of the new roles they should play and of the agency concept at the outset.

Three of these networks, those between the DTI and Companies House, the DTI and the Insolvency Service and between the Home Office and the FSS, could be said to have had from the outset and throughout their history, all the characteristics of closed policy communities, namely a shared commitment to meeting government goals (in all these cases statutory goals) leading to an exchange of resources and positive sum balance of power, limited membership, high quality interactions, continuity and consensus.

This was not the case for the Laboratory of the Government Chemist. It was notable that, although the LGC's governance relationships were with the DTI and therefore followed the DTI's corporate style, its dependency relationship was with several departments. The Agency had strong formal links with the Department through a steering board, and initially close informal links, which became less so with a complete change of personnel. There was a very low level of dependency as the Department did not need the LGC to fulfil its policy goals and the LGC did not depend on the Department entirely for funding or authority. Agencification exposed

the lack of dependency and, gradually over time, as the informal links between the two became less strong, the shared understanding that the LGC's functions should be provided in the public sector, also became less central to the way the Agency was perceived by both Department and Agency. With the Secretary of State introducing privatisation as a key goal in the DTI, the Agency eventually moved into the private sector and assumed a fully contractual relationship with the DTI for the work it provided.

The agency had moved from having the characteristics of a close *intra-state* policy community, to a purchaser provider relationship on a fully contractual basis. This relationship also could be described as a network, with some exchange of resources leading to a type of dependency and operating under different rules of the game. At the point of privatisation, the Department and Agency had again developed a shared understanding of the way in which the LGC would maintain its relationship with the Department and how the Chief Executive could continue to carry out his role as the Government Chemist from within the private sector.

High dependency networks

The remaining three case study agencies (the Benefits Agency, the CSA and the Prison Service Agency) had a different pattern of relationships with their parent department. This dependency reflected their size, the saliency of the policy area and consequent higher dependency between department and agency. Again membership was limited according to the formal rules indicated in the Framework Document. However contact with Ministers was far greater, particularly for the Benefits Agency and the Prison Service Agency. As well as contact concerning the annual business cycle of the agency, such as ratifying the business plan, setting targets etc., ministers also received regular reviews of performance directly from the ACE, and had ad hoc contact about particular policy issues as and when required. The nature of this contact has changed over time and particularly since the election of the Labour Government. The amount of direct contact between the Chief Executive of the Benefits Agency and the Secretary of State became less, and contact with junior ministers greater. Co-ordination of policy information through the departmental policy machinery had become more routinised. In the Prison Service, there has been an assertion of ministerial responsibility symbolised by the Home

Secretary's decision to answer parliamentary questions. Formal links between Agency and Department were strengthened, for example, by the introduction of a quarterly performance review meeting, chaired by ministers, and at the informal level relationships were better.

So like the first four agencies, the conditions for the development of a close policy community were established by the policy and resources framework in these agencies. There was a formal agreement to achieve stated government goals, requiring an exchange of resources, a defined and limited membership and a positive sum power dependency. The frequency of interaction of these three networks was greater than in the earlier four reflecting the higher dependency in the network. There were differences however in the level of integration within these latter three networks, particularly the level of continuity and consensus and it is these aspects that are explored next in relation to the expectations of the multiple case study.

Network features and implementation difficulties

The argument presented in chapter three was that for implementation to be smooth, there needs to be shared values, shared goals and institutional support. These features of the network concerned with the level of integration seemed to have impacted on how well other networks had managed policy implementation. The establishment of agencies set up the conditions to create close policy communities. Nevertheless it was anticipated that integration of the network would be difficult if the agency was new and thus having no established links, as with the child support agency, or headed by an outsider, who would be unaware of the rules, values and customs of government.

Companies House, Insolvency Service, LGC and Forensic Science Service

The first four agencies above (Companies House, the Insolvency Service, LGC and the FSS) seemed to bear out the hypothesis providing literal replication. The history of the agencies - all formerly parts of their departments - coupled with the fact that the first ACEs were appointed from inside the civil service (indeed, inside the organisation) led to an understanding of the new roles required and, crucially, a

shared understanding of the agency concept itself. In all four there were strong formal and informal links. There were shared values, shared goals and institutional support. In these agencies implementation - the delivery of government goals through the agency arrangement - was largely unproblematic.

There were some difficulties as departments and agencies sought to test out their changed power potential and establish the boundaries of new roles and rules. For example, the Insolvency Service and the DTI did have early difficulties in agreeing the level of the resources required to deliver policy goals in the face of escalating insolvency cases. These difficulties were exposed by a critical NAO report inquiring into the backlog of work (NAO, HC 907, 1993). None the less, although this indicated a problem in the agreement of these operational goals, partly due to the complexity of the policy area, there was a shared understanding of the policy problem faced, and a degree of understanding of how it should be resolved. This included skilful interpretation by the Chief Executive of how to operate in his role, for example, appearing at the Public Account Committee hearing, or utilising the agency accounting officer provisions, within the overarching framework of ministerial authority.

To this extent there may have been temporary difficulty in *operating goal agreement*, but there was agreement about the need to sort it out and achieve the required outcome - the delivery of government goals. There was a shared understanding about the process of implementing those goals, of the legitimacy of the *administrative goal* of operating as an agency, and of the complexities this caused and the changes to roles and rules involved. This shared understanding was based on shared values within the network and supported by institutional links. These early difficulties did not lead to the kind of breakdown in relationship seen at the Child Support Agency or the Prison Service Agency. The agency has not faced major change in its operating environment, the same Chief Executive is still in post after ten years and currently the network with the Department is strong.

Benefits Agency

This type of shared understanding of the policy problems faced and how to deal with them was also found in the Benefits Agency, despite having an outsider

appointed as its first Chief Executive and having highly politically salient policy goals. The agency was institutionally cohesive having been the former operational arm of the DSS. There had been a good deal of staff movement at a management level from HQ to 'operations' and vice versa, and a strong, shared and pre-existing culture. Training in political awareness was offered to Agency staff which supported this shared culture. Formal and informal links between the Agency and Department were very strong and had been planned with commitment on both sides. Consequently communication took place at all levels of the agency. Contact with ministers ran alongside a planning, reporting and review relationship with the Permanent Secretary. Meetings sometimes involved all parties, sometimes they were separate but supported by mechanisms for consultation. Sometimes policy issues were discussed with ministers without the ACE or Permanent Secretary in attendance. The relationship between department and agency was not totally reliant upon the most senior staff in each organisation.

The saliency of the policy area did make goal agreement difficult at times, for example, with the operation of the Social Fund (Public Service Committee, HC 313, 1996-87, 154), over tension between value for money and the Agency's commitment to customer service (Social Security Committee, HC 382, 1994/5, xxi). The agency also faced grave difficulties with the introduction of Disability Living Allowance (Parliamentary Commissioner for the Administration, 1992-93, HC 652; DSS Annual Report Cm 2213, 1993, 26; Social Security Committee HC 284, 1992-93; Treasury and Civil Service Committee, HC 27, 1994, 240) and these difficulties remain to the present day (Social Security Committee, 1998, HC 641; DLA Advisory Board 1998).

Yet, as with the Insolvency Service, despite private difficulties in agreeing operating goals in these areas, there was no fundamental disagreement over the administrative policy of operating through agency status to deliver government goals. There were tensions in negotiating the relationship between Department and Agency (see chapter seven). One senior agency official noted that the Agency developed its own approach "in the face of very considerable opposition from senior officials at the centre at the DSS". Early battles about spheres of control were reported as bruising by officials from both Department and Agency. There was

however a shared understanding about the primacy of ministerial authority and the importance of confidentiality.

This was demonstrated when Michael Bichard was asked about how the Agency and the Department had dealt with the problems over the introduction of DLA (Treasury and Civil Service Committee). In response to a question about whether he had the resources to manage the introduction of the benefit Bichard replied "I understand my accountability to the Secretary of State and to Ministers and would always seek to achieve their objectives within the resources that we have got. I think it would be extremely difficult to retain credibility as a Chief Executive if one went public and said 'I don't have the resources'" (Treasury and Civil Service Committee, 1994, 241). Bichard understood about the compromises and uncertainties of political life and decision making in the public sector from his local government experience. He had also spent time, when drawing up the Framework Document, negotiating and agreeing how the agency concept fitted with the existing departmental culture in the DSS and how it saw its existing policy problems.

His successor, Peter Mathison, was previously Chief Executive of the War Pensions Agency. Prior to this, he worked in the private sector and had an engineering background. As an outsider and with no previous public sector background he had the opportunity to observe from a less salient policy area (on the Departmental Management Board) how to operate as the new arrangements 'bedded down'. He was initiated into his roles and responsibilities through the very strong corporate arrangements in the DSS.

Because of these institutional links, shared values and goals, there was continuity and consensus in the department-agency network. This enabled the transition to a new operating arrangement to be relatively smooth. In private, there may have been considerable power play and manoeuvering to establish the boundaries of responsibility and flexibility. Nevertheless there was a shared understanding of what the agency primarily existed to do which was to meet ministers' policy goals.

Child Support Agency

The Child Support Agency was also working in a highly salient policy area. To some extent, this came as a surprise to the departmental architects of the policy and politicians of all parties. There had been, (unusually) fairly comprehensive cross-party and bureaucratic agreement about the need for, and purpose of, a changed policy for child support. However the social policy aims of the policy were undermined by the tough financial targets for recouping benefits set by the Treasury (CPAG 1994; Social Security Committee 1996-97, HC 282) and by the speedy timetabling of its introduction (interviews with officials). The Agency faced immediate operational difficulties due to computer problems and lack of staff training (Hansard, 20 June 1997, col 527). The policy consensus crumpled rapidly when the implications of the new formula for absent parents (men) and second families became apparent and the benefits for parents with children (women) were seen to be eroded by the Treasury's 'take'. Amidst intense media attention, politicians on all sides expressed alarm at the activities of the Agency.

The agency faced both policy and operational problems which still persist. A new and radically simpler formula is about to be introduced to try to resolve these difficulties (Cm 4339 1999). This was a policy area of very high saliency and great sensitivity. To accommodate and appease parliamentary concerns, political goals were changeable, and the operational goals became political problems. Goals were multiple, changing and goal agreement was therefore very difficult. However, it was asserted earlier in chapters two and four that the difficulties faced by the CSA when it was established were similar to those faced by the Benefits Agency when it introduced DLA (Parliamentary Commissioner for the Administration, 1994-95, HC 135; Select Committee on the PCA 1994-95, HC 199). Like child support, DLA presented both policy and operational problems. Computer difficulties and lack of training caused chaos when the benefit was first introduced, filling up MPs' post bags with letters from elderly and disabled constituents. The disability lobby was (and is) media-friendly and vociferous. Like the CSA, the Benefits Agency required extra resources to turn round the initial backlog. Like the CSA, the very basis of the benefit itself is thought to be problematic and is in the process of being reformed. Unlike the CSA, these problems, at the outset, did not lead to the same breakdown

in the relationship between department and agency or the same widely held view that the Agency had failed to implement government policy.

The hypothesis surmised that implementation problems would be found where there was no institutional support, shared values or goals. Fieldwork findings on the CSA case study confirmed theoretical replication of this hypothesis. Although the CSA had the same formal links between the Agency and the Department as the Benefits Agency, it lacked good and strong informal links because it was a totally new organisation. The network focused upon key individuals at the top of each organisation operating under the new formal rules. A crucial difficulty was that, as an outside appointee, Ros Hepplewhite seems to have misunderstood her role and how to operate in an agency setting. She appeared to go beyond her brief as Chief Executive and was seen as being too closely identified with the policy at a time when ministers were trying to manage the considerable public furore (interviews with officials from the DSS and Next Steps Team). At the same time the scale of the difficulties the Agency faced was not conveyed to the Department or Ministers (interviews with senior officials). Trust and communication broke down. One senior Agency figure inside the DSS at the time suggested "I don't think she properly realised the parliamentary perspective of it".

Although the agency rhetoric suggested that chief executives should show leadership for their agencies, it was essential to recognise how to operate within the wider political environment. Ros Hepplewhite did not come into the job with this experience or understanding and the lack of informal links, either institutionally or personally, meant she was unable to build up the skills to know how to deal with the very difficult policy and operational issues the Agency faced. She looked to the agency concept too literally to understand her role and responsibilities and misunderstood her dependence upon others. She became a convenient scapegoat for ministers. There were no shared values between the Agency and Department. Not only was there turmoil in the primary operational goals but no agreement of the administrative goal of making the agency relationship work. Following her departure, her successors have continued to face similar policy problems, but both have been able to draw on their 'insider' knowledge and existing skills to manage the network and build trust and confidence. The network became more cohesive

and based on a shared understanding of the policy problems faced and how to tackle them.

The Prison Service Agency

The goals of the Prison Service Agency were equally complex, multiple and rapidly changing. As with the other very salient policy areas, these goals were often ambiguous and deliberately so. Ostensibly, the Agency's operational goals were set out in the Framework Document and accompanied by performance targets. These were devised by Derek Lewis during the early period of his appointment in the three months before the Agency was launched. For Lewis this represented the 'agenda' he had to work to, and the criteria by which his success would be judged (Public Service Committee, 1996, HC 313, 100). At the time of his appointment the penal policy agenda was stable and was operating in a (post 'Woolf', post 1991 Criminal Justice Act) mood of liberalism, optimism and when prison numbers were falling.

After Kenneth Clarke's departure, Michael Howard introduced his 'prison works' agenda as part of his bid for higher office (interview with former Home Office official). This, like Lilley's focus on asylum seekers, scroungers and single parents at the DSS, was calculated to appeal to the disaffected right wing of the Conservative Party. The impact was not only to fuel a rise in prison numbers to record levels but led to increased scrutiny into what happened in prisons and caused confusion within the Agency as to its purpose (Lewis, 1995 111; Woodcock Report, Cm 2741, 1994; Learmont Inquiry, Cm 3020, 1995). There was clear disagreement between ministerial, departmental and agency policy goals. Not only was there no concensus over the primary policy goals of the Agency, there was also a lack of agreement about how the agency concept itself should work.

Formal and informal links with the Department were poor, impeding the lines of communication and the chances for development of shared understandings. Tensions in the relationship had been experienced many times previously and were anticipated in the Lygo Report but the formal institutional mechanism of a Ministerial Advisory Board to provide a policy ballast role was not instituted. Neither did the Permanent Secretary and the Director General have any formal links tied into the

Framework Document. This mattered. One former Home Office official explained that the loss of the Ministerial Advisory Board was not significant but

> "what did matter deeply was the failure to have a Fraser figure other than the Home Secretary. In my view the relationship between the Permanent Secretary and the Director General is absolutely critical. Because when all's said and done you are going to have trouble in prisons at some point. When there is trouble the person the Home Secretary turns to is the Permanent Secretary and you want a Permanent Secretary speaking as it were behind your back who is well informed, has a real understanding in you and what you are trying to achieve and some sort of confidence in you, feels some loyalty to you and therefore, will put your case almost as well as you would put it yourself if you were there to put it on your own behalf. And you can only secure that by a relationship which involves the Permanent Secretary in your business."

The network in this case relied heavily upon the personal relationship between the Director General and the Home Secretary working. Again, as with Ros Hepplewhite, Lewis did not start out with an insider knowledge of how to deal with this rapidly changing agenda and did not, at the outset, recognise the need to pay attention to developing and learning these skills and building up trust and communication with both colleagues in the Department and with the Home Secretary. He relied upon the agency rhetoric and drew on his previous background experience working to a 'chairman' role as chief executive. Such a strategy worked well when the minister operating in a 'hands off' style but it was deeply problematic once Howard took over. Lewis did not recognise the primacy of ministerial authority or his and the agency's dependency upon this resource. Howard, equally, did not recognise his dependency upon his civil servants. As he pointed out to Lewis, his view was "all he needed to do was to state the direction clearly and be consistent about it. Eventually people would follow" (Lewis, 1997, 104). Within the network there was neither institutional support, nor shared goals and values.

Network features and problematic outcomes

The findings of these seven case studies support the hypothesis and suggest that it is not the salience of the policy area which causes problematic outcomes. Rather, success or failure is more closely linked to features of the network. Where networks did not have institutional support, where values and (administrative) goals

were not shared, relationships did not work well and there were problems using the agency concept to deliver government goals. Using the Marsh and Rhodes typology (1992, 251) there were problems in the level of integration of these networks as there was, initially, little continuity or consensus. This meant that policy problems, which always arise with politically sensitive or salient policies, were not recognised and dealt with as they were in the networks which were well integrated.

All three factors, institutional support, shared goals and values are important and inter-related, making it difficult to separate dependent and independent variables. Whilst this explanation acknowledges the necessity of shared goals, it is not expected that the network will necessarily agree on the primary goals of an agency. Disagreement over the primary goals of an agency is expected and anticipated in some networks. Rather it is an understanding that although the agency concept is centred around an explicit policy and resources framework, multiple and conflicting goals are *expected* and crucially that, under the current 'rules of the game', goals are hierarchical with ministers' goals taking ultimate precedence. Ministerial authority is dominant in the resource exchange. What appeared to be key goals were shared administrative goals. Actors in the networks needed to share a view on how to operationalise the agency concept.

This type of understanding stems from, and in turn feeds, shared values, that is, agreement about what are the rules of the game and the roles that are required to operate under the rules of the game. These rules and roles are those that apply both in the wider Whitehall and Westminster world, but also rules and roles which have developed specifically within the department and between department and agency.

This type of world view or mind set, this consensus, is in turn linked to the type of institutional support of the department - agency network. Past history, being part of the department, formal arrangements and informal links all bind and nurture forums for developing the shared understandings of policy problems and how to face them. A network that already has institutional support has been the site of previous policy problems and actors from within the network, or from within the wider Whitehall network, learn from these issues how to deal with current problems. If outsiders

come into networks where these institutional links are good, their situational learning is facilitated. The cohesiveness of the network permits the generation of future understandings of how to deal with issues in the network. In this way continuity is vital to ensuring consensus. When outsiders come into networks where there is no institutional support, the establishment of shared values and goals is problematic.

Many factors cause policy problems especially in salient areas, economic factors, demographic changes, catastrophic events, changing public opinion, political manoeuvering, and changing party ideology. The difference is that in a policy community, where the network is closely integrated and where there is good interaction, continuity and consensus there are mechanisms for coping with and resolving problems. Without continuity and consensus, the network cannot deal with change. In the case of the Prison Service Agency and the Child Support Agency, the networks formed did not have the level of integration to adapt to the changes introduced by the idea of agencies and policy implementation became very difficult. Policy problems, when they develop, as they do in all salient policy areas, are exposed when the network is not well integrated. In the case of the Child Support Agency and the Prison Service Agency, the network itself then becomes part of the policy problem.

How Do Networks Affect Outcomes?

The multiple case study suggests that the type of network did affect how well agencies were able to deliver government goals. These new department-agency networks can be seen to have impacted on outcomes because of the effect they had on implementation. In this sense the type of network either promoted or impeded stability. The next section of this chapter will discuss whether the department-agency networks examined impacted in other ways on other policy outcomes.

Chapter three, discussed the ways in which the literature on networks suggests that government - interest group policy networks influence outcomes. These include

shaping agendas, keeping issues off the agenda or ignoring issues through the formation of shared ideologies and the development of standard operating procedures (Smith, 1993 226) and promoting stability and policy continuity (Marsh and Smith 1998). It is suggested here that, as well as impacting on implementation, department-agency networks influenced operational outcomes, led to the development of policy preferences and acted to preserve the network.

The question of how networks influence outcomes (stemming from the theoretical work on networks) also links to the normative questions about agency accountability and agency autonomy which were highlighted in the more general literature discussed in chapter two. For this reason, it will be considered here. Before doing so, however, three notes of caution need to be sounded about the evidence presented in respect of this broader examination of network impact on outcomes. These relate to the focus of the thesis, the institutional context of agency decision making and methodological difficulties.

Firstly, the question of how department-agency networks impact on policy outcomes generally was not the primary focus of this thesis (which was 'how to understand department-agency relationships' and 'why do some relationships work better than others'). To properly address the question more generally of how networks impact on outcomes, would have required a different research design and empirical material. The focus of fieldwork was on examining the dependencies and exchanges between department and agencies and the way in which these dependencies were managed. It was not intended to ask 'how have agencies influenced the policy process?'. However, fieldwork has made it possible to look in some detail at how department-agency networks may have influenced the policy agenda, beyond the question of their impact on implementation. This arose from the explanations interviewees gave about how they perceived their role and how they interacted with other members of the network. It was also possible to question those involved about issues raised in official publications (Annual Reports, Select Committee Reports) about policy areas and the direction policy took.

The second 'rider', is that, as mentioned in chapter three, the institutional basis of agencies was that they were to operate at a distance from policy making. The

whole purpose of setting up the arm's length relationship was to separate policy making from policy implementation. Thus in considering policy change or innovation, department-agency networks were not envisaged as usurping or acting in the same way as the existing government - interest group policy networks operating in the policy area. Nevertheless, in recognition of the fact that policy making needs to take account of operational factors, agencies did have a consultation role over operational matters built into their framework. The rules of the game for agencies was an expectation that they would be consulted, and involved, but not about the 'aims' of the policy but about how those aims could be carried out[1]. This aspect of agencies' impact on outcomes will be explored in the next section of this chapter. Formally then, at least, the involvement of agencies in the development of policy change and innovation is institutionally restricted although some examples of agencies' influences on these types of outcomes will be examined.

Finally, there are methodological issues raised common to all studies of policy making about how far it is possible to observe the exercise of power (Bachrach and Baratz, 1962). For example, in relation to this area of questioning in particular, it is very difficult to get interviewees to talk about how they - and not ministers - may have policy positions to which they are committed. The 'rules of the game' say, firstly, that agencies are not to be involved in policy making, and secondly, that ministers make policy following impartial advice from their civil servants. For civil servants to suggest they influenced outcomes means a tacit admission that they broke the rules. It may also be difficult for civil servants to conceive of their actions as constituting framing the policy agenda. A good example of the instinctive response a traditional civil servant will offer to the suggestion of policy formulation is

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[1] The one exception to this in the case study agencies and indeed across Government was the Prison Service Agency where the Director General was the minister's 'principal policy adviser on matters relating to the prison service' per se. Even here, though, prisons policy covers what might be described as operational policies. The most important policy which affects prisons is the legal framework covering who gets locked up and for how long. These types of policy decisions are formulated in the Criminal Justice Directorate of the Home Office and therefore, again, the agency is not institutionally involved in much of the primary policy making.

seen in Ann Chant's evidence to the Public Service Committee. She is asked whether she is consulted before the final decision is made as opposed to only being asked to report back and monitor. She responds "If that is what you mean by 'formulation' my Lord Chairman, I am happy to sign up to that. What I do not have is any responsibility at all for the construction of policy and the development of policy" (Public Service Committee, 1996, 123).

Given these qualifications it is possible to make some comments about how department-agency networks influenced policy outcomes more generally. One area where it was expected that agencies would affect outcomes was in the development of operational policies.

Influencing operational outcomes

The influence of operational outcomes was most overtly seen in the high dependency networks. Here, agencies' influence on outcomes was in line with their framework responsibilities. Several chief executives expressed the view that the agency arrangements meant that operational considerations were being taken seriously for the first time. Ann Chant, when at the Child Support Agency suggested, "[t]here is a very well developed link certainly in the DSS and in other agencies and other departments as well, from my contacts in the chief executive network, that you can feed in ... and say 'This is practical. This is not. We could suggest this'", (Public Service Committee, 1996, 123). Another ACE said the department and agency had formed "a sense of partnership so that we were consulted about new policy at an early stage. And when we gave feedback about ... problems on the ground, you know, Ministers did, I think listen, and some notice was taken". This feeling of having influence, was directly linked to the power potential the agency had as a result of controlling resources. From the departmental point of view this power potential is recognised. One Permanent Secretary explained "it has made it much more difficult for the policy people to ignore the operational end because you have a more powerful operational end who can turn round and say, 'no you can't make me do that, I am telling you that this is how it is going to be done' ".

In the Benefits Agency the policy making process was described as iterative

> "[p]roviding information and advice up to ministers and policy about the outcomes that are being achieved...working with policy trying to do some analysis of the root cause... are there difficulties with delivering it ...or whether there are some fundamental issues around policy and feeding that back. That has been effective in terms of some changes in rules and regulations which make the delivery of policy easier, not just easier for us administratively but easier to understand as well" (interview with senior Agency official).

It is clear, for example, that the Benefits Agency was involved in the development of Job Seekers Allowance in a way which had not been possible previously. Likewise, the proposed changes to child support reflect the CSA's concerns about the complexity of the existing system and the difficulty of administering the current legislation. At the Prison Service, an early initiative to reduce prison numbers, by combining tagging with early release, was an initiative that came from the Agency (interviews with department and agency officials). In addition, each of these agencies were also able to use their power potential to argue for increased resources at various times in their histories (interviews).

Nevertheless, in these agencies ministerial authority was still the most dominant feature of the relationship. This was particularly noticeable following the 1997 election as the new ministers joined networks. Their new policy agenda was not always in line with existing agency goals and targets. This was demonstrated in the Benefits Agency by the complete reversal of the focus of its targets from one of speed to one of accuracy. Whereas the target had placed the stress on paying beneficiaries 'the right benefit *at the right time*' (italics added), the new administration set new targets based on making payments of *'the right benefit'* requiring a shift in the Agency's operational practices (interview with senior official in DSS). In the Child Support Agency, efficiency targets had led to plans to offer more telephone access and close some provision through local offices. This did not sit happily with Labour's commitment to improve service provision locally and the plans for closure were reversed (interviews with officials and ministers).

These are examples of how department-agency networks were able to overtly influence policy outcomes, and of where they were not. In these high dependency networks, with complicated policy areas and multiple and conflicting goals, it is

important to stress again that department-agency networks were primarily centred around the administrative policy of implementation through the agency. Particularly in the Benefits Agency there were many other more typical government - interest group 'policy networks' based around policy issues and 'client groups', for example on pensions, disability, benefits for families and children, work-related benefits, which operated largely unrelated to the bureaucratic network. In the smaller less dependent networks however, it is possible to see how agencies played more of a part in determining the overall policy direction for their particular policy area.

The development of policy preferences

In networks where dependency was lower and ministers were less active, the development of a policy stance within the bureaucratic network could be found. This was discernible in the Forensic Science Service for example, in the commitment it had towards the extension of DNA analysis as a forensic tool. The Agency presented evidence to the Royal Commission of Criminal Justice about the potential of genetic testing. Through raising the profile in this way and through the informal mechanisms operating in the department-agency network, the importance of DNA profiling was highlighted. Subsequently, ministers realised the practical and political value of the technique and it became a flagship policy. The use of DNA in British forensic science has increased enormously and the Forensic Science Service has a reputation as world leader and for international excellence in this area.

At Companies House the development of a policy preference in the network was also apparent. In the first Annual Report published after the election (although largely compiled beforehand) the Agency had described its deliberate efforts to 'step up' its input to the policy area. It had been involved in revising the framework in which Companies House operated and legislative action was hoped for (Companies House Annual Report, HC 53, 1997 - 98 Session). The following year, the Agency reported that this legislation had been lost, however, "[m]ost of what we want to do to bring about the electronic era for Companies House can be achieved, if with greater difficulty, within the current legislative framework" (Companies House, HC 824, 1997 - 98 Session).

These two examples suggest that where there is little ministerial involvement and few if any outside interests, department-agency networks can operate, like policy communities in government - interest group networks, to shape the policy agenda and steer the policy direction. What was far more common, however, and perhaps the most striking way in which these bureaucratic networks impacted on policy outcomes, was in respect of administrative policies, directed towards the network itself.

Bureaucratic networks and administrative policies: the threat of privatisation

It was in examining how the four less dependent networks responded to pressure to privatise that the operation of bureaucratic networks was most apparent. Not surprisingly, network activity was most directed towards policies which threatened the preservation of the network. One of the main concerns at the start of the agency project was that the arrangements would be a pre-cursor to privatisation (Treasury and Civil Service Committee, 1988). This concern had prompted governmental reassurances that functions provided through agencies would not normally be considered privatisation candidates and that, where this was the case, it would be made clear when the agency was set up (Cm 524 1988, 7; Goldsworthy, 1991). However the first round of agency prior option reviews coincided with the first term of a Major government following the 1992 election and a noted change in emphasis in the prior options process, (Theakston, 1995, 149; interviews with Next Steps Team officials).

Heading a weakened and divided administration, Major was keen to enhance his radical credentials and placed administrative reform high on the agenda (Willman, 1994, 66). Following the election, government finances were in a poor state (Independent, 31 May 1992), privatisation had proved successful for previous administrations as it was seen to be effective and raised money. With the major concerns already sold and competition introduced into local government, attention turned to the civil service itself. Privatisation of government activities was high on the political agenda. Major strengthened the centre of Government by combining the Next Steps Unit, the Efficiency Unit and the Citizens Charter Unit under one

Office for Public Service and Science, headed by a new cabinet post, the Chancellor of the Duchy of Lancaster, filled by William Waldegrave. Waldegrave announced the extension of market testing into central government (Daily Telegraph, 2 June, 1992). At the Treasury, the Financial Secretary to the Treasury, Stephen Dorrell, announced in November 1992 that a review of Government activities would extend the privatisation programme in every area, "We are no longer looking for obvious candidates for privatisation. The conventional question was 'what can we sell?' That question must now be turned on its head. Now we should ask ourselves 'what must we keep?, what is the inescapable core of government?' " (Centre for Policy Studies 23 November, 1993).

When the 1993 Agencies Review was published the presumption of privatisation, at the point of the prior options review, where possible was clearly spelled out (Cm 2430, 1993, 14). An Efficiency Unit Review of Public Sector Research Establishments (Efficiency Unit, 1994) provided another bureaucratic mechanism to examine the possibility of privatisation for the two laboratories under consideration here. And at the DTI, the LGC, Companies House and the Insolvency Service faced considerable pressure from the Secretary of State for Trade and Industry, Michael Heseltine, for a change in their status. Heseltine had been sceptical of the benefits of agencification from the outset and was the most committed departmental minister to the virtue of privatisation (TCSC, 1987/88, HC 494; interviews with officials in DTI and Next Steps Team).

Companies House

At Companies House, the prior options process began on Michael Heseltine's instructions in October 1992. The first stage involved a consultant's report into the feasibility of various options which ruled out full privatisation. The consultants were then recommissioned to examine the possibility of full contracting out of Companies House functions (DTI, SRU Report, 1994). This second report was equally low key about the value of changing the status of Companies House. It suggested that contracting out was feasible but unpopular with users (both companies providing information and users requesting information) who were concerned at the loss of integrity of the information if the operation moved out of the public sector. The need to avoid the creation of a large private sector monopoly pointed to contracting to a

'facilities management' company, and a prohibition upon some of the Agency's existing users from bidding. The consultant's report pointed out the considerable risks in permitting a contractor being involved at a time of rapidly changing technological possibilities and thus setting the future direction of the service and 'crystallising the consequences' (SRU, 1994).

Despite these less than supportive reports, the Minister was still determined to go ahead and in December 1994 a statement announced that although the core activities of Companies House would remain in the public sector some activities would be put out to tender. Pressure from the Welsh Office, concerned at the employment implications, excluded some services from the final tendering package. Also, the Steering Board' in their consideration of the bids, recommended that Companies House existing operations represented better value for money. The final outcome was that only the Cardiff post room was contracted out. This decision was confirmed by Ian Lang the new President of the Board of Trade, in February 1996, after Michael Heseltine's departure to take the role of Deputy Prime Minister. The whole process had taken three and a half years and despite Michael Heseltine's determination, led to no significant change in the Agency's status.

Insolvency Service

In a similar fashion, at the Insolvency Service consultants were brought in to consider whether certain parts of the insolvency process could be contracted out as a way of coping with fluctuating levels of demand (DTI, Stoy Hayward Consulting Report, 1994). Because of the complexity of the work, the Service had to assist the consultant in drawing up the specification. One key feature was to ensure contractors met the high standards of probity required. It emerged, for example, during the process that one of the bidders was found to be facing action by the Agency for unresolved insolvency issues (Guardian, 27 February 1996). The result of the contracting out exercise was that six bidders were considered by the Steering Board, which made their recommendation to Ministers that the work should remain in-house. The private sector bids were either too expensive but met the standards of probity set, or provided a cheaper service but without meeting the legal safeguards. The in-house bid provided the best value for money. This recommendation was accepted, again, by Ian Lang.

In both these cases, the bureaucratic networks, based around the Agency Steering Board, were highly involved in the prior option process. Ministers did not play an active part in these networks. The Boards developed views on what were the best options. Because of their notional authority, stemming from the Framework Document (to advise the Minister's representative), they were involved in activities such as examining consultant's reports and preparing recommendations for ministers. They were able to put pressure on ministers to think of different options and to take account of value for money considerations. The agencies held the informational and organisational resources which meant they were involved in the tendering process. They were also able to exercise their power potential and the networks acted as a counterbalance to ministerial authority. Ministers had the ultimate authority to make decisions; however they were bounded by application of the rules and procedures to ensure probity and value for money.

For the departmental civil servants who were acting as the 'minister's representative', the operation of these rules provided guiding principles in a situation where the Minister's wishes ran counter not only to those of the network, but the consultant's report and the agencies' customers' wishes as well. One official explained

> "we had to have a very clear basis for bids, and its at that stage you really need to make up your mind about all these various conflicting objectives. So our prospectus had to be clear what a bidder could do with the organisation and what it couldn't...what rules it had to keep and by implication what rules it didn't have to keep. So writing the prospectus was a key task and for the steering board agreeing the terms on which it would be privatised, was a key task too" (interview with former official in DTI).

In the end, the permanence of the network in comparison to ministerial tenure meant in both cases that the outcome was close to its preferred policy position.

Laboratory of the Government Chemist

At the LGC, the likelihood of privatisation was stronger, the Agency's statutory role was much smaller and most of its work was available through the private sector. Heseltine had ordered a review of the three laboratories in the DTI before the Efficiency Unit's multi-departmental review of laboratories across government (Efficiency Unit 1994). This formed the basis of the LGC's prior options process.

Again a consultant's report published in March 1994 suggested various options were possible (as noted in chapter five) and it was subsequently announced that the Agency would be transformed into a Non Profit Making Distributing Company (KPMG Corporate Finance, 1994). This option was acceptable to both Department and Agency. However, it was also stated that the Minister was still interested in a trade sale if a buyer with the required independence could be found (DTI, Press notice, 1994).

The future of the Agency remained uncertain throughout 1995 and more consultants were engaged to assist in seeking a trade buyer. The Department and Agency were concerned to ensure that the statutory role of the Government Chemist was maintained, together with a reputation for impartiality and independence, and to support the DTI work placed there. The information memorandum for the sale was drawn up by the Department in consultation with the Agency. Purchasers were required to enter an agreement to "do all things necessary or reasonably requested to maintain the capabilities and infrastructure of the Laboratory as well as the standing of the office of the Government Chemist" (NAO, 1996). From 40 initial responses in November by June 1995, no firm bids had been received and into this impasse the Government Chemist (the existing ACE) submitted a consortium business plan for a management buy-out. This again was accepted by Ian Lang and the LGC is now privatised.

Again here, the network was highly active in reaching a solution that was patently not Michael Heseltine's preferred position. Although the dependency between Department and Agency had always been low, they had started with a shared understanding of the role of the LGC at the Agency's launch. But the relationship had moved closer to a customer / contractor basis by the time of the review, partly as a result of changing personnel and partly due to the introductions of charging and competitive tendering arrangements. In seeking to stay in the public sector the LGC had no strong overall backing from one department, even the DTI, its parent department, as its customers were diverse and becoming less dependent. At the same time, a trade sale raised concerns within the DTI about impartiality and independence and the ability to ensure continued supply from a contractor. The

DTI held an ambivalent attitude towards the privatisation of the LGC. One official commented,

> "The LGC were always potentially difficult - because I think most people felt as though there were arguments for having an independent Government Chemist, that they wern't so compelling that you'd force Customs and Excise to use them: and as soon as they started asking questions like 'I've got a million pounds to spend, can I get twice as much for my million by doing it differently, LGC was always likely to be a quite difficult operation"

The dependency between Department and Agency was low; nevertheless they shared an understanding of the need to secure the future of the Laboratory and of the role of the Government Chemist. The management buy-out which finally took place ensured that the DTI were assured of the continuation of contracted work, other departments were satisfied that independence and impartiality could be maintained and the agency was able to secure continued DTI funding for the transition period.

Forensic Science Service

Finally the network associated with the Forensic Science Service was active in ensuring that the FSS was not considered for privatisation. Like the LGC, the FSS could have run as a business and sought greater autonomy. Yet after very little consideration it was announced the FSS would remain an agency in 1994. Ostensibly this was because the forensic market was thought to be too immature to permit self-regulation and that the impartiality and independence of forensic science advice was best retained under the jurisdiction and accountability provided by association with the Home Office. Although pressure from the centre of government was strongly seeking privatisation in this type of agency, Michael Howard, the departmental minister, benefited more from keeping the FSS as a government agency providing good publicity in the fight against crime and there was little support for privatisation from ministers. In addition, and unlike at the LGC, there was a greater resource dependency and stronger informal links between Department and Agency.

For the Department, the FSS sustained and underpinned other Home Office goals concerned with the administration of justice. The Home Office also indirectly financed forensic work through the police funding mechanism, giving the Police

Directorate good reason to be concerned at spending implications at a time of rapidly changing forensic science capabilities with the development of DNA testing. Further, at the time of the review, the FSS was about to merge with the Metropolitan Police Laboratory, a move which the Home Office wanted to see happen and which meant the FSS could complete its regional representation and gain a London base. Informal understandings between the ACE and the line manager were close and based on a shared Home Office culture. The network could be described as a close policy community with high dependency and strong shared goals and understandings and with a strong preference for the status quo at the time. As one official in the centre of Government explained "They managed to sell the pass by this merger... their argument was we need time to bed this down and in two or three years we'll look at it again - classic, play it long, by that time, ministers and governments will have changed".

This section suggests that department-agency networks impacted in the policy process in four ways. Firstly, because the level of integration in the network related to how well the agency concept was implemented and this had a consequent impact on the delivery of government goals. This was particularly the case in high dependency networks where there is high political saliency as this saliency exacerbates the tensions between the agency concept and ministerial responsibility. Secondly, because, in line with the policy aims of Next Steps, agencies are influencing the development of operational goals. This again is particularly seen in the high dependency networks associated with the large agencies which have complex and multiple goals and a high political saliency. Here agencies' monopoly of implementation resources gives them a high power potential. Thirdly, in the networks with lower dependency where ministers were less actively involved, the development of policy preferences is identified. Finally, these lower dependency networks, undertook activity to maintain the administrative arrangements supporting the network and ensure the maintenance of the status quo. In this latter example, the one network where there was virtually no exchange of resources, and consequently very low power dependency, was unable to find a positive sum outcome and the agency was privatised.

Conclusion

This chapter set out to examine department-agency relationships as networks and to see how these networks impacted on policy outcomes. The agency arrangements have created the conditions for the development - or continuation in some cases - of policy community-type networks between departments and agencies. The establishment of an agency operating at arm's length from ministers (usually) creates power dependency and positive sum power games. Membership is limited and institutionally defined, goals are agreed through a framework document. Interaction is assured through the rules of the game. These networks are not like traditional government - interest group policy communities: agencies do not operate like interest groups with an overt policy agenda. This is not to say that policy preferences do not develop within agencies and within the networks. These preferences may be policy - or operationally - orientated. They are not like inter-governmental networks as agencies, unlike local government, cannot look to a separate source of political legitimation. They are bureaucratic networks whose twin policy aims, within the overarching dominance of ministerial authority, are to deliver the agreed goals and to maintain the network. Where dependency was not found in the LGC, privatisation, resulted following pressure from ministers.

Different types of network were discernible, with differences associated with the saliency of the policy area (related to the sensitivity of the policy, the size and type of agency), whether the agency was operating as a monopoly, and what type of funding regime operated. Broadly two types of network were identified in the multiple case study. Low dependency networks met less often and ministers were far less involved. Contacts took place in a mixture of formal and informal settings. High dependency networks tended to meet more often, ministers were involved and, again, contacts varied between formal and informal mechanisms.

One of the claims in the literature on networks is that they impact on outcomes. This chapter has examined where and how this has been found in the case study agencies. Firstly, fieldwork suggested that implementation difficulties were related to the degree of network integration. Where there was institutional support, shared goals and shared values, the network had a shared view of the policy problems it

faced and how to deal with them. The implementation process in these agencies was smooth. Network integration was problematic where the agency was new, or there were poor formal and informal links and where the chief executive was appointed from outside the civil service. Where there was no continuity or consensus in the network it was difficult for outsiders to learn the new and complicated hybrid roles demanded. In these circumstances the network did not share values and agreement about the agency concept. It also led to a failure to develop a shared perception of policy problems and how they should be faced. The difficulties with integration meant that policy problems became exposed and led to publicly visible difficulties with implementation.

In both the Child Support Agency and the Prison Service Agency, the way the network itself operated became part of the 'policy' problems. In both cases, once civil service 'insiders' took over, the network became more integrated. In particular, there was a better understanding of the dependency between department and agency and the constitutional context in which the network operated. Despite little change in the policy problems faced in both agencies, implementation through the agency concept has become less problematic.

This refutes the arguments that politically salient policy areas are not suitable for agencification, and that agencies operating in salient areas will inevitably face difficulties because it is impossible to separate policy from operations and this will lead to role confusion. The Benefits Agency, operating in a highly salient policy environment, with an outsider appointed as its first ACE, worked satisfactorily because there were shared values, agreement about the agency concept and institutional support. The network was well integrated and the policy problems faced, and how to address them, were shared.

As well as networks impacting on implementation, fieldwork also suggested that these bureaucratic department-agency policy networks could be seen to impact on policy outcomes in at least three other ways. First, through influencing operational outcomes as policy making has become more iterative. Second, through the development of policy paradigms, particularly in networks where ministers are less

active. Finally, through network activity around administrative policies designed to defend the status of the network.

This chapter closes by suggesting that department-agency relationships can be seen as intra-state networks which impact on the policy process in all its iterative stages. Given these assertions, the final chapter of this thesis will, in concluding, return to the case study questions set out in chapters two and three to review more broadly some of the normative and theoretical questions outlined in the literature. It will suggest implications which can be drawn, for the use of the theoretical framework employed, for policy making in the core executive and for questions of governance.

CHAPTER NINE
CONCLUSION: UNDERSTANDING DEPARTMENT-AGENCY RELATIONSHIPS

Introduction

This thesis has looked at the profound changes in the organisation of central government through the creation of Next Steps agencies to deliver government goals at arm's length. It addresses the question of what has been the impact of the introduction of agencies on relationships in government and on the policy process, particularly policy implementation. Much of the existing literature focuses on the relationships between ministers and agencies and therefore underplays the role played by departments. This research has focused on the relationships that have developed between departments and agencies and how they can be understood. It has also been concerned to explain why some relationships worked better than others.

To examine these questions, the thesis looked beyond either the constitutional framework or managerial models. Both were felt to be primarily normative understandings, reflecting pictures of what ought to be and not depicting how intra-governmental relationships worked in reality. Instead, the thesis draws on historical institutionalism, power dependency and policy networks. Initially, this chapter will draw on these theoretical frameworks to outline the key findings to the questions the thesis sought to explore: what has been the impact of agencies on government; how can department-agency relationships be understood; and why have some relationships worked better than others.

These empirical questions are linked with both theoretical and normative issues which are discussed in the second and third part of this chapter. In concluding, the chapter will close by looking at what implications this research into department-agency relationships has for the theoretical framework of historical institutionalism, dependency and networks, for policy making in the core executive, and for questions of governance.

The Impact of Agencies on Government

The introduction of agencies in government must be seen as 'path dependent', with new institutional arrangements developing out of, and from, the current established formal and informal rules. Historical institutionalism suggests that existing formal and informal institutional arrangements provide opportunities to facilitate change and act to constraint change, in response to exogenous and endogenous factors. Here, the introduction of a more managerial approach to the delivery of central government goals took place in a changed economic, ideological and technological environment. Fiscal rectitude and the dominance of new right philosophies coupled with increased technological capabilities for oversight and monitoring were the exogenous drivers for change. The endogenous pressure for change came in response to political and managerial critiques of the existing constitutional arrangements. Civil servants were seen as too powerful by politicians on both left and right and yet, at the same time, the existing bureaucratic (and hierarchical) arrangements were seen to prioritise servicing ministers and neglect the effective delivery of government goals.

The agency concept became accepted in the core executive because of the backing it received from the Prime Minister. Yet in order to assemble the political coalition necessary to achieve its introduction, the concept had to meet the concerns of politicians and civil servants. Thus, the set of ideas which came to be associated with the agency concept involved a marrying of both principal agent and constitutional concepts. The development of the 'Next Steps' policy was 'path dependent' and the arrangements created the potential for considerable tension. Agencies were to operate both at arm's length and yet under the overall guidance of the responsible minister.

The new arrangements involved changes in the formal and informal understandings that structure and guide decision making in the core executive. Some of the changes were tangible emanating from changes in written rules and procedures. Some were, in the words of one chief executive, "in the air of perceptions" and these perceptions were dynamic, developing from existing understandings, responding to the new arrangements and in reaction to critical events. Institutional

arrangements provide the 'rules of the game' and allocate roles and resources. The introduction of agencies involved a huge transfer of resources, changes to the 'rules of the game' and to the roles policy actors were expected, and expected, to play. In so doing, it fundamentally altered relationships in the core executive and how these relationships were conducted.

Understanding department-agency relationships

The finance and resources framework under which agencies were established specifically created the conditions for an exchange of resources between departments headed by ministers and agencies. The transfer of resources from departments to agencies provided agencies with power potential. Control of informational, organisational and sometimes financial resources moved out of the pre-existing departmental hierarchy and passed to the new agencies operating at arm's length. Ministers retained political resources, legitimising the operation, and the authority to act. Departments still held some organisational and informational resources. Sometimes agencies looked to departments for authority and to seek financial resources.

This exchange of resources has led to the development of new power dependent networks within government. Ministers depend on the organisational and informational resources held by both departments and agencies. Departments and agencies depend on ministers ultimately for the authority and the legitimacy to act where authority is exercised. Departments depend on agencies to deliver successfully to protect their ministers and agencies need departments for the organisational and informational resources still held there.

The type and level of dependency in these networks varied. Large or monopoly agencies, salient agencies, agencies with complicated and multiple goals, create high dependency. In less complicated policy areas, the ability of an agency to raise its own finance, or being one of a number of providers, lessens the degree of dependency. The exchange of resources creates dependency relationships between all three parties. It does not represent the type of zero sum power relationship envisaged in the principal agent model or in constitutional theory. They

are each dependent on each other, power is relational. Ministers' traditional dependence upon departments is now extended to agencies. For departments, however, their dependence upon agencies is new. The change in the distribution of resources has created new power dependent networks and has altered the power potential of participants in those networks.

The networks had two policy aims or goals. The first was to ensure the delivery of the operational goals set out in the Framework Document. In general, agencies became more powerful participants in the policy process because of the knowledge and operational expertise they controlled in relation to operational goals. Secondly, these networks had the administrative goals of sustaining the network, of operationalising the agency concept itself. How department-agency relationships were managed is revealed by looking at the processes of exchange.

Managing intra-state networks

The agency concept introduces formal processes to establish and maintain the arm's length relationship. These formal processes and the roles participants are expected to play are set out in each agency's framework document, for example, arrangements for consultation and governance and the roles and responsibilities ascribed to each party. These were supplemented by department-specific procedures, and cross-government initiatives. These formal arrangements and what happened in practice were largely related to the pattern of dependency that agencies have with ministers and departments. The small, executive agencies rarely saw ministers: most contact was with departments. However, for the larger, more salient agencies, there was contact with ministers and contact with departments and/or ministers was more frequent.

Informal processes were also influential in how department-agency networks worked. Existing *informal* networks were key to the exchange of information, the development of trust and the transmission of awareness of the rules of the game and roles played. These informal networks related to the history of the agency and were found where it had previously been part of the department.

Another informal feature of how the new relationships were managed was participants' role understandings. Agency chief executives' understanding of their role and the rules of the game was an important factor in managing the transition to operating in the new power dependency networks. Chief Executives were required both to provide a new visible form of leadership and ownership of operational goals, yet needed to be able to operate within the tradition of ministerial responsibility and recognise the dominance of ministerial authority in the exchange relationship. This was more difficult for those appointed from outside the public sector. Over the history of the agency concept, the experience of Ros Hepplewhite and Derek Lewis led to policy learning by those involved in power dependency relationships based around agencies. These critical incidents re-inforced the dominance of ministerial authority and changed the extent of freedom that the agency chief executive role was thought to possess.

Departmental understandings of roles varied across departments. The DSS was keen, the agency concept was moving in a direction the Department was already going and it had given institutional consideration to its role. In the DTI, a strong model of corporate governance was imposed reflecting its business links and it also was pro-active in determining its role. In the Home Office, where decision making is very compartmentalised, there was not the same departmental view of its role. It was assumed that the Department's 'policy ballast' role (to borrow from Foster and Plowden) (1996) could be provided through the office of the Permanent Secretary.

How the networks managed their new power dependent relationships was linked to the level of dependency, the departmental context, formal and informal rules of the game, role understanding and understanding of the rules of the game. Understanding department-agency relationships as bureaucratic networks arising from the exchange of resources provides an explanation for why some relationships worked better than others. It suggests that whilst the exchange of resources establishes the networks, it is the degree to which the networks are integrated i.e. how well they manage the processes of exchange, that links to how well each network coped with the delivery of government goals through the agency concept.

Why have some relationships worked better than others?

Within the new institutional arrangements these new power dependent networks in turn act further to facilitate or constrain change in the policy environment. Policy actors within networks were operating in a path dependent structured environment which sets the rules of the game, and allocates roles and resources. In particular, they had to learn new 'principal agent' roles alongside traditional bureaucratic roles. The development of power dependent networks based on resource exchange create the circumstances for actors to develop, or not develop, shared perceptions of policy questions and solutions. Where network integration was good, with continuity and consensus among participants, this facilitated the development of shared understandings. Implementation of the agency concept depended on how well each network adapted to these changed circumstances, had institutional support for their dependency and shared policy goals and values.

These findings support the expectations of multiple case study and suggest the hypothesis can be sustained. Implementation was not problematic in the three DTI agencies and the FSS. The networks between these agencies and their parent departments have changed over time but were based on strong links and shared values at the outset. The networks relationships around the Prison Service Agency and the Child Support Agency at the outset were problematic. There was high dependency arising from the resources exchanged and salient policy goals, but poor institutional links and no shared agreement about values or goals. In the Benefits Agency, whilst there was also high dependency and salient policy goals there were very strong institutional links and a shared appreciation of the agency concept and role understanding. Although the salience of the policy area did expose the ambiguity of the rules and roles demanded by the new arrangements, this is not the reason for the problematic start that both agencies had. The difficulties in implementing government goals through the agency concept was related to how the networks managed their new relationships. In particular, a closely integrated network was better able to deal with the tension in the agency concept created by adherence to the constitutional concept of ministerial responsibility alongside the autonomy agencies were supposed to have over operational matters.

Theoretical and Normative Implications of this Research

Viewing department-agency relationships as power dependent networks arising from the exchange of resources raises both theoretical and normative issues which will be discussed in the final part of this chapter. The next section begins with theoretical questions about the concept of policy networks.

A theoretical focus on the concept of networks

The idea of policy networks has been subject to criticism of the explanatory value of the concept and questions about the nature of such networks. Fieldwork for this thesis provides an empirical testing ground to examine these questions.

Descriptive or explanatory

The most detailed theoretical critique of the concept of policy networks argues that networks are descriptive and not explanatory (Dowding, 1995b). The thesis attempted to address this criticism by using a multiple case study seeking literal and theoretical replications for a hypothesis based on network characteristics. This tactic did not assist in providing the direct causal relationship between network characteristics and outcomes which Dowding would seek. Indeed, the examination of department-agency relationships, and why some work better than others could have relied on the insights of historical institutionalism, the idea of power dependency and what Hall and Taylor (1996) call a 'cultural' approach to the actions of individuals operating in the new institutional arrangements, without drawing on the concept of policy networks. In this sense, the Marsh and Rhodes typology simply choreographs the other components of an explanation.

However, this is not problematic if it is accepted that direct causal links are difficult to identify and test in real life situations (Yin, 1994). The policy process is iterative, multi-layered and dynamic. This thesis has suggested the value of a policy networks approach. Networks provide the *site* of interaction for the exchange of resources and the power play of actors in arenas created by that exchange of resources. Use of the Marsh and Rhodes typology in this instance assisted in highlighting that whilst the degree of dependency was related to the resources

exchanged, it was the level of integration in the network which related to how well the networks managed change. The concept of networks reveals the operation of 'institutions' within 'institutions' and provides a link between the macro and micro level of analysis.

Institutional or interpersonal networks?

Network proponents have also sought to problematise the explanation of what drives network formation and existence (Marsh and Rhodes 1992, 249). Are they institutionally based, forming around the exchange of resources and characterised by the nature of that exchange, found in Rhodes' investigation of intergovernmental relationships (Rhodes, 1988)? Or do they have a more interpersonal, or cultural basis, indicated by the intra-state networks in the Whitehall Village identified by Heclo and Wildavsky (1974)? This question was addressed to the theoretical work on networks generally but has a particular resonance for department-agency relationships because of the *arm's length* nature of these *intra-state* relationships.

To address this issue, material from the multiple case study was analysed thematically. This enabled analysis of the exchange of resources separately from examination of the processes of exchange, the consideration of whether the resulting relationships could be considered networks and how these networks have affected implementation. This permits consideration of which aspect of the network approach contributed to explanation.

The evidence from the multiple case study does not provide a definitive answer to the question of whether networks have an institutional or interpersonal basis. The development of agencies introduced a change in the distribution of resources, new rules and roles for participants to operate on top of existing rules and roles in new networks. In this sense these networks are institutional. Viewing networks in this way suggests formation of a network is inevitably thought to follow from the changed institutional arrangements. Differences in the networks are linked to differences in the institutional arrangements, for example the goals of the agency or the resources exchanged. Further, the way in which networks managed their relationships was, in part, institutional, set out in formal arrangements and showing

a link to the level of dependency arising from the resource exchange. These features point to an institutional basis of department-agency networks.

Yet fieldwork also showed the vital importance of informal and interpersonal aspects of departmental agency networks. These came from a shared civil service culture, a shared departmental background or a shared understanding of the rules of the game and the roles participants were expected to play. These informal aspects provided for the transmission of cultural norms. They allowed for the development of trust. They informed agents acting within the network of the skills and tactics they could bring to bear to resolve policy problems. When asked what mattered most in getting department-agency relationships to work, most of those interviewed said it was the informal interpersonal factors which were key. As one chief executive of a large agency pointed out "You need both [formal and informal arrangements] but if you haven't got the latter you're in trouble... that is about people having the nous to recognise you operate in a political environment" (interview).

It is not possible to separate the two variables. Without resource exchange the network would not need to exist. This was illustrated by the case of the LGC where dependency between department and agency was low and the agency was privatised. Resource exchange creates a dependency relationship, and this can be described as a network. The degree of integration, or consensus and continuity, within this network influences how well it can adapt to change. This integration can be encouraged by the formal rules of the game but networks rely on informal aspects to facilitate their operation and, where necessary, change. The network created by power dependency inculcates and transfers values, norms and standard operating procedures.

In this sense, these bureaucratic networks are both institutional and interpersonal in nature. The literature which addresses this question (Marsh and Rhodes 1992b) presents a false dicotomy between the institutional and interpersonal basis of networks. The use of insights from the historical institutionalist literature is helpful here in suggesting institutions (such as networks) are based both on formal 'rules of the game' (setting out the distribution of resources, roles and operating procedures)

and informal rules (or participants' understandings of the rules of the game and roles they are required to play).

How do networks impact on outcomes

A third central question raised by network theorists is how the existence of a network affects outcomes. Whilst the intra-state networks examined in this research differed considerably in their institutional construction from other types of intergovernmental or government interest group relationships, the findings of this thesis provides support for the central idea of the concept of policy networks that the networks impact on policy outcomes. The thesis identified four ways in which department-agency networks had impacted on outcomes. Firstly, the creation of networks following a change in the institutional arrangements led to agencies becoming more powerful in determination of operational goals. Secondly, the degree of integration of the network (shared goals, values and institutional support) determined how well the concept was implemented which in turn affected the delivery of government goals. Thirdly, some networks came to develop policy preferences which, in the absence of countervailing authority from ministers, determined policy direction. Finally, there was very clear evidence that these bureaucratic networks acted to defend themselves and maintain the status quo in the face of a threat to their future status.

This work confirms explanations of how this occurs. Network members have interests in both the policy area and the network. The dependency relationship found in a 'policy community' type of network (where each member has resources to exchange) can lead to the development of shared understandings of the policy problems they face and how to resolve them. These understandings can be about both the policy questions, or ideological approach to a policy question, or in respect of the appropriate administrative procedures. In this way networks can shape agendas and can promote stability. The question of networks impacting on outcomes has been linked to normative concerns about the influence of networks on governance and it is the normative questions about accountability raised by the research that will be addressed next.

Accountability issues of department-agency relationships and their normative implications

Are department-agency networks self-steering?

The existence of policy networks between interest groups and government has been associated with the idea of private government, unaccountable and conservative in their impact (Marsh and Rhodes, 1992, 265). The development of agencies has been linked with the 'hollowing out of the state' (Rhodes, 1994, 138) with negative consequences for accountability and co-ordination of state activity. Others have argued that agencification has not led to internal hollowing out and that ministers have been granted greater control over agencies and are able to shield themselves from operational and policy failures (Saward, 1997, 26) and, latterly, Rhodes has suggested that "assertions about hollowing out are better recast as questions" (Rhodes, 1997, 210). The empirical work here permits some reflection on these issues.

This research has suggested two contrary phenomena concerning the bureaucratic networks described and ministerial direction. Firstly, it is argued there has been a reassertion of ministerial responsibility as a primary 'rule of the game' and a consequent retreat from the idea of chief executives as independent figureheads. Agencification has resulted in the introduction of clearer lines of managerial responsibility and managerialist techniques into government but it has not led to a new way of governing. This position has developed over time and has been pointed up by several significant events. The first was the turbulent circumstances surrounding the resignation of Ros Hepplewhite and the sacking of Derek Lewis. This exposed the ambiguity of the administrative understanding that Next Steps consisted of and all parties in the networks retreated into tried and tested constitutional roles. The second significant event was the election of a Labour Government re-inforcing the constitutionalist position. This is partly because ministers came into post after years of opposition. Ensuring the accountability of agencies to Parliament through ministerial responsibility had been a strong position adopted in opposition. Additionally, when ministers came into government with new policy directions and policy proposals, civil servants in departments and agencies were keen to illustrate how the agency concept could deliver a change in direction.

Secondly, the thesis has argued that the development of department-agency networks has in some circumstances, it is suggested, led to some influence over policy outcomes. Where ministers want change, departments and agencies cannot ignore this instruction. However, if the network has a policy preference they can utilise skills and tactics (long the preserve of civil servants, if updated by new procedures such as tendering or writing contracts) such as delay or using the accounting officer provisions to introduce procedural hurdles or to await a change in policy direction. If the relationship is seen as a power dependent network, ministers' authority is dominant in the exchange relationship but departments and agencies can use their resources, of information and organisational skills, to great effect. There is a temporal effect in the policy process which assists bureaucratic power play. Where ministers are not active in the network, there is even greater capacity for self-steering.

The impact of bureaucratic networks capacity to be self-steering in this way, is not thought to be great, however. Ministers will become involved if the policy is salient. Even if networks have a policy preference, their influence is restricted largely to administrative conduct. In most areas there will be other 'policy networks' composed of ministers, departments and interest groups which may or may not influence policy outcomes. Nevertheless, the capacity for self-steering in certain circumstances can be seen to exist.

The question is, has agencification introduced this self steering capacity or did it always exist within departments operating hierarchically? Sadly, the fieldwork here cannot provide any final judgement on this issue. Two propositions are possible, firstly, that by introducing a transfer of resources, agencification increases the number of participants in the policy process with defined interests to defend and gives them institutional access to the network. There is bound to be an agency 'effect' on how networks mediate the policy process (Gains, 1999). A second position, one which is not necessarily contrary to the first, is that an exchange of resources will always have taken place leading to intra-state networks within hierarchical departments. Therefore bureaucratic networks operating with policy preferences will always have existed. In fact, it could be argued that the process of

agencification has provided more visibility to development of bureaucratic policy preferences through the vastly increased amount of information available to those ministers who wish to, and are able to, steer the policy process.

How can governments steer bureaucratic networks?

This examination of the operation of intra-state networks does have some normative implications for government wishing to improve their capacity to steer intra-state networks. In order to steer, governments must maintain control of the key resources of authority and finance as well as the political resources which their status as majority governing party brings. Loss of these resources diminishes a government's power potential. Second in introducing or maintaining a change in the institutional framework, government should pay attention to both the formal and informal arrangements which support the relationships created. Formal arrangements provide the new rules of the game which inform participants' actions as policy problems arise. Formal mechanisms for managing new relationships will create the physical arena for the development of shared understandings. Informal arrangements will support or can undermine the change which is sought. Attention should be paid to developing ways of bolstering informal contact. Building appropriate formal and informal links assists in the development of trust and communication and it is these which bind a network and provide it with the ability to cope with change. Finally, if governments want to steer then ministers must have a hand on the tiller. If ministers are not interested, distracted by other problems, or move on too quickly then bureaucratic networks have the capacity to self-steer and their accountability to ministers is diminished.

The question of whether networks are self-steering and therefore lack accountability is relevant not only to questions of how the state can steer the policy process but also relates to the broader question of how agencies are accountable to Parliament. Questions about the accountability of agencies, as outlined in chapter two, were prominent in early discussions of the Next Steps approach. This examination of department-agency networks permits some reflection on the implications of this perspective for the accountability of agency arrangements.

Are agencies properly accountable to Parliament?

The agency arrangements did not fundamentally alter the traditional constitutional arrangements for accountability based on the idea of ministerial responsibility to Parliament. Yet there were concerns that the establishment of agencies would undermine these accountability arrangements through the creation of an accountability gap. Concerns centred on two issues. Firstly the separation of responsibilities would mean Parliament was be unable to seek information from chief executives and hold them to account for their operational responsibilities yet, secondly, at the same time ministers would be able to pass the blame for policy problems on to agencies and avoid taking responsibility themselves. Following the successful demand that agency chief executive replies to Parliamentary questions should be printed in Hansard, there were calls for chief executives to be directly accountable to select committees. Those urging reform call for statutory arrangements to back up the separation of responsibilities and for improvement to be made to ministerial responsibility to address these concerns. Again some observations on these issues from the perspective of the thesis is possible.

Information to Parliament

The amount of published material available to Parliament has radically improved compared to pre-agency days and in this respect, despite the problems of measuring and comparing targets, a problem not unique to agency status, informatory accountability is vastly improved. Parliament is able to perform its scrutiny role better, should it choose to do so.

Chief executives' accountability to select committees

There are problems with this mechanism for improving accountability to Parliament. As the material in chapter seven indicates, agency chief executives attend and give evidence to select committees to a far greater extent than their departmental predecessors did previously. Nevertheless, their evidence is offered strictly under the term of the Osmotherly Rules and they do not comment on matters which it is considered to be properly the domain of ministers. This research suggests that an extension of these arrangements to permit agency chief executives to be directly accountable to Parliament, or an alteration of the Osmotherly rules to permit chief

executives to give evidence on their own behalf, is unlikely in the current institutional context.

The rules of the game state that ministers are ultimately responsible and have over-riding authority. Ministers provide access to finance and legislative change. Agencies are dependent upon ministers for these resources. Minister demand confidentiality and loyalty from others in the network. The only way for agencies to participate in the policy process is to abide by these rules of the game. There is no incentive for any of the participants in the network to allow any alteration in the rules of the game, given the positive sum power dependency between them. Networks act to preserve the status quo. Change in the rules of the game which would involve passing authority (to a certain extent) to select committees is unlikely without a significant commitment from those who currently hold legislative and authoritative resources, i.e. ministers. Such a change is clearly not in their interests and is unlikely to happen.

This raises the question of whether there are circumstances where such a change in the rules of the game might occur. Cortell and Peterson (1999) argue change in institutional arrangements follow from a 'window of opportunity', if there is commitment from strategic actors and if they have the institutional capacity to see the change through despite the constraints of existing state capacities and the activities of networks (1999). Incremental change to improve the accountability of chief executives to select committees could occur following a critical incident if it provoked sufficient parliamentary ire to require the government to be seen to be taking action, for example following the kind of problems the Passport Agency is currently facing (Guardian, 30 July 1999) which expose a potential accountability gap. Or, as with most issues which are high on opposition agendas, change could be campaigned for in opposition and sought early in a new Parliament headed by a new administration.

If change were to be achieved, there is room for caution about the improvement it would bring to accountability arrangements. There is evidence that permitting chief executives to give evidence on their own behalf to select committees would not either overcome the accountability gap (Landers, 1999), or lead to a more rational,

de-politicised arena for holding officials to account (Polidano, 1999 32). Furthermore, if the evidence in this research is correct and the dependency between all parties in the agency arrangement leads to networks based on trust and shared understandings, then a change in the Osmotherly Rules is not likely to alter the informal understandings of the rules of the game held by the network or the shared understanding of policy problems and how to deal with them. Select committees would only penetrate shared views of a policy problem if relationships in the network had broken down. This might ensure scrutiny in one area but would not ensure effective scrutiny across government.

Accountability through ministerial responsibility

As argued above, over the last five years the concept of ministerial responsibility has become increasingly important in defining the rules of the game and the roles of those involved in department-agency relationships. Although there has been a vast delegation of control over organisational resources to chief executives (as indeed there has been throughout government under new Treasury rules), the constitutional position is unchanged. Ministers are seen as ultimately accountable to Parliament for the work of the whole of their departments, including agencies. In this sense, the constitutional arrangements are performing as they have always done. The sanction of ministers potentially having to be called to give account and face possible calls for resignation is as effective (or not) in guiding the behaviour of officials and ministers as it has always been. Fieldwork for this thesis has suggested that parliamentary accountability and the importance of keeping ministers informed of potentially salient issues strongly guides behaviour in agencies.

It is the case that earlier ambiguity between the extent of agency autonomy and the overriding constitutional rule of ministerial responsibility certainly did allow ministers to pass on the blame for problems in the prison service agency and the child support agency. The question is whether agency status *caused* these difficulties in applying the doctrine of ministerial responsibility or whether agency status highlights a problem with relying on this type of accountability. A reversion to ministerial responsibility works well as a way of structuring the rules of the game within

department-agency networks. It is less successful in distributing liability for problems in the delivery of government goals.

There is evidence that ministers will seek to avoid taking responsibility whatever the institutional arrangements (Woodhouse 1994; Barker 1998). Ministerial resignations, as the ultimate expression of ministerial responsibility, are more related to the dependency relationships and networks a minister has with his own backbenchers and are entirely political events. It is argued here that ensuring oversight and accountability of public organisations through ministerial responsibility alone is deeply problematic. Firstly, because ministers do not, and never did have, knowledge of every area of their responsibilities and secondly, because it is an entirely arbitrary mechanism of control.

There are various suggestions of how ministerial responsibility could be supplanted by more pluralist, multi-layered, and more open systems of accountability, such as requiring chief executives to be accountable to select committees. The question here is not to assess the relative merits of ideas suggested. It is to point to the potential constraints on achieving change from a network perspective.

As with the idea of chief executives giving evidence to select committees, whatever the merits of change, changes in the institutional rules of the game such as to the doctrine of ministerial responsibility will face resistance from networks inside the core executive. Unless ministers can see benefits and use their authority to force through change in the formal and informal rules of the game which would follow, inertia is likely to prevail. In this case especially, change is unlikely because Parliament does not wish to lose the convention that it can call ministers to account and, where necessary, demand their resignation.

Conclusion

This thesis sets out to examine the impact of the introduction of agencies on relationships in government, on the policy process and particularly policy implementation. It has used historical institutionalism, power dependency and

policy networks to explore department-agency relationships. It has been concerned to explore why some relationships worked better than others. Department-agency relationships were portrayed as bureaucratic networks based on power dependency. These networks facilitated change or acted as a constraint on change. Implementation problems were found where there was little continuity or consensus in the network. In conclusion three implications can be outlined from the use of this theoretical framework to address these empirical questions.

Linking historical institutionalism with dependency and networks

The combination of historical institutionalism with the idea of power dependency and the development of networks permitted a helpful link between the macro, meso and micro levels of analysis. The use of concepts from the historical institutionalist literature provided the opportunity to identify a change in the allocation of resources, in roles and in the rules of the game. In particular these concepts enabled the analysis to view 'traditional constitutional arrangements' and the 'agency concept' as offering different *understandings* of the rules of the game. Within this overarching framework the idea of power dependency leading to the formation of networks could be applied to understanding intra-state relationships. Power dependency was valuable in explaining why networks formed and the concept of policy networks permitted an analysis of how well these relationships worked and how they influenced the policy process.

One criticism of the policy network literature is that the analysis has ignored the importance of Parliament and the symbolism of Parliament in understanding the policy process (Judge, 1993). The theoretical approach above does acknowledge the symbolic importance of Parliament and that parliamentary accountability through ministerial responsibility was a central defining feature for the networks described. The first implication arising from this research is, it is suggested that the above framework could be used to analyse the dependency and networks within and between the 'institutions' of party, Parliament and core executive, to obtain a more iterative and complete analysis of the policy process.

Policy making in the core executive

The second implication arising from this research relates to policy making in the core executive. The analysis here has suggested that intra-state networks played an important role in managing the introduction of changes to the way policy making was conducted. It has argued that close networks resembling policy communities managed tension and introduced change. It has also pointed out the potential for intra-state networks to be self-steering if ministers are not actively involved. These findings should be illuminating for both researchers and policy makers in considering the introduction of other initiatives to improve policy making in the core executive such as attempts to ensure 'joined-up government'.

The implication from this research for 'joined-up government', is to draw attention to the need to promote intra-departmental networks and to ensure formal and informal mechanisms to encourage shared understandings between network members. It suggests that ministers must become actively involved in networks to ensure change and overcome networks' tendency to maintain the status quo. It indicates that analysis of 'joined-up government' initiatives would involve examining the resources exchanged and resulting dependency between departments within the current rules of the game.

Theoretical insights on normative issues of governance

Finally, the thesis has highlighted normative concerns about accountability which stem from both the introduction of agencies into government and from understanding department-agency relationships as bureaucratic networks. It describes the capacity for networks to be self-steering and suggests that the doctrine of ministerial responsibility is a key 'rule of the game' in asserting ministerial control over bureaucratic networks and ensuring accountability to ministers. It has also suggested that there is a need to ensure the accountability of agencies to Parliament. In concluding, this chapter draws attention to the implications of using theoretical insights to consider these normative issues of governance. It is possible to envisage a paradoxical situation whereby measures to

ensure the accountability of agencies to ministers and measures to ensure the accountability of agencies to Parliament are potentially in conflict.

To improve openness and democracy in the policy process it will be important to seek changes which both improve the accountability of agencies to ministers (enabling them to steer policy direction) and which ensures parliamentary ability both to demand an account and to hold to account. It is hoped that consideration of the development of agencies from a historical institutionalist perspective, together with a more theoretically-driven analysis of power relationships between departments and agencies will provide insights into the likelihood of achieving change and direction of change when considering these normative issues.

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APPENDIX 1

The Growth of NSAs in Government

Year	No of Agencies at 31 December each year (1)	No of staff working in Agencies and along Next Steps lines at 1 April each year (2)	Proportion of staff working in Agencies and along Next Steps lines at 1 April each year (%) (2)	Privatisations (3)
1988	3	0	0	
1989	10	5,844	1	
1990	34	155,660	27	
1991	57	206,870	37	
1992	78	291,969	51	
1993	94	340,036	61	
1994	104	339,621	63	1
1995	111	345,342	67	3
1996	131	350,408	71	7
1997	(not shown)	364,563	77	2

Sources and notes

(1) Including HM Customs and Excise and Inland Revenue which are departments operating fully along Next Steps lines.
Source: Hansard, Written Parliamentary Answer, 18 June 1997, col 161.
(2) Source: Hansard, Written Parliamentary Answer, 18 June, 1997, col 161.
(3) Taken from annual Next Steps Reviews (Cm 2750, 1994; Cm 3164, 1996; Cm 3579, 1997; Cm 3889, 1998).