

FABIAN POLICY REPORT

GOING PUBLIC

*The left's new direction for public services,
by Andrew Harrop with Robert Tinker*

ACKNOWLEDGEMENTS

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Going public

The left's new direction for public services



*Andrew Harrop
with Robert Tinker*

SUMMARY

This report is about how public services can ‘go public’ – how they can involve the public in everything they do; how they can deliver value for the public; and how they can embody a special public character and spirit. It presents a positive agenda for the future of public services based on three interlocking principles, which form an alternative to the two core principles of ‘New Public Management’ – top-down control and market reform – adopted by New Labour and by the coalition government. These principles should be applied at every level, from Whitehall down to frontline relationships between citizens and public service employees.

Principle 1: Strong public character

The public character of services (their purpose, ethos and values) should be strengthened in order to embed a clearer understanding of what it is that public services are there to do and how they should go about doing it.

- We propose six maxims that every public service should seek to follow: (1) help people acquire capabilities so they can thrive; (2) serve the collective interests of society; (3) champion equality, dignity and respect; (4) set direction through democratic politics and ‘shared ownership’; (5) act through collaboration; and (6) uphold transparency and probity.
- These maxims bring to life the difference between the public sphere and the free market. Achieving them is an ongoing and stretching objective and not all public bodies exemplify them today.

- Independent non-profit organisations can have public character if they are committed to the six maxims – including a commitment to democratic control and ‘shared ownership’ (ie where citizens, employees, stakeholders and politicians all have a say). This is a key dividing line between public interest institutions and private enterprise.

- To bring these maxims to life, politicians should adopt a new ‘statecraft’ centred on building enduring, values-rich institutions, rather than seeking to manipulate providers with sticks and carrots, through markets or by top-down control.

- Strong public character is hard to reconcile with the extensive use of markets and for-profit providers. Intensive market forces lead to short-termism, fragmentation, unfair ‘gaming’ and a narrow focus on specified targets. Companies will always struggle to be public interest institutions because of their competing commitment to profit and only a thin version of public character can be imposed through contracts.

- If carefully managed and constrained, market mechanisms and commercial involvement can sometimes bring innovation, performance and value. But they should not dominate a public service, as seen in the whole-system outsourcing of the Work Programme. Instead companies should bring specialist technical capacity through smaller, more ‘operational’ contracts within a framework of strong public interest institutions.

- Public bodies should consider public character in deciding both whether and how to commission services; and they should explore non-market models for partnerships with independent non-profit institutions dedicated to the public interest. There may also be a case for barring for-profit providers from frontline delivery in more public service sectors, for example major NHS services – following the example of schools, social housing and adoption services.

Principle 2: Trust and empowerment

Trust and power should be spread downwards and outwards to citizens, employees, public service institutions and sub-national government. Each level, from Whitehall to the frontline employee, needs power and a commitment to empower others, with citizens and employees playing a part in decision making at every level.

- National government has an important role but it should lead through two-way dialogue and by founding or repurposing autonomous institutions. Ministers should lead the response to long-term strategic challenges and set a limited number of national guarantees, entitlements and service improvement priorities.

- Each layer, from Whitehall to frontline services, should have matching functional responsibilities (eg for strategy, performance, professional practice and transparency) but should only use them for tasks that cannot be performed at a lower level – a ‘Russian Doll’ model of public administration.

- Service providers should seek to create equal frontline relationships with citizens and involve users in the design, planning and evaluation of their work. Citizen choice should be strongly encouraged within institutions; but

choice between institutions should be carefully managed to prevent market forces undermining the public character of a service.

- ‘Do It Yourself’ service models bring risks, so when citizens want direct control of services they should be able to opt for co-operative styles of governance which create user power within the context of public interest institutions. The widespread use of personal budgets should be avoided (providing cash to meet needs in the market implies a public service is not needed).

- ‘People power’ depends on motivated, empowered employees who are committed to improving the citizen’s experience of service transactions and relationships. High performance, innovation and strong public character is also dependent on employee power since most public service roles require practice, adaptation and judgement. Public services should therefore focus on employees’ long-term vocational development, ahead of task-focused management.

- Services should be partly self-governing (with a blend of national, local and institutional priorities). This creates the space needed for services to embody ‘shared ownership’, with deliberative decision making involving citizens, employees and other stakeholders. It also means they can be adaptive, self-improving organisations with the autonomy to collaborate in flexible local networks. This approach is necessary for services to work together to offer personalised and seamless support to citizens, at the earliest possible moment.



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- Local layers of government need the power to: (1) deliver ‘whole-place strategy’, by steering the priorities of all local services and driving collaboration; and (2) improve performance and value, by providing scrutiny, support and challenge to services.
- Elected local government should be the ‘ringmaster’ for public services in each community and unelected regional or sub-regional quangos should be replaced by elected administrations. Elected authorities should play a role in commissioning adult skills and health-care (through Health and Wellbeing Boards); and those authorities which are willing and able could take over other services, like welfare to work and probation.

Principle 3: Performance and value

The scale of the coalition’s public service cuts are politically motivated and unnecessary: implementation of George Osborne’s post-2015 spending plans will leave many services facing collapse. But, even if there is a change of government at next year’s election and a deviation from the current cuts plan, service budgets will be very tight in the next parliament. And over the long term, rising demand and costs will create pressures, even if annual budget increases match or exceed growth in GDP once the deficit is closed. So a permanent commitment to better performance and value is essential.

- Seeking performance and value does not mean a ‘race to the bottom’ through short-termist cuts to service entitlements, capital investment or employee terms and conditions. Instead, improved performance and value should be pursued by (1) raising measured performance; (2) restraining the costs of supplying services; and (3) thinking about demand.

- These strands should be considered together and are all underpinned by the same cross-cutting themes: a focus on outcomes not activities; long-termism; a whole-place approach; transparency and good use of data; and the promotion of innovation and learning. Focusing on performance, supply costs and demand can prompt incremental improvement; or it may lead to very significant change where public services carry out new tasks or act in new ways (eg shifting to early intervention; joining up services around people; supporting community self-help).
- Seeking performance and value and strengthening services’ public character should be mutually reinforcing. The search for performance and value is fundamental to public character, because public services are stewards of taxpayers’ money. But high performance must also be defined in a way that links to the public purpose of each service.
- Markets and for-profit providers are not essential for improving performance and value. For example, many of the public service savings made in recent years have involved reducing management costs or better integration across organisations. Outsourcing often fails to improve performance and value once the ‘whole life’ costs are taken into account.
- Performance and value is also compatible with our second principle, trust and empowerment, because once services have reached an acceptable standard, innovation and improvement is often generated bottom-up. The government’s main task should therefore be to support public services to establish their own arrangements for performance and value.

PRINCIPLES INTO PRACTICE: RECOMMENDATIONS TO AN INCOMING 2015 GOVERNMENT

1. Publish a white paper within 100 days of coming to office, setting out the new approach to public services.

Strong public character

2. In the white paper, renounce the coalition’s ‘open public services’ agenda and launch a conversation within the public services about the nature of their public character.
3. To put the outcomes of the conversation about public character into practice:
 - Support each public service to develop a ‘constitution’ along the lines of the NHS constitution setting out its public purpose, values and key promises to citizens.
 - Encourage each local service to lead its own conversations with stakeholders about its public purpose and accountability.
 - Publish a public service ‘code’ specifying what is expected from independent public service providers, including binding stipulations regarding freedom of information and employment standards.
 - Develop a memorable set of employee standards for everyone working in public services.
 - Carry out a review of governance arrangements in public services with a view to establishing more participative processes and models.

4. Bar the outsourcing of whole public service systems in areas like health, education, probation and welfare to work.
5. Consider legislating to exclude for-profit organisations from the front-line delivery of more public services, for example major NHS services – or at least create a presumption in favour of delivery by public interest institutions. In these restricted sectors independent providers would need to be non-profit and also meet a public character test (this would lead to the reform or closure of some free schools).
6. Promote non-market partnership models that enable public services to develop long-term relationships with independent non-profit institutions dedicated to the public interest.
7. Review the working of citizen choice across each public service over the course of the next parliament (eg the fairness of admissions policies for religiously selective schools).

Trust and empowerment

8. Found public service leadership councils for each public service at national and local level, including public service leaders and representatives of citizens and employees.
9. Design audit, regulation and service improvement arrangements to focus on the perspectives, experiences and contributions of citizens and employees.
10. Create a mechanism to give citizens and stakeholders the power to estab-

lish co-operative styles of governance within individual public services, providing they remain strong public interest institutions which cannot be subsequently privatised.

11. Support employees in all public service occupations to found autonomous national professional institutions, where they do not already exist, to define professional practice and support learning.
12. Encourage public services to work with trade unions to improve working conditions, job design and opportunities for employee learning, innovation and progression, and negotiate fair remuneration that sustains the quality of the public service workforce over time (including a living wage for all public service employees).
13. Establish elected authorities for city and county regions and consider other ways to improve the local democratic control of services.
14. Designate in law that councils are the ‘ringmasters’ for all public services in their community and create a duty for all local services to collaborate with them.
15. Transfer responsibility for commissioning health and social care (to council-led Health and Wellbeing Boards) and adult skills (to councils or to elected authorities for city or county regions). Also establish a simple process for individual councils or sub-regional authorities to take over the commissioning of other public services, like welfare to work or probation.

Performance and value

16. Establish a new light-touch framework of national standards, improvement priorities and data requirements.
17. Mandate local authorities to establish scrutiny committees covering all public services operating in their locality.
18. Create a new right for citizens or employees to trigger an early inspection or local scrutiny of any public service when they have concerns about its performance or ethos.
19. Establish new decentralised machinery for support on service improvement:
 - Remove most improvement functions from inspectorates and regulators (national inspections by organisations like Ofsted would assess compliance with minimum standards).
 - Designate a sub-national tier of government to provide local support and challenge to each public service, with accountability to elected politicians.
 - Encourage public services to establish their own independent sectoral improvement agencies dedicated to performance and value.
 - Establish a new national institution to coordinate and hold to account these improvement support arrangements, such as an Office for Public Performance, operating at arms length from ministers.

INTRODUCTION

Since Labour lost power in 2010, the left has turned away from the key precepts of public service reform as practised by the Blair/Brown governments in England. The twin axioms of the New Labour period – top-down control and the marketisation of public services – are widely seen to have reached their limits. Labour is over its love affair with what is known as ‘New Public Management’.

Instead, over the last five years the Labour party has opposed the market excesses of the coalition’s ‘open public services’ agenda; a programme which has led to ‘any qualified provider’ in the NHS, free schools and academy chains in education and the whole-system outsourcing of probation and welfare to work. And all the political parties have criticised the excesses of centralism practiced by New Labour – the hundreds of targets, performance indicators, plans and ringfenced budgets – although in practice this has done little to stop heavy-handed intervention by coalition ministers.

But the left has been better at saying what it is against than what it is for. So what is the alternative to centralism and market mania? This report shows that it is for public services to ‘go public’ – by involving the public in everything they do; by delivering better value for the public; and by embodying a special public character and spirit. This is a positive agenda for reform, centred on empowerment and the public character of services. We show how this break from New Public Management is possible even in the context of today’s financial pressures and continuing demand for the highest possible standards.

In place of New Labour’s twin dogmas of markets and top-down control, the

left today must embrace three interlocking principles for reform: strong public character; trust and empowerment; and performance and value. Each of these three principles should inform public services from top to bottom – from the policymaking of national government right down to the individual encounters between citizens and public service employees. They should steer the reform of users’ interactions with services; the professional development of employees; the priorities of individual institutions; the relationships between local providers; and the role of national and sub-national government.

This report is the second of three Fabian Society studies looking at the future of government after 2015. It follows on from *2030 Vision*, the final report of the Fabian Commission on Future Spending Choices, published in 2013, which charted an overall approach to spending and made recommendations on expenditure levels and priority areas. This report goes down a level, to look at how public services should serve citizens, whatever the spending environment and expenditure allocations. The third report will look at social security and inequality, although we acknowledge there is an important relationship between public services and cash transfers – they often pursue similar objectives and can sometimes be substitutes for each other.

The aim of the study has been to synthesise and ‘umpire’ many of the current debates over the future of public services. As such we have drawn together a wide range of important but fragmented thinking from public service practitioners, think tanks, academics, NGOs and trade unions in an attempt to provide the left a clear roadmap for the future of public services.

The evidence and expertise assembled for the Fabian Commission on Future Spending Choices has provided a particularly important source of ideas. We have also benefited from previous work by other think tanks including IPPR, Demos and the RSA; and also from the thinking of various camps within the left, especially the trade union movement, the co-operative movement, Labour local government and the Blue Labour grouping.

The remit of this report is public services in England – although our proposals would also directly affect the future of services in Wales and Scotland for which Westminster is still responsible, such as Jobcentre Plus. Beyond that, we hope the three principles we argue for will be of interest in all quarters of the United Kingdom and beyond.



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1. STRONG PUBLIC CHARACTER

The first principle for our new agenda for public services is to strengthen the public character of services. Public character is the purpose, ethos and set of values that should set services funded and organised by government apart from the market. It is intrinsic to the success of public services, because public character defines what it is that services are there to achieve and how they should go about achieving it.

Yet in many ways this is the hardest of our three principles to write about. For 20

years the Labour party was pulled along in the wake of a neoliberal version of statecraft that had no real conception of a public sphere distinct from the market. Social democrats are just beginning to sketch out an alternative and our research has revealed very little recent analysis of what public character is or why it matters. Terms like ‘public ethos’ are widely used but rarely defined. And this leaves the way open to voices on the right, who imply that claims regarding public character are

BOX 1: NEW LABOUR AND NEW PUBLIC MANAGEMENT

New Public Management is a cluster of ideas about how to reshape public services, which emerged from the late 1970s alongside neoliberal economics. Some of its constituent parts remain controversial while others have entered the mainstream and now seem unremarkable. Key elements of NPM include:¹

- **Market features:** privatisation, the separation of provision and production, contracting out, competition, user charges, vouchers.
- **Top-down control:** performance measurement and accountability, improved financial management and accounting, strategic planning and management, change management.
- **Other features:** a strong customer orientation, employee incentives, freedom for leaders to manage, separation of politics and administration, decentralisation, use of information technology.

The 1997–2010 Labour government will always be associated with these approaches (although it firmly resisted vouchers and user charges in most public services, except for higher education). Towards the end of Tony Blair’s premiership his strategy unit described four elements to the government’s model of public service reform: market incentives to improve efficiency and quality; top-down performance management; users shaping the service from below; and increasing capability and capacity.² This shows that by the mid-2000s, Labour understood the critical role of resources and professional capacity and had a broadening concept of citizen power (including ‘voice’ as well as ‘choice’). Under Gordon Brown there was a significant shift away from an emphasis on markets. The 2008 White Paper *Excellence and Fairness* emphasised three key dimensions: empowering citizens; fostering a new professionalism; strong strategic leadership. The white paper is an important starting point for an incoming 2015 government.³

just waffle or special pleading by vested interests.⁴ As a result the left is intellectually ill-equipped to make a principled case against policies such as for-profit schools, ‘any qualified provider’ healthcare and whole-system privatisations.

Nevertheless, most people in Britain clearly recognise the existence of public character. For example, Fabian research conducted in 2012 found that almost four times as many people were convinced as unconvinced by the statement: ‘*services like health and education should not be run as businesses. They depend on the values and ethos of the public good.*’⁵ Many of the anxieties people have regarding the centralisation and marketisation of services turn on the question of public character. Sometimes market reforms may deliver in terms of narrow results (though this is by no means always the case – for example the evidence on the NHS market reforms of the 2000s is inconclusive).⁶ But even when this happens something else is often lost, which may be unmeasurable in the short term. The idea of public character captures the fact that services have broader purposes that go beyond their narrow remit – and that the way in which they work matters to their long term success.

The six maxims of public character

To see what we mean, you need to get into the specifics. In our work we have identified six key dimensions to public character – so we propose six maxims that every public service should always seek to follow:

1. Help people acquire capabilities to lead lives they value
2. Serve the collective interests of society
3. Champion equality, dignity and respect
4. Set direction through democratic politics and ‘shared ownership’
5. Act through collaboration
6. Uphold transparency and probity

FIGURE 1: The six maxims of public character: descriptors comparing a strong public character with a free-market orientation

<p>1. Help people acquire capabilities so they can thrive <i>Example: Schools support young people to become resilient, capable citizens; services for people with disability or long-term illness seek to help them lead good lives and have control.</i></p> <p>This goal is derived from international theory and practice relating to the role of government in advancing human capabilities and substantive freedoms. The 2007 Equalities Review proposed lists of central and valuable capabilities for adults and children in the UK.⁸</p>	
<p>The aim is to develop people’s ability to lead productive, healthy and fulfilling lives, with capability, power and resilience (rooted in internationally-recognised human rights principles)</p> <p>An ethic of care, protection and empowerment</p> <p>Focus on outcomes for people’s lives</p> <p>Citizen participation, empowerment and partnership is an intrinsic goal of services</p>	<p>The aim is to maximise consumption and profit, by shaping and meeting consumer preferences. Neutral as to whether activities grow people’s ability to lead valuable lives – or cause harm</p> <p>An ethic of customer satisfaction and profit</p> <p>Focus on monetised transactions and easily measurable results</p> <p>A model of market choice and passive consumption. Shared endeavour hard to achieve in commercial context</p>
<p>2. Serve the collective interests of society <i>Example: Immunising children or widening access to post-16 education benefits the whole of society. Children’s Centres for under-5s aim to improve adult life chances many decades into the future.</i></p>	
<p>Ultimate aim is to serve the collective interests of society</p> <p>A relationship with the whole community. Using services is a collective experience; the service may be a ‘public good’ (non-rivalrous, non-excludable)</p> <p>Intrinsic concern for the social, economic and environmental impacts on the community they serve (including employment and supply chain practices)</p> <p>Seek to build a strong community, creating social bonds, shared identity and community affiliation</p> <p>A sense of permanence, with a long-term perspective. Institutions are longstanding parts of communities</p>	<p>May have a commitment to serving society but other motivations distract (eg rewards for shareholders, contract compliance)</p> <p>Relationship with individual consumers not communities collectively</p> <p>Impacts are ‘externalities’ not reflected in costs. Some companies are committed to good corporate citizenship, others act only in response to regulation or customer pressure.</p> <p>Relationships between service users and community bonds are rarely relevant</p> <p>Shorter-term perspective focused on the term of a contract or relationships with present customers. A churn of providers is intrinsic to effective competition</p>
<p>3. Champion equality, dignity and respect <i>Example: The NHS is free at the point of need. The school admissions code and the pupil premium are intended to help maximise opportunity for children from poor backgrounds.</i></p>	
<p>Universal access – available to all as a democratic right</p> <p>Free or affordable to everyone</p> <p>Services uphold fair access and seek the best for every citizen</p> <p>Seek to equalise opportunity by explicitly favouring disadvantaged groups (on grounds of low income, gender, race, disability, age etc)</p> <p>Dignity, respect and empowerment should define the user experience and be core to the public service ethic (underpinned by human rights principles)</p>	<p>Not for everyone. Services are free to exclude people (save for discrimination laws)</p> <p>Pricing based on profit maximisation not affordability. Competitive forces undermine socially motivated cross-subsidies</p> <p>‘Gaming’, lawful discrimination, and cherry picking to maximise profit (unless restricted through contract design and scrutiny)</p> <p>No expectation that disadvantaged groups will be favoured – may be subject to discrimination</p> <p>Companies aim for high customer satisfaction and repeat business. Many have strong customer service cultures but in the context of public services commissioners not citizens are often the true ‘customer’</p>

4. Set direction through democratic leadership and shared ownership

Example: Tenants control or steer the management of many social housing estates. Politicians channel public concerns and change services priorities.

Accountable to citizens – ultimately the public can change leadership and direction

Direction set by democratically elected politicians. Flexible to changing priorities

Wide-ranging scrutiny by politicians on behalf of citizens

Ownership 'shared' between stakeholders – both in spirit and in formal governance arrangements

Citizens feel ownership and belonging (making participation & joint endeavour in the service relationship possible)

Accountable to shareholders

Politicians create framework in which firms operate. May be difficult to achieve change during a commercial relationship

Legalistic scrutiny of regulatory and contract compliance

Ownership by shareholders, creating barriers to broad stakeholder participation

Strong psychological affinity harder to achieve (less motivated to participate or take responsibility)

5. Act through collaboration

Example: All the agencies working with vulnerable children need to collaborate to prevent harm and provide joined-up, tailored support that fits into families' lives.

Seek to contribute to a broad range of goals, defined holistically from the perspective of the citizen or community

Work autonomously with other agencies in networks of collaboration and partnership

Work alongside, facilitate and make use of citizens' networks of affinity and support

Narrow, specific remit (possibly only dealing with one part of an issue). Financial incentive to achieve results by freeriding on others' effort and costs

Contractual relationships and competition restrain flexibility and collaboration

An individual relationship with a customer, with little attention to their broader networks

6. Uphold transparency and probity

Example: Public services provide performance data for 'league tables' and publish information on request under the Freedom of Information Act.

Taxpayers' money – so an obligation to high standards of openness and probity

Decisions are made in the open (public meetings, published minutes etc)

Information and data proactively published

Responsive to requests for information

Money generated by sales – so openness and probity only necessary to the extent required by contract and law

Decisions made in private and commercially confidential

Publication only as required by law and contract

No obligations under the Freedom of Information Act

These features are essential to successful public service. But a provider could deliver the narrow objectives of a service – say exam results, homecare visits or job placements – while ignoring all of them (at least for a while). This is why strengthening public character needs to be a freestanding principle for the left’s agenda for public services – the six maxims should form the bedrock for specific goals for each service. They complement and inform the search for ‘performance and value’, our third principle, guiding the way in which this can be achieved. They also overlap with our second principle of ‘trust and empowerment’, which is fundamental to several of our six maxims; we treat it as a separate principle because it is such an important organising force in its own right.

Figure 1 brings to life the six maxims, describing in each case the features of strong public character and comparing them to the common characteristics of free markets. In this granular detail it becomes very clear why public character matters so much and the nature of the risks arising from an excessive orientation towards markets. There is some scope for private sector participation in public services but unless this is carefully managed and constrained by contract design and market regulation, public services will veer towards the free market characteristics we identify. The greater the market forces and commercial involvement, the higher the risks.

Our analysis is also helpful in thinking about what constitutes a public service. The more our six maxims matter, the more appropriate it is to treat an activity as belonging to the public sphere rather than the market. The maxims help flesh out rather woolly terms like ‘public interest’ and ‘common good’. They offer an alternative to a more economic approach where public services are defined as responses to market failures (what economists call ‘merit goods’ and ‘public goods’).⁷ While this approach can provide useful insights, it also views the public realm from a market standpoint,

rather than as a freestanding area of activity rooted in democracy and human rights. The market failure perspective conceptualises public provision as a ‘deficit’ that can be overcome; our six maxims of public character show how public services are a separate, positive sphere of human activity.

The six maxims now need to be brought to life for citizens and public service employees.

The six maxims now need to be brought to life for citizens and public service employees. The next government should take ownership of this process and develop a user-friendly conception of public character by publishing a 2015 white paper setting out its vision for public service. Then within each service there should be open debate about how to translate the government’s vision and our six maxims into practical reality in its own context. As part of this government and the public services should collectively develop pithy descriptions of what public character looks and feels like at grassroots level. They should also explore when and whether any of the features of public character can be translated into quantifiable measures, so that performance can be tracked in a way that embraces a broad sense of the purpose of public services (see chapter 3).

Public interest institutions and shared ownership

Fully achieving these six maxims is very demanding. Many public services fall well short of them, which is why strengthening public character is a key priority for service improvement. Strong public character should be an ongoing and stretching objective, just like our third principle, ‘performance and value’.

So public character is not the same as public ownership: it is the qualities which services exhibit not their legal structures that matter. Public bodies may have little public character, if they are distant, unresponsive bureaucracies or if they are expected to operate through market relationships. On the other hand, organisations which are not formally part of government can display strong public character – although they need not. Examples include housing associations, universities, co-operatives, charities, GP practices and other employee mutuals. What matters is the extent that an organisation can achieve our six maxims.

For this reason we do not dwell on the traditional idea of ‘public ownership’ but instead see ‘shared ownership’ as a key dividing line. By this we mean that providers and wider public service networks should be infused with a spirit of stakeholder participation and democratic accountability. This should already be a core value for public bodies, although that has not always been the case historically – for example where ministerial command has trampled on broader, more inclusive versions of public accountability. Meanwhile in the case of non-government bodies, the idea of shared ownership provides a (fuzzy) demarcation between collectively-run public interest organisations and autonomous private enterprise.

Bringing all six maxims to life demands strong public interest institutions, with clear values, vocation and collective leadership. Institutions are more than legal entities because they shape group norms and relationships – so they act as vessels for intangible qualities such as strong public character. And in institutions, improvement, innovation and adaptation can be intrinsic, internal processes – not just reactions to outside forces – so that the values and culture of each organisation helps shape its own future.

Strong institutions should be places of constant dialogue, adaptation and self-generating innovation which means

they should embody 'shared ownership' – where citizens, employees, elected politicians and other stakeholders all feel they have a stake and take part in deliberative decision making. Shared ownership is partly about psychology. It arises when citizens, employees and all other stakeholders feel and behave as if they own the service: they have a sense of belonging and control. But it also requires a style of governance, where the public interest is identified through inclusive democratic and participative forms of decision making.

There are important lessons in all this for politicians. The search for strong public

character implies a new statecraft based on institution building, in place of top-down central delivery or the creation of time-limited market relationships.¹⁰ Providers should not be treated as snooker balls that can be mechanistically manipulated. Instead, a more organic statecraft is needed that dwells on the internal qualities of good public interest institutions. The aim of politics becomes to found, steer and strengthen autonomous and enduring institutions with strong shared ownership. This means creating conditions in which institutions thrive and achieve for themselves, taking responsibility for their own direction and innovation. This is a key dimension of our

second principle for public services, 'trust and empowerment'.

The central place of public character, strong institutions and shared ownership means that *who* provides a service matters much more than New Labour was prepared to concede. This represents a serious challenge to the role of markets and profit in public service. Providers cannot just be compared narrowly on the basis of performance and value, since this misses a vital dimension of what public services are about: the public character and institutional qualities of providers need to be considered too. Indeed, the very process of chopping and changing between providers in the name of competition could undermine public character, since being rooted, permanent and 'owned' are such important ingredients for success (although a rigorous approach to measurement and transparency is essential to prevent complacency, financial inefficiency or coasting performance where institutions are permanent).

Markets and profit

Public services which are dominated by for-profit providers or highly marketised relationships will struggle to display public character, strong institutional qualities or shared ownership. Limited commercial participation in public services is not fatal for public character, but rampant free market forces are, as we can see in Figure 1. The greater the role of market mechanisms and for-profit providers, the greater the effort needed to regulate markets and design contracts to protect public character. Ultimately the contradictions can prove too great: today attempts to combine the extension of marketisation with public character have run out of road and public services now need to row back on the use of markets and commercial providers.

This is not to say that there aren't any companies with strong and decent values or an internal ethic and culture that has some flavour of public character. Good companies

BOX 2: FEATURES OF STRONG INSTITUTIONS⁹

- **Values and norms:** Institutions shape and are shaped by the thoughts, feelings and actions of their people. They are home to their own implicit rules with respect to norms, ethics and behaviours. Public interest institutions therefore play a vital role in creating and growing dimensions of strong public character, such as an ethic of care, protection and empowerment.
- **Affiliation:** Institutions create affection and loyalty. They become part of the fabric of our lives, providing meaning and ritual, which are both important in themselves and create the context in which service interactions occur. This changes the relationships that take place, fostering the conditions for shared effort and responsibility.
- **Permanence:** The enduring nature of institutions, not only fosters affiliation but creates the potential for a long-termist perspective. For em-

ployees, this helps to promote a focus on deeper relationships with citizens, makes them more engaged with their work and more likely to take personal responsibility for improvement.

- **Heterogeneity:** An institution's past, its environment and its people all shape its character. Public interest institutions are not identikit agents of state delivery, and therefore uniform interventions will have different effects on each of them. They should shape their own future rather than simply react to outside forces.
- **Multiple purposes, stakeholders and lines of accountability:** Public service institutions have formal goals and lines of accountability; but they also have complex and wide-ranging stakeholders (with varying degrees of formal and informal power and influence) who steer the *de facto* purposes and aims of the organisation. Openness and accountability are needed to prevent other features of institutions (values and norms; affiliation; permanence) leading to an insular, defensive or self-serving institutional culture.

are motivated by much more than shareholder value; indeed their norms and values are often shaped by government leadership, as in the case of the genuine commitment of many British companies to reducing carbon emissions. But commitment to the public interest cannot be taken for granted since both market incentives and the profit motive pull in the other direction. It may be down to the passion and leadership of a single individual who will not be there forever; and it is also next to impossible to enforce by contract.

Nevertheless, we do not advocate the complete dismantling of market mechanisms or commercial involvement in public services: if carefully managed and constrained both may bring a pluralism and expertise that engenders innovation, performance and value. Indeed, private operators have always played a role in a public service delivery. Strong public character can still be achieved, as long as the use of market mechanisms and for-profit providers does not dominate a whole system. On the other hand, policy makers should be particularly cautious about marketisation where (1) close personal relationships and joint endeavour with the citizen is involved; (2) complex collaboration across service boundaries is needed; or (3) a major system-wide transfer of risk and control is envisaged. In these instances in-house provision or a less marketised relationship, perhaps with non-profit providers, is likely to be less problematic.

The coalition's outsourcing of welfare to work and probation services disregarded all three of these warning signals, so represent an important case study. Both examples should be considered as privatisations, along the lines of rail franchising, rather than traditional outsourcing, because the contracts cover a whole system over a long period and public sector incumbents were not permitted to bid. They are based on 'payment by results' contracts, with providers freed from detailed stipulations to allow for innovation. These features were

introduced to correct the perceived failings of previous outsourcing regimes.

In another example of whole-system outsourcing, individual clinical commissioning groups in Staffordshire and Cambridgeshire are outsourcing complete service pathways (for cancer and frail older people respectively). In these cases public as well as independent providers have been invited to bid and if the private providers win they will almost certainly need to rely on NHS organisations to deliver many services. However, these examples still raise many concerns because strategic responsibility for designing and coordinating services is being transferred from the responsible public body to a third party via a narrow, transactional relationship.

In the case of the Work Programme the structure of the contract has meant that only very large, well-capitalised firms have been able to participate.¹¹ Supplier diversity has declined and the main providers include large firms who have recently failed to deliver other public service contracts or had been found to have committed fraud.¹² The providers have also been accused of gaming the system, by ignoring hard-to-help users like disabled people.¹³ And local authorities complain that the companies fail to understand local labour markets, collaborate with other agencies or achieve the success that councils think they could with the same resources.

This failure of industrial-scale payment by results should mark the end of the road

BOX 3: RISKS ARISING FROM MARKET RELATIONSHIPS AND FOR-PROFIT PROVIDERS

The threats from marketised relations and from for-profit providers are distinct but they overlap.

Market relationships: public service markets often lead to a narrow focus on specified, measurable results leading to services 'hitting the target but missing the point'. This means that elements of public character which are hard to specify or measure are likely to be sidelined and there is a risk of 'gaming' and other forms of unfair treatment. In addition, where a market relationship is time limited, services can tend to a short term perspective which is inconsistent with being a strong enduring institution. The fragmentation and competitiveness of market relationships is also likely to undermine the potential for collaboration between organisations. This can affect public bodies and non-profit agencies as much as companies: for example an excessive emphasis on consumer choice can lead to local schools treating each other as rivals not partners; meanwhile

non-profit organisations often say they would prefer long-term strategic relationships with commissioners where needs and solutions are identified in collaboration, rather than narrow contracting relationships.

For-profit companies: only a thin veneer of 'publicness' can be imposed by contract so strong public character should ideally be part of a provider's own organisational DNA. This is much harder for companies because: they have a competing commitment to generate profit for shareholders; their default is commercial confidentiality rather than openness; and their legal accountability to shareholders and commissioners is a major obstacle to creating shared ownership (either in spirit or in formal governance terms). Additionally, where citizens know that providers are seeking profits this may taint the nature of relationships, undermining the potential for shared endeavour and strong affiliation between the service and community. In sum, it is hard for profit-making companies to become strong public interest institutions.

in a 20 year journey towards markets in public services. On one level, the shift to larger, longer-term contracts was rational and well-motivated; but an attempt to correct one set of failures has created even greater ones. The task now is to use the concept of strong public character to forge a different path, with a more limited, smaller-scale role for the market. For-profit companies still have an important role to

play in delivering public services, for example by providing specialist technical capacity or tightly-specified delivery functions. But they must operate within a framework of strong institutions that exemplify public character and shared ownership. This still leaves many opportunities for companies to add value, but it creates a presumption against big public service markets or for-profit providers playing a system-wide role.

BOX 4: NON-PROFIT SERVICE PROVIDERS

In considering the role of independent providers government and public bodies should think separately about the place of non-profit partners (in all their diversity). Non-state organisations with strong public character (including charities, housing associations, universities, employee mutuals and co-operatives) are often likely to be more suitable providers than private companies. Outsourcing specifications should be designed to give them a strong chance, using the social value approach. On a national level, government could consider when and how to restrict service provision only to state and non-profit providers, as happens today with schools, social housing and adoption. Alternatively, public and non-profit providers with strong public character might be treated as 'preferred providers', for example in the delivery of major NHS services, with commercial providers only being used where it could be shown that public interest institutions were unable to deliver.

Achieving this 'pluralism with public character' means resolving how to lawfully create commissioning arrangements where organisations with public character either have priority or exclusive access. It would also mean developing an operational test to assess the extent to which non-profit bodies display aspects of public character like

a commitment to equality, collaboration and shared ownership (not distributing profits is not a sufficient criterion on its own, as demonstrated in the case of some free schools). And finally public bodies need to identify how to give responsibilities to non-profit providers in a way that protects assets and avoids the risk of future privatisation, an approach pioneered by the co-operative councils movement and highlighted in guidance on mutuals and co-operatives developed by the TUC and Co-operatives UK.¹⁴

Co-operative councils have also shown how public bodies can abandon traditional commissioning relationships based on private sector procurement. Public bodies should consider when to see non-profit organisations as embedded public interest institutions, which can be treated as partners in identifying needs, developing new solutions, sharing assets, collaborating in joined-up service delivery, and helping to empower and support communities to meet their own needs. This approach informed the recent 'declaration of interdependence' on children's services signed by 23 charities, the TUC, Unite and Unison.¹⁵

So far the Labour party has hardly begun to think through how to develop a new partnership with the non-profit sector. A period of dialogue is now needed, to enable non-profit providers to help contribute to the next government's new agenda for public services.

There are alternative models which offer more positive examples of the place of business in public services. Transport for London (TfL) is one case (although some of its commercial relationships are not beyond criticism). Over the last ten years TfL has built an excellent reputation as an innovative, customer-focused transport provider. The organisation is a strong public institution with clear social purpose, strong relationships with service users and democratic governance. It is part of the Greater London Authority group, answerable to the Mayor of London, and oversees a mixed economy of provision. This includes London Underground, which is publicly operated (including maintenance, which was brought in house following high-profile failures by contractors). Other activities are carried out by private companies, including the operation of buses, the creation of the highly successful London Overground and the implementation of the Oyster payment system. Unions point out that TfL relies on price-based competition which can undermine service standards and workforce conditions, but its outsourcing is still very different from rail franchising or the bus market outside London. Critically it is TfL that carries the revenue risk, specifies the services, coordinates the supply chain and 'owns' the relationship with customers. Private contractors operate under highly 'operational' contracts, with responsibility for strategy remaining with the public sector.

So private sector involvement can continue, but the status quo cannot. A commitment to strong public character means rejecting the coalition government's 'open public services' agenda of 'no default' in frontline provision, whole-system privatisation and government acting simply as market maker. Specifically we think the next government should bring an end to huge outsourcing contracts which effectively privatise whole public services, as with the Work Programme and probation reforms. NHS commissioning based on competition from 'any qualified provider' should

be replaced with a presumption in favour of public interest institutions delivering services. For-profit providers should only be commissioned where public or non-profit organisations are unable to meet specified needs. Finally, in education the next government should refuse to entertain proposals for profit-making schools or school chains; or for vouchers to create competition with private schools.

In other areas of public service, analysis and debate will be needed to judge when and how markets and businesses should be used. The next government should lead this process and develop national principles, but often it will be down to local tiers to make sensible judgements based on local circumstances. In place of 'open public services' a questioning and nuanced approach to markets and the private sector is needed, with policymakers ready to ask questions like: will a market relationship or a commercial provider really serve the public interest, all things considered? Will the whole system exhibit strong public character, with strong public interest institutions and shared ownership? Is the

involvement of independent providers being designed in a way that maximises the opportunities for organisations with strong 'public character' to take part?

Public bodies need to ask themselves first *whether* they should create a market relationship and then (if relevant) *how* they should do it. In thinking about 'how' public bodies can make use of the new duty to consider 'social value' in commissioning services (ie the economic, social and environmental wellbeing of the area) following the example of councils like Oldham and Lambeth.¹⁶ As part of this duty, commissioners could seek to build the capacity of providers like small non-profits and mutuals with strong public character (as long as they can also offer good performance and value). They should also consider how the size, duration and capital requirements of contracts will impact on the nature of the organisations likely to win work. And they might use 'social requirement' provisions within EU procurement law to introduce broad public interest stipulations into the tendering process.

A public interest institution?

To sum up, an institution with strong public character must pass the ten tests of this checklist:

1. *Goals:* Does it embrace broad goals – to help people thrive and to serve society?
2. *Values:* Does it champion equality, dignity, transparency and probity?
3. *Citizens:* Does it create equal relationships with its service users, giving them choice, control and responsibility in its interactions with them?
4. *Employees:* Does it create trust and power for its employees, so they can autonomously serve citizens and develop in their vocation?
5. *Performance:* Does it dedicate itself to improving performance and value-for-money, by continuing to achieve more, restrain costs, and actively consider patterns of demand?
6. *An institution:* Is it an enduring institution with strong identity, values and relationships?
7. *Shared ownership:* Is it partly self-governing, setting priorities through shared decision making involving citizens, employees and service leaders?
8. *Democratic ownership:* Is it partly led by democratic politics, responding to local and national political priorities?
9. *Collaboration:* Does it achieving success through collaboration with partner institutions?
10. *Control of suppliers:* When it uses third party suppliers, does it still lead the relationship with its service users and ensure that all the elements in this checklist are achieved?



2. TRUST AND EMPOWERMENT

Our second principle for public services is ‘trust and empowerment’. This encompasses a cluster of ideas relating to citizen control and participation, employee empowerment, frontline institutional autonomy and collaboration, and the devolution of power from central government. The principle is summed up by the phrase ‘letting go’ – the title of a 2012 Fabian pamphlet by Jon Wilson.

Trust and empowerment should be a guiding principle at each level, from Whitehall to frontline service relationships. At any tier, the aim should be to spread trust and power downwards (to the level below) and outwards (to citizens and stakeholders). The only condition should be that each successive tier should also be committed to sharing power in this same way too.

Devolving power is not a new idea – although under both New Labour and

the coalition it has been talked about much more than practised. However, our approach contrasts with many examples of devolution seen today. First, we stress that each tier that acquires power should also have a responsibility to spread it. This contrasts to the recent devolution of power to clinical commissioning groups and academy schools, which have few responsibilities for engaging downwards. The last Labour government coined the ugly phrase ‘double devolution’ to describe this characteristic: each level needs both power and a commitment to empower those below.

Second, we envisage a continuing role for each layer – power should not bypass one group to be handed to another: empowering citizens should not mean stripping professional autonomy and judgement from employees; and autonomy for

individual schools should go hand in hand with council power with respect to school improvement, collaboration and fair access. This continuing role for each layer must go with a spirit of engagement and partnership, so that at each layer decision makers reach out to involve citizens, employees and other stakeholders.

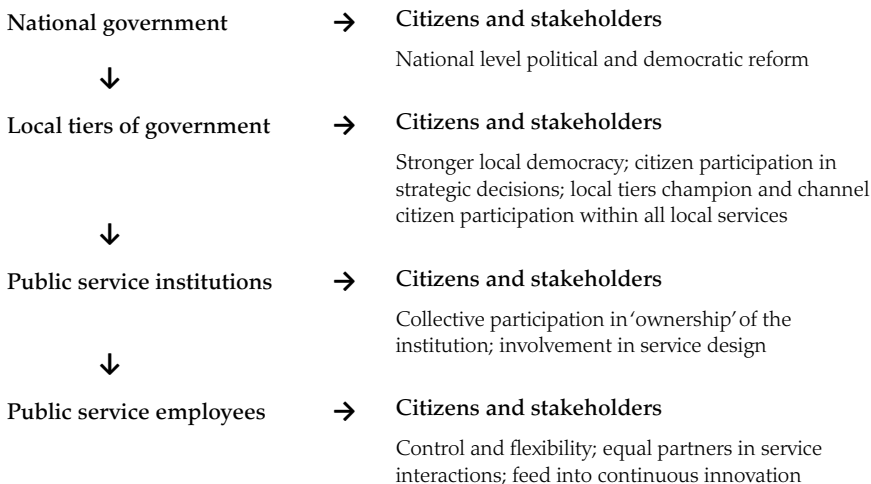
As part of this, citizen and employee voice should feature at every level from Whitehall downwards, rather than being confined to the immediate context of frontline service interactions. For example, employees should be involved in shaping the direction of their own workplace, but also, through representative structures, they should also have the ability to take part in wider debates through new local and national leadership councils for each service or existing vehicles such as the NHS Social Partnership Forum.

Citizen power

Most public services are a joint endeavour with the people they serve. They are partnerships, where citizens are involved in bringing achievement about. So they should embody the principle of the physiotherapist (‘doing with’) not the surgeon (‘doing to’). Citizens taking responsibility has always mattered: rubbish and recycling are not separated out by refuse collectors; teachers don’t write essays or revise for exams; and physiotherapists don’t repeat boring exercises day after day. Today, however, the role of citizens is expanding, with the creation of ‘people power’ as a complement to personal responsibility.

Public services should seek to create power and control for citizens at every level, from national politics to frontline service encounters. This is because people increasingly expect and demand a sense of power; because more power often leads to better decisions and outcomes; and because creating power in people’s lives should be part of the public character of every service. Citizen power also goes with the grain of modern life: more people have

FIGURE 2: Trust and empowerment: each tier should seek to distribute power ‘downwards’ and ‘outwards’



BOX 5: THE FUTURE OF CHOICE

Consumer choice is also part of people power. We value choice as a way of securing things we want, but also as a good in itself: when asked, people almost always say they want choice, even in situations where professionals have far more expertise.¹⁸ So within public services, choice and flexibility should be promoted, as part of a broader commitment to empowerment in all shapes and forms (the evidence shows that our wish for control can be satisfied by either choice or other forms of power).¹⁹

There are different types of consumer choice. Choice may come either within or between institutions; and there are choices which improve convenience and those that lead to substantive change in people's lives:

- **Choice as convenience:** efforts to improve citizens' experiences of services often lead to the creation of a range of flexible, convenient options – within institutions and between them. The benefits are relatively minor, though important to people's overall impression of a service, creating a sense of control and removing everyday sources of dissatisfaction. These choices matter because citizen 'experience' matters.²⁰

- **Choices with consequences:** When choices have major consequences there is a strong case for maximising people's involvement in terms both of ethics and better outcomes. These sorts of choices often occur within institutions, for example choices regarding treatment options during serious illness.

Encouraging choice *within* institutions is rarely problematic. On the other hand caution is needed when considering market choice *between* institutions. Sometimes such choices have significant consequences (although not as often as many parents choosing schools seem to think). In these cases there are ethical difficulties, with respect to equality and fair access, since people with 'sharp elbows' tend to do best and over-subscribed services may end up choosing their users, not *vice versa*. This issue is particularly acute where there is no spare capacity (which cannot be justified in today's fiscal climate) since this means that a whole cohort's choices must be zero-sum so some people will have to use services deemed to be undesirable by the majority. Even where there are no inadequate services and the choices are less significant, the creation of a market may lead to strong competitive forces which can undermine collaboration and other dimensions of a service's public character.

Choice between institutions seems to do little for the overall performance of services: experts now believe that measurement, scrutiny and 'reputational competition' between providers drives improvement – rather than the market signals of consumer choice.²¹ So the rationale for choice is only the benefit it brings to the individual. This should be respected, but that does not mean it is necessary to accept intense competitive behaviours among providers or excessive consumerism on the part of citizens. For once people have *some degree* of choice and control, the evidence shows their thirst for more diminishes.²²

So the first priority should be to give people power by strengthening choice and control within institutions. Managed choice between providers should also continue for services like GPs, schools or maternity units, but it should only take place in a context where individual institutions, and the overall system, display a clear public character. For this reason during the next parliament the government should review the operation of choice between institutions in all public services. This might lead to reforms, for example to the policies of religiously selective schools. Choosing with vouchers between private healthcare and the NHS or between maintained and for-profit schools should never be allowed.

the interest, information and skills to exercise power; deference towards politicians and public service leaders has declined; and public service employees have the skills and confidence to appreciate the value of sharing power.¹⁷

Central and sub-national tiers of government need to take people power seriously in their own work. Ministers are very good at telling other public servants to give people choice and control, but opportunities for participation in national policymaking are very limited. Westminster and Whitehall

should develop new ways for the public to participate in a more deliberative fashion in national policy decisions, building on the experience (good and bad) of e-petitions. Populism can be avoided as long as public debates are evidence-based, deliberative, rooted in strong values and seek to understand and respect minority perspectives.

Local government does better than Westminster when it comes to taking public views into account in formulating decisions. But a lot more can still be done. Councils should be champions for citizen

engagement both in their own work and also within all public services in the community they serve. This could include a formal power to publicly challenge services to improve, where there is evidence of public dissatisfaction. Local authorities' responsibilities for championing citizens must go hand in hand with clear political leadership to prevent nimbysm dominating local political culture. Councils should be mediators between different interests and leaders in deliberative dialogue not passive vessels of public opinion.

At the level of individual public services, there are numerous examples of organisations creating power for citizens, and they take many different forms including: new flexibilities in how to access provision; opportunities to share in redesigning a service; and elected citizen board members. Sometimes these varied opportunities are collapsed into ‘voice’ (collective, non-market, within institutions) and ‘choice’ (individual, market-based, between institutions). But this distinction is a simplification. All services should seek to create power in three broad ways:

1. **Create equal relationships**, where citizens decide or help to decide what happens in their interactions with professionals. This should include a positive response to complaints and to requests for greater control or flexibility.
2. **Involve people in design, planning and evaluation**, so services reflect people’s views, attitudes and experiences. This includes continual use of customer feedback and periodic deployment of citizen design and expert-by-experience techniques.
3. **Embrace ‘shared ownership’ and deliberative leadership** so strategy is set by all the stakeholders working together, with the institution mediating between competing perspectives.

Going beyond this, there is the more extreme option of citizen control, where people run their own services collectively (eg tenant management organisations, co-operatives, free schools) or individually (eg direct payments). Some of these models are very well established while others are new and controversial. However, it is not the principle of citizen control that is concerning, but the unintended consequences that may arise when it is introduced in a way that undermines public character or

the place of professional expertise. True ‘DIY’ services like parent-run free schools carry major risks but they are also only of interest to a vanishingly small minority.

The truth is that trusting and empowering citizens depends on doing the same for employees.

On the other hand, there are many excellent examples of co-operative governance structures, where services are professionally delivered and reflect public character, while also being controlled by and accountable to their users. So where people want it, there should be a presumption in favour of moving to co-operative styles of governance, as long as they are established in ways that are consistent with performance, value and strong public character (in particular, public services should always reflect the interests of the whole community not just members). Existing examples of public service co-operatives include NHS foundation trusts, tenant management organisations and co-operative trust schools. Organisations could become membership organisations but remain as public bodies, to safeguard against risk and failure; or occasionally they could become independent mutual organisations. Any change in status should be accompanied by guarantees that the organisation will comply with the good practice identified in joint TUC and Co-operatives UK guidance which covers: workforce engagement and consultation; governance; commissioning of services; safeguarding of assets; and employment standards.²³

Turning to personal budgets, on the face of it, replacing a public service with a cash entitlement is a form of people power

too: after all giving people money to spend as they choose is the logical endpoint of ‘letting go’. But this is highly problematic when applied wholesale, because providing cash to meet needs in the market is not really public service: a cash relationship implies that the government is indifferent to the performance, value or public character of the services people buy. For example Children’s Centres were established to be public institutions meeting multiple long-term needs, by working through strong relationships and collective endeavour. These benefits cannot be matched simply by subsidising childcare through the social security and tax systems.

Personal budgets for social care present a conundrum. When first introduced, social care direct payments represented a form of ‘exit’ from inadequate services and were very empowering for many disabled people. But giving every service user a personal budget has further weakened the sense of social care as a coherent public service. It is also hard to see how universal personal budgets and a consumer market in care can sit alongside the Labour party’s proposals for the integration of health and social care. These include the idea of a funding tariff for a ‘year of care’, with care and support commissioned as part of well-validated, professionally-supervised service pathways. This is the opposite of simply giving people cash. So in any new regime, personal budgets should not be the default. People should instead have choice and control within service relationships – although direct payments could still be available on request, ideally to support user-led mutual provision rather than to buy services in the market.

Employee power

The interests of public service employees and citizens are often said to be opposed. At least, this was the rationale for the centralism and market reforms of New Public Management, which railed against ‘producer capture’, ‘knaves’ and ‘street-

level bureaucrats'. The implication was that power relations between employee and citizen must be zero-sum.

But the truth is that trusting and empowering citizens depends on doing the same for employees. When Ed Miliband called for 'people-powered' public services he made clear that his goal was strong and equal partnerships: "the presumption should be that decisions should be made by users and public servants together, and not public servants on their own".²⁴ So employees must not dominate, but nor should they be sidelined. Citizen power depends on employee power because it is usually

exercised within the context of institutions and relationships (not as market choice, 'exit' or 'do it yourself'). It relies on motivated employees with sufficient autonomy to shape services around citizens' needs and preferences.

Citizen-focused employees need to demonstrate five characteristics:

1. An ability to take the citizen's perspective – to look 'outside in' – and focus on people's experiences not just narrow results

2. A commitment to creating power for citizens – giving users control, flexibility, choice and voice
3. A partnership mindset, where the aim is to achieve things together as equals ('doing with' not 'doing to').
4. A focus on networks, so that employees think about how to achieve change in the context of citizens' own circles of support and influence
5. An appetite to learn and adapt, based on citizens preferences and feedback as well as the employee's observation, empathy and reflection

BOX 6: RELATIONSHIPS AND THE CITIZEN'S EXPERIENCE

Think tanks have recently emphasised the importance of creating stronger, more mutual relationships between citizens and public service employees. The IPPR has argued that more services need deep frontline relationships, both because that is what people want and because it is the only way to respond to complex social needs.²⁵ In the Fabian Society pamphlet *Letting Go* Jon Wilson describes three qualities that make a service 'relational' (they are all bound up with the public character of services):

- *Who provides the service matters:* achievement depends on the skills and intuitions that employees acquire from their practice; and on their unique personality, sense of vocation and values.
- *The relationship is mutual and reciprocal:* the active participation of the citizen is necessary for the outcome desired.
- *Success is created by the interaction:* the value created is a property of the interaction itself, emerging from complex, creative moments. Immediate results can't be accurately

predicted in advance or easily linked to specific components of the relationship.

However, 'transactions' matter too. After all, intensive relationships are expensive – and often all that citizens want is for services to achieve outcomes simply, smoothly, with the minimum of time and inconvenience. Public service employees delivering efficient transactions, from call centre workers to refuse collectors make a vital contribution.

Whether an encounter is a brief transaction or an enduring relationship, services need to focus on creating positive experiences for citizens, since service 'experience' drives customer satisfaction and creates the psychological cues that lead to good outcomes.²⁶ This means being citizen-centred in the design of service transactions and environments, not just relationships. Partly this is a question of employee empathy, imagination and an 'outside in' perspective. But it also depends on involving citizens in the whole cycle of service improvement by commissioning customer research, analysing complaints and feedback, adopting participative design techniques, and involving users in inspection, evaluation and scrutiny.

There is also a strong body of evidence linking trust and empowerment to high levels of employee engagement, performance and frontline innovation.²⁷ This applies across the private and public sectors. Trust and empowerment is particularly important once performance is of an acceptable quality in order to move from 'good to great'. Sir Michael Barber argues that 'good' services improve by adapting the evidence base and the practice of peers to their own circumstances; while 'great' services lead innovation and create new standards of evidence-based professional practice.²⁸

Turning to public services specifically, renewed emphasis has recently been placed on the value of self-generated professionalism, vocation and expert practice. In occupations as varied as lecturers, job centre advisers and care workers, success is dependent on the employee's practice, experience and judgement – and on their capability to reflect, experiment, learn and adapt.²⁹ In a world characterised by personalised, empowering relationships with citizens and by complex, evolving partnerships with other professionals, 'book knowledge' is just not enough. Practice cannot be prescribed in a set of rules but must be learned through experience and adapted

to each specific case. The trick of modern professionalism is to blend this experiential approach with an openness to external, evidence-based knowledge.³⁰ And there is no reason why these principles should not apply to social care or childminding, just as much as to medicine or teaching.

Bringing public character to life also requires employee responsibility and autonomy. Narrow professional competence is not enough: employees should have a clear understanding and commitment to the public character of their duties. At one level this places constraints on employees' room for manoeuvre: their employers cannot permit them to be free agents if this means they ignore what strong public character means. But on the other hand, the qualities of public character we outline in chapter 1 can only be brought about

through the independent commitment of individual employees. An employee's understanding of public character will be formed through immersion within a fairly prescriptive institutional and professional context; but it must be exercised through the employee's autonomous practice.

So employee trust and power matters for citizen empowerment, vocational expertise and strong public character. But what is needed to bring it about? Essentially, public services need to place less emphasis on top-down management and task-focused direction – and more on the long-term development of employees within a web of vocational relationships. This should include:

- Training and job design that instil: a strong sense of vocation; openness to

learning, experimentation and collaboration; professional autonomy and ownership; and a citizen-focused 'outside in' perspective

- High expectations regarding continuing professional development, with the time, resources and occupational framework to support this; and peer-to-peer support within the workplace, as a part of every role
- Leaders who act not just as managers but as 'master' practitioners dedicated to transferring vocational expertise
- Routes for employees to shape organisational practice, including open channels of communication, employee consultation and a constructive approach to complaints and whistleblowing
- Networks of local support across organisation boundaries (especially in small and fragmented workplaces)
- Strong professional bodies, especially in occupations which have traditionally been undervalued
- Trade unions focused on supporting their members' vocation and professional development.

BOX 7: COMPLEX SYSTEMS³¹

For more than a decade academics and commentators have recognised that public services resemble 'complex systems', and that as a result success depends on the interactions between independent, horizontal agents. This has led to the proposal that public services should be run as networks, rather than bureaucracies or markets. This insight applies within large institutions, but it is particularly important when considering the interactions between independent organisations with overlapping objectives and clientele.

A complex system exists when numerous interacting parts respond to their own local conditions and rules, but together create patterns or regularities at the level of the whole system. These are not being caused by deliberate coordination, communication or central control, but by the cumulative effect of apparently chaotic interactions of localised action. The system is self-organising with coherent properties that 'emerge' from

the whole, which can't be traced back to the behaviour of individual actors. While the interactions between parts in the system are changing and unpredictable, the system has underlying regularity and predictability. Individual parts of the system are connected and interdependent, so the behaviour of other agents and the whole system effects everything they do in ways that can't be predicted in advance. The parts adapt in response to each other's adaptations, a process called co-evolution. Systems as a whole are also adaptive and as a result they can at times be very resilient to change, when feedback loops maintain stability in the face of changing conditions. However, the same forces can lead to rapid and unpredictable transition, when incremental change within an apparently stable system becomes self-reinforcing and there is rapid transformation until a new stable pattern emerges. This is an important form of innovation, which is not under the complete control of any single agent.

Giving institutions power

Public service institutions need to push power downwards to create space for autonomous employees and citizen control. But they also need sufficient trust and power themselves, with clear limits on the reach of national and sub-national government. They should be able to set their own direction rather than simply being agents of the state. This allows services to shape themselves around the needs and preferences of citizens and devolve responsibility to frontline employees: for if services don't need to look 'upwards' quite so much, services have more space to look 'downwards'

and 'outwards'. This is not to say that government should have no influence, but the purpose and objectives of a public service institution should be a blend of national, local and institutional priorities.

Institutional autonomy also matters for achieving strong public character and for the sake of performance and value (chapter 1 shows how strong public character is bound-up with services becoming strong self-governing institutions; chapter 3 discusses the need for local level autonomy to foster innovation). After all, the best services adapt, innovate and set their own direction, rather than implementing instructions from elsewhere: improvement should ideally be an intrinsic, internal process not a reaction to outside forces.

Autonomy also enables services to collaborate with other providers on their own terms. This matters because positive results frequently depend on services working together in adaptive networks, with autonomous, continuously-evolving local collaboration that involves all the relevant agencies and professionals. This is necessary when standardised top-down interventions do not lead in a linear fashion to predictable results. This may in turn be because of the complexity and unpredictability of the public service ecosystem or because the nature of the problem the services are seeking to address. These considerations are particularly relevant when overlapping services seek to offer personalised and seamless support, responding to needs holistically and at the earliest possible moment. For example, the best way to help someone live well with chronic disease will be different in every case, with many different agencies involved, working together in different ways on each occasion.³²

So, although national and local strategic direction is essential, institutions need to be given trust and power. Institutional leaders should be participative and deliberative not dictatorial in the way they exercise that power. Chapter 1 argued that that a sense

of 'shared ownership' is an essential feature for a strong institution with public character. Institutions should be self-governing, with partial responsibility for determining their own goals and public purpose, but only in the context of dialogue with all stakeholders as well as the mediating and coordinating role of government

Positive results frequently depend on services working together in adaptive networks, with autonomous, continuously-evolving local collaboration.

The most radical version of this argument is a call for full-scale popular democracy: in *Letting Go* Jon Wilson calls for public institutions to be local membership organisations, with annual elections of leaders such as head teachers and hospital chief executives. A more mainstream approach is found in the concept of 'public value', developed by the Harvard academic Mark Moore.³³ He argues that when public service institutions become rich in history, meaning and relationships, they take on a self-governing, entrepreneurial character (whatever their formal lines of accountability). This means they can and should determine for themselves, in dialogue with their stakeholders, what 'public value' it is that they seek to create for society – in other words, how they will contribute to the common good.

The essence of the public value approach is to ask questions like: what is this service for? To whom is it accountable? How do we know if we have been successful? What actions will meet expectations and allow continuous improvement? This is not an exercise the leaders of institutions can conduct alone, but only through a process

of deliberation. The idea is that institutions are 'authorised' by showing they are responding to and mediating the preferences of citizens, employees, elected politicians, government and other stakeholders. However, it is not a one way street: stakeholders' preferences should themselves be refined by the process of dialogue.

Compare this philosophy to the approach of Michael Gove. The former education secretary greatly increased school autonomy, but without any shared ownership for citizens, employees, elected politicians or communities. Academies are run by unrepresentative boards or national chains; and the stakeholder characteristics of the governance of maintained schools are also being stripped away.

In future dialogue and deliberation with stakeholders should be at the centre of how institutions set their own mission and goals. Achieving authentic and inclusive engagement is a challenging process. Citizens need to have the motivation and capacity to take part, employees need to be supportive and engaged and elected politicians need to contribute without trampling dialogue. It implies changes to formal governance structures and a shift in the practice of public service leadership.

Empowering sub-national government

Elected councils and unelected sub-national tiers of government should aim to create the conditions that citizens, employees and public service institutions can achieve positive results. This means 'letting go' and not imposing too much from above. But it also means having sufficient authority and capability to provide local leadership, accountability and support. So sub-national tiers should not be dismantled or bypassed in the name of frontline autonomy. Instead they should play two key roles, which individual services cannot do for themselves and which central government lacks the capacity, local insight or joined-up perspective to perform:

1. **‘Whole-place strategy’** – Sub-national tiers of government should apply their understanding of local needs and preferences to drive strategy for all public services in their locality. This starts with democratic political leadership, but also relies on authentic community engagement and professional evidence-based analysis. Local leaders should set their ambitions for service outcomes to complement a short list of national priorities, guarantees and entitlements – and have the ability to steer service budgets in order to meet them. They should be able to shape the local institutional ecosystem, working with providers but also sometimes being prepared to drive through significant reconfigurations of services. And they should champion local collaboration across institutional boundaries, with the aim of achieving inclusion and fair access, shifting to early intervention and creating seamless services for citizens.

2. **‘Driving performance and value’** – chapter 3 argues that sub-national government has a critical role to play in driving performance and value, because it is close enough to service relationships to offer informed scrutiny, support and challenge. Local tiers should provide hands-on support for service improvement and facilitate local networks of peer-to-peer support. They should contribute to the robust monitoring of risk and have the ability to trigger interventions within services. Councils should operate evidence-based scrutiny mechanisms looking at value for money and performance for all local public services; and as part of this they should test the impact and value of services, taking a whole-place perspective, looking across organisation silos.



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As things stand, many councils and other local tiers of government risk being left without the capacity and expertise to carry out these functions adequately. A strategy is needed to cascade resources and expertise down from the centre, with national improvement agencies and inspectorates redefining their role, so their mission is to support local action. The new ‘what works’ centres provide a model for this. However, this is ultimately down to money as well. The approach we advocate is only viable if local tiers have sufficient funding to enable them to act as the ‘ringmasters’ for public services in their communities.

But sub-national government must do more than provide technocratic support and direction. The local tier should be the key vehicle for democracy and participation in the leadership of public services. Strong local democracy should bring political leadership to bear on services. Authentic

and inclusive approaches to citizen participation should be used to inform key area-wide decisions. And sub-national government should be a champion and channel for citizen participation in the operation of all local public services. This democratic dimension means there should be a strong presumption in favour of elected local government taking the strategic lead for all public services in each locality. Unelected bureaucracies, such as local branches of government departments or NHS clinical commissioning groups cannot play this democratic role.

The need for democracy poses a difficult question of scale and geography which Labour in opposition has been reluctant to confront. Some local authorities are too small to efficiently exercise their duties and should logically merge or pool functions with their neighbours. In some places the quality of local democratic control may also



be affected by continual single-party control or by the status of councillors (in some contexts having fewer, better rewarded councillors would make more sense). Meanwhile many of the public services that councils do not provide – which need enhanced democratic oversight – would be best steered at regional or sub-regional level, where there is no elected political tier outside London. Examples include fire services, employment support, skills and transport. This sort of democratic deficit led the coalition to create Police and Crime Commissioners. However, the flaws in this model and the reluctance of cities and city regions to support elected mayors means Labour has barely mentioned directly elected politicians, in its push for new powers for city and county regions. The recent Adonis Review is a prime example.³⁴ This is a cause for concern; unelected combined

authorities, Local Enterprise Partnerships and Labour's proposed directors of school standards should not take on more power, without direct democratic accountability.³⁵

Enhanced local and regional democracy is challenging for the silo mentality of Whitehall, because major departments like Health, Work and Pensions, Business, Innovation and Skills and Justice today commission local services exclusively through their own structures, with barely any local democratic oversight. Broad-ranging democratic leadership would help tackle the fragmentation that bedevil public services. At local level a whole-place approach is needed, with a single administration – the local authority – as ringmaster for all public services. This is not to say that councils should run or even commission all the public services in their patch. But they should have responsibility and sufficient

power to ensure that all local services are responding to area-wide priorities, working together in collaboration and focusing on performance and value.

At a minimum this means that councils should:

- set area-wide strategies for all local public services
- foster collaboration across institutional boundaries
- establish robust scrutiny processes to monitor their work
- sign off the budget and performance goals of other funding bodies and ensure that sufficient resources are pooled to take joint action
- ensure that credible arrangements are in place for local challenge and support

As part of this agenda a number of specific responsibilities should be handed to local or sub-regional elected authorities, in the fields of health and skills for example. Local government led Health and Wellbeing Boards should take on responsibility for funding and directing health and care services, with clinical commissioning groups becoming advisory and operational. As part of this reform some or all of councils' adult social care budgets should be transferred into the local health budget, in order to commission integrated services under local government oversight. Similarly, local or sub-regional authorities should acquire budgets and responsibilities for commissioning skills training for young people and adults.

Central government should also permit experiments in places where there is appetite to go further. On a case-by-case basis elected authorities could take over the responsibilities of other agencies or assume additional powers from Whitehall. In particular, we would like to see some sub-national government take on responsibilities for commissioning services like welfare to work and probation (sometimes at city or county level). This

would be a radical extension of Labour's Total Place pilots and the coalition's community budgets initiative. Councils with the appetite and capability to commission most local services should not have to wait for nationwide reforms that could only progress at the pace of the slowest – and their experience would inform the future of national policy making.

These reforms do not sit easily with England's highly centralised system of funding local services, where only a tiny fraction of local public service spending is financed by local taxation. However, Scotland has proved that autonomous democratic government can still flourish in a context of block grants from above. Reform of local taxation should be considered in the future but it need not hinder other progress. The priority is to break down the silos between different service budgets, by adopting the Total Place philosophy. A handful of areas may already have the capacity to commission services using a single public services budget. Elsewhere the lines between individual budgets can be blurred through the pooling of budgets and by involving elected politicians in decisions regarding every funding stream.

The role of the centre

For central government to 'let go' the left needs a new light-touch statecraft. But the centre should not wash its hands of public services. In particular, national government will have to play a pivotal role in bringing to life the three principles for public services we propose in this report: 'strong public character', 'trust and empowerment' and 'performance and value'. It is government ministers who must endorse and explain these priorities, create the conditions in which they can be adopted and hold public services to account to see they are realised. For example, it is only ministers who can take the high-level decisions that will be needed to reverse the marketisation of public services by stopping whole-system privatisations and for-profit providers in

the NHS. And it will take ministers at the centre to police the cascading of 'trust and empowerment' in order to see that each level is pushing power downwards and outwards.

It is important to say that trust and empowerment does not mean a separation of powers, with central government taking no part in some activities.

However, the centre must adopt a new statecraft for bringing its objectives about; one that is rooted in relationships and institution building:

- **Relationships:** Government should aim to set the course for public services through dialogue not league tables. Two-way relationships based on shared ambitions, open communication and mutual trust and respect would enable the upward flow of ideas and experience into government; and create a mediated, deliberative framework in which ministerial priorities could cascade down in a flexible fashion, to sit alongside the perspectives and goals of local public services. Dialogue with representatives of citizens, employees and other stakeholders is also essential, for example following the model of the NHS Social Partnership Forum.
- **Institution building:** Ministers should seek to create the conditions for success by founding and steering institutions – not narrowly directing results. To take one example, in chapter 3, we discuss the founding of independent sectoral improvement agencies and an Office for Public Performance, as institutions dedicated to performance and value

across public services. We also recommend that government ensures that for each public service occupation there is a strong autonomous professional body (which might also be a trade union).

So national government should not fool itself that it can 'deliver' solutions at the frontline; it should seek to steer the purpose and build the capability of public services. Ministers should still see it as their primary responsibility to identify major strategic issues for the country and lead the development of a response. But they should do this through deliberative dialogue within the public services. Their first aim should be to reach a common understanding of a problem and its level of importance; sub-national government and local institutions may be better equipped to then develop the solutions. And where a national intervention is required, ministers should seek to found new institutions or repurpose old ones, so that organisations take ownership of the challenge and give the solution an enduring, institutional form. The iconic example of institution building is of course the creation of the NHS in 1948; but the last Labour government also succeeded in founding strong institutions at local, regional and national levels, for example children's centres, Transport for London and NICE (the National Institute for Clinical Excellence, as it was originally known).

This approach to public leadership should help avoid a series of pitfalls that can bedevil central government. First it will help prevent ministerial hubris, with respect to their power and ability to 'deliver' local frontline change; second it would place some limits on knee-jerk policymaking and 'eye-catching initiatives'; and third it might restrain ministers from buying in big bang solutions, like huge computer databases or massive national public service procurements.

It is important to say that trust and empowerment does not mean a separation of powers, with central government

taking no part in some activities. It means subsidiarity, the term that describes when central authorities play a supporting role and perform only tasks that cannot be undertaken effectively at a more local level. We see this as a 'Russian doll' model of public administration, with each layer having matching functional responsibilities, which they use only when the layer below cannot. From individual institutions to ministers, each level should undertake functions such as: leadership and strategy; service specification; performance improvement; budget allocation; managing risk, safety and failure; audit and reviewing value for money; supporting professional practice; and promoting transparency and good use of data.

This approach means that an individual local service or council would be expected to make promises to their citizens with respect to ambitions, priorities and service standards. But national government would too. After all, central government is the only institution with the long-term perspective, capability and financial resilience to take responsibility for the national strategic challenges facing the UK. Long-term, expert-led national stewardship is required on issues ranging from decarbonising the economy to increasing housing supply. Within the domain of public services, a national perspective is needed with respect to, say, skills shortages, child poverty and life chances, and rising chronic illness. For the central state has a long-range perspective and the ability to marshal expertise and evidence which is not available to other tiers of government. And it can also bring resources to bear on a scale that sub-national government cannot and never will, even with enhanced power. There is still a role for the Fabian state.

Ministers should also make a limited number of national guarantees about the services people should expect. This list of guarantees should be determined, through debate and consultation, as a key part of the spending review process in 2015. This

may not be localism in its purest form, but our fiscal and political system means that, in reality, ministers are the paymasters for public services and are held to account by the public for their performance. They must avoid exhaustive lists of priorities and targets, which then crowd out all space for local deliberation and innovation. But a small set of guarantees, entitlements and improvement priorities is not just legitimate, but essential. Ideally these should be meaningful, personal commitments to citizens rather than administrative requirements about how services should be run. The outcomes should matter to ministers

but services should be free to decide how they bring them about.

Finally, with national guarantees there must be a national funding system that fairly allocates resources across the country so that public services can achieve broadly comparable outcomes wherever people live. In principle, the task of determining distribution could be undertaken collectively by local government, with the aim of allocating money in a way that all can accept. In practice, this controversial political duty is likely to remain in the hands of national government for some time to come.



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3. PERFORMANCE AND VALUE

We live in a time of austerity that has been driven by neoliberal ideology as much as economic necessity. George Osborne's initial 2010 cuts to public services were so severe because he was determined to close the fiscal deficit in a single parliament, when other countries planned a much slower course. Then when his economic plans went awry his solution was to promise even greater cuts to services after 2014/15. In total 85 per cent of the fiscal deficit is being dealt with by spending cuts and only 15 per cent by tax rises.³⁶ Under these plans current public service spending will fall to a smaller share of GDP than at any time since the Second World War (16 per cent of GDP).³⁷ The chancellor has used the excuse of austerity to embark on a permanent retrenchment in the role of public services in British life. There are many alternatives which are compatible with sound public finances, as the Fabian Society's 2013 Commission on Future Spending Choices showed.

But there is nothing right-wing about demanding the best possible achievement from public services from the lowest reasonable level of resources. It is the left, not

the right, that has the most at stake when it comes to proving that public services can provide excellent quality at an affordable price. And even if an incoming government deviates significantly from the coalition's plans, public services will face very serious financial pressures in the next parliament. So our third principle for public services is that they must seek to maximise performance and value. The left must 'own' an agenda of cost-focused innovation and avoid giving the impression that financial discipline is just a temporary misfortune. Many Labour councils have already shown the way in this respect, achieving impressive savings while seeking to avoid damage to frontline services.³⁸

Adopting a very strong focus on value for money is not the same as accepting the coalition's plans for public service spending. For if George Osborne's post-2015 spending cuts are implemented, no amount of innovation or cost saving will prevent many public services from coming close to collapse. The Institute for Fiscal Studies is projecting cumulative public service budget cuts in the seven years from

April 2011 of 18.4 per cent, in real terms, with only around half complete by March 2015. By March 2016 key departments – including Work and Pensions (DWP), Business, Innovation and Skills (BIS), Communities and Local Government (DCLG), Environment, Food and Rural Affairs (DEFRA), Justice, Transport and the Home Office – will all have experienced total real cuts of more than 20 per cent, with the expectation of a further 8 per cent in the following two years.³⁹

The search for performance and value means seeking to sustainably achieve the same outcomes for less money or better outcomes for the same money. In practice this is very difficult, as public services have found over the last four years. It is not the same as a cuts agenda where financial savings are secured by:

1. Reducing the service outcomes sought for citizens (eg cutting eligibility for home care; withdrawing services such as youth centres)
2. Reducing employee terms and conditions, which over time will reduce the quality of the workforce
3. Reducing the level of capital investment in services

These three approaches represent a 'race to the bottom' response to financial pressures. They may save money in the short term but this is not the same as enhancing value for money or achieving long term sustainability. They should each be treated as a last resort, after all other options are exhausted. And when they happen politicians and public service leaders should admit it and honestly accept that there will be negative consequences.

Remuneration is a particularly important issue because payroll costs account for a very high proportion of public service spending. In recent decades collective bargaining has played a critical role in

BOX 8: PUBLIC SPENDING PRESSURES

In 2013 the Fabian Society Commission on Future Spending Choices concluded that an incoming government should reject the coalition's planned cuts for after 2015 and instead set two or three years of broadly flat budgets for public services.⁴⁰ The commission considered options for a 1 per cent annual cut or a freeze (both in real terms). These flat-ish scenarios are a great deal better than cur-

rent coalition plans for an 8 per cent real cut over two years, but would still create huge short term pressures on services. The commission also recommended that, once the deficit is under control, spending increases should match or slightly exceed growth in GDP. But even if this happens, value for money will need to be an enduring preoccupation, because there are long-term upward pressures from both increasing demand and rising costs.

securing fairly paid work, especially for low and middle income public service employees. Since 2010 the coalition has imposed below-inflation pay settlements, which is an unsustainable way of cutting costs, now that unemployment is falling and private sector pay is expected to rise. Individual public bodies also put the quality of provision at risk if they outsource services in the expectation of lower pay and worse terms and conditions. The next government must therefore strengthen provisions regarding TUPE and two-tier workforces. Additionally, all public service employees should be paid at least the Living Wage, irrespective of who their employer is, because of the benefits this brings to local economies and the quality of services.

Performance, supply and demand

There are three interlocking paths to enhancing performance and value: raising measured performance; restraining the costs of supplying services; and seeking appropriate levels of demand. Under each of these headings there are clear avenues for securing improvements. Figure 4 presents a checklist which is not exhaustive but provides a very strong foundation. But focusing on performance, supply and demand should not be thought of as three parallel strands – they are interdependent. Public services should start by considering each in turn and then develop plans which synthesise the three perspectives. In particular, the evidence shows that success in all three areas is underpinned by the same cross-cutting themes:

- A focus on outcomes for the citizen not functional activities
- A long-term perspective, including a major focus on early intervention
- A whole-place approach, looking across organisational boundaries at the value public services bring collectively

• Transparency and good use of evidence, in diagnosis and tracking progress

- The promotion of innovation, learning and risk-taking, with appropriate autonomy, support and rewards.

Sometimes this rounded evaluation will lead to more effective service delivery, but on a broadly similar basis to before. However, it might equally lead to very significant change to the pattern of provision, with public services being repurposed to carry out wholly new tasks or act in completely different ways. For example, this is the thinking behind the Troubled Families initiative, where a casework approach is adopted to personalise and integrate support based on the unique needs of each family. There is a clear link here to our other two principles, ‘strong public character’ and ‘trust and empowerment’. Strong public interest institutions and democratic sub-national government must lead this process of cost-focused innovation.

National leadership is also needed. The Fabian Commission on Future Spending Choices proposed a series of reforms that would help embed change and bring a longer term perspective to financial management. These included: a ‘ten year test’ on all decisions, looking at their long-term, whole-system costs (as proposed by the Early Action Taskforce); impact assessments based on ‘year ten’ costs and benefits; and changes to accounting practice so that decision makers take better account of the creation of liabilities and assets.

The link to ‘strong public character’

Seeking performance and value and strengthening services’ public character should be mutually reinforcing. The search for performance and value is fundamental to public character, because public services are stewards of taxpayers’ money. So a demanding approach to performance and value for money is just as important for a public service employee as personal probity with respect to public resources.

FIGURE 3: Upward pressures on public service spending

Rising demand	Rising costs
<ul style="list-style-type: none"> • Rising affluence increases demand for healthcare, education etc (irrespective of whether they are public or private services) • Innovation creates new possibilities (eg medical technology) • More people will be near the end of their lives, requiring expensive care and support • The high numbers of births are placing pressure on early years and education services • More chronic illness and co-morbidity means higher need (ie people are living longer with ill-health) • Inequality is forecast to rise significantly, leading to greater social need⁴¹ 	<ul style="list-style-type: none"> • Remuneration in public services needs to keep up with other economic sectors to sustain workforce quality (there are limited opportunities for offsetting these rising costs by reducing headcount without services deteriorating) • New technology may lead to rising costs where it cannot appropriately act as a substitute for employees • Land prices in many parts of the country continue to outstrip inflation

And a commitment to transparency and openness unite the two principles.

But so far we have not defined what ‘performance’ is. Of course, success is different for each public service. But in every case, the definition of high performance must link to the fundamental purpose of the service, which means thinking about its public character. To take one example, schools do not exist just to achieve exam results but to support children to become well-rounded, capable citizens. So services should adopt a rounded and holistic understanding of success: in this case, based on an understanding of child development and the capabilities people need to succeed in adult life.

Some of this cannot be measured, which is why ‘public character’ cannot just be collapsed into an expanded concept of performance. But much of it can, so public

services and government should seek to develop clear objectives, quantifiable measures and performance incentives that capture the broader mission of services beyond the narrow metrics often used today. This is particularly important in the context of today’s financial pressures, because without clear measurement and specification the wider social value which services bring will be ignored when making decisions about how to make savings while maintaining performance. Better measures can also help to reduce the incentives for services to ‘shunt’ costs onto other public bodies or make short-term savings with long-term costs.

To some, the search for value for money might seem to contradict our emphasis on strong public character. After all, in the New Labour years and under the coalition

the pursuit of performance and value has often been used to justify the marketisation of services. Under Labour, outsourcing was frequently initiated to reduce costs and the NHS market reforms of the 2000s were intended to boost performance (and capacity). However, the pursuit of performance and value can sit alongside with a different approach to markets and profit. For it is striking how few of the routes to better value for money which are currently being pursued are related to the marketisation of public services. Key sources of savings during the current parliament have included reducing management overheads and increasing collaboration across boundaries. For example the National Audit Office has highlighted the case of local authorities sharing functions between organisations, including management, back-office func-

FIGURE 4: Performance, supply, demand – a checklist for cost-focused innovation

Performance ⁴³	Restraining supply costs ⁴⁴	Thinking about demand ⁴⁵
<ul style="list-style-type: none"> • Focus not on activity, but outcomes from the citizens’ perspective • Employ good people – robust recruitment, competitive starting pay, support for professional development and leadership skills • Establish suitable measures, data collection & use of external evidence • Set stretching goals for performance improvement as part of financial planning • Define clear roles, responsibilities & rewards; create sufficient agency • Adopt robust arrangements for monitoring, benchmarking, peer support, external scrutiny & intervention 	<ul style="list-style-type: none"> • Redesign jobs to focus on core tasks and reduce unnecessary burdens • Reduce management costs • Only use consultants where need is very clear • Ensure policy-making and regulation is effective but as low as possible in cost and burden • Design more efficient transactions (adopting digital technology, but in tested phases not a ‘big bang’) • Seek sustainable savings to back-office activities (eg automation, shared services) • Improve financial management (cost control, long-term focus) • Examine the ‘whole life’ costs of outsourcing and improve procurement skills • Reduce accommodation & location costs • DOES NOT MEAN reducing employee terms and conditions for typical workers 	<ul style="list-style-type: none"> • Intervene early to reduce need (eg parenting support) • Reduce unnecessary ‘repeat business’ (eg ‘revolving door’ service usage by people with chaotic lives) • Design services to avoid ‘excessive’ use (eg alternatives to A&E) • Support families to meet their own needs (eg family carers) • Support communities to meet their collective needs (eg time banks) • DOES NOT MEAN rationing entitlements or access (eg new charges, reducing eligibility)

BOX 9: THINKING ABOUT DEMAND⁴⁶

Under New Labour there was little systematic focus on the drivers of demand for public services: this is a new frontier for the design of public services, driven by today's spending pressures as well as new insights from behavioural science. Preventing avoidable demand is not about rationing provision, but seeking to maximise personal and community resilience, responsibility and autonomy, so that people can live better lives *and* be less reliant on services. The RSA suggests that policy makers need to: understand all the factors driving demand for services; gain insight into the behaviours, attitudes and values of service users and employees that might affect demand; and design reforms that change the behaviours and interactions of service users and/or employees in a way that changes usage patterns.⁴⁷ One important dimension of this agenda is an appreciation of the power of peer networks and social norms. For example, more people can be persuaded to recycle waste when it is presented as something their peers do too. Key areas for consideration include:

1. **Early Action:** For years it has been recognised that 'early interventions' such as early years services or public health measures have the potential to reduce the need for 'downstream' services. Early interventions may entail radical change to services and the broader shape of communities. This is what it will take to implement the 2010 Marmot Report on health inequalities or the recommendations of the Early Action Taskforce, for example.⁴⁸ There are high organisational, cultural and financial barriers to major reforms such as the 'frontloading' of

public service support into the first year of a child's life. Until now the pace of change has been slow even where the business case is strong – recent spending pressures have even led to reduced investment in prevention, for example in adult social care.⁴⁹ And frequently there will not be a short term financial case, when the benefits of early action are better lives rather than reduced demand for services. For these reasons the Fabian Commission on Future Spending Choices called on the government to consider requiring all public services to divert a fixed percentage of their annual budgets into early intervention.

2. **Reduce 'repeat business':** people often use services again and again in a way that can be avoided. Examples include: errors in drug prescriptions; poorly designed online transactions; and 'revolving door' service use by people with chaotic lives and complex needs.⁵⁰ In all these examples excessive demand is created by the way services are organised and the expectations of service users. Demand can be reduced by designing services in partnership with users and applying the findings of social psychology.
3. **Encourage 'appropriate' demand:** people do not always really need the service they are using. For example many A&E admissions could be handled in other, cheaper ways. The difficulty is that any intervention aimed at reducing 'overuse' may lead to 'underuse' by people who really do need support (eg user charges). But there are other avenues to preventing 'excess' demand such as: public education and marketing; unobtrusive

targeting of support to people with 'appropriate' needs; and the design of 'soft' barriers to access, so people unlikely to have relevant needs have to make an effort to access services.

4. **Support citizens to meet their own needs:** Public services can seek out better ways to support people meet their own needs or to take on a greater share of the service relationship. Examples include: providing services to carers; encouraging parents to support their children's learning; and persuading people to split out recycling and waste. Key dimensions of this agenda include seeking to promote a greater sense of personal responsibility, so that citizens work in partnership with services; and designing services to support and fit into people's existing networks of support and care.
5. **Support communities to meet their collective needs:** services should also seek to build the capability of communities to work productively together – as neighbours, in self-organised community groups and through formal volunteering. Supporting communities to do this in an inclusive and equitable fashion is especially important, otherwise existing imbalances of power and resource can be exacerbated. In the context of spending cuts, this approach is sometimes seen as an alternative to unaffordable traditional delivery; but the two should ideally sit side-by-side, producing positive change in different and complimentary ways. In any case, supporting mutual support, volunteering and neighbourhood institutions is not cost-free – it takes time, effort and money.

tions and service delivery.⁴² Public bodies have also made savings by reducing the size of management teams, introducing flatter organisational structures and cascading power downwards (although there is a limit to how far this can go, given the essential role of management in delivering strong and adaptive public services).

By contrast, many of the coalition's market-based reforms have led to additional costs rather than savings, for example the implementation of the Lansley NHS reforms and the runaway costs of the free schools programme.⁵¹ Meanwhile, in some instances local public bodies have saved money by unpicking market relationships and 'in-sourcing' services in order to reduce overheads and transaction costs. In many cases this has not been pursued for ideological reasons. For example, the leaders of one London council told us that they believed there had been substantial one-off gains from the initial tendering of local education and housing services; but the ongoing transaction and management costs of outsourcing now significantly outweighed any further benefits.⁵²

This is an interesting development because outsourcing has been such a mainstay in efforts to improve value for money over the last two decades. A recent paper from the National Audit Office echoed the experience of individual public bodies by questioning the extent to which value is secured across the whole life of outsourcing relationships.⁵³ The review concluded that outsourcing often seemed to generate savings at the point of initial tendering but then the competitive forces grew weaker – during the process of negotiating terms with the appointed provider and in subsequent variations and extensions. The NAO also suggested there is insufficient transparency regarding costs and profits in order to form a clear view on value. More evidence is needed on the 'whole life' costs and benefits of outsourcing and how they compare to in-house provision, so that public services can draw on past

experience in making judgements on how best to secure performance and value. One response is to demand more transparency and design outsourcing in a way that creates more genuine competition. However, tweaking procurement arrangements can only take you so far: often cost-conscious in-house provision will be better value.

The link to 'trust and empowerment'

Performance and value is also compatible with our second principle, 'trust and empowerment', though this does not mean that value for money can be secured through a totally hands-off approach at the centre. New Labour's centralising instincts led to mandatory targets for efficiency savings and the management of performance improvements through Public Service Agreement targets and the work of the Prime Minister's Delivery Unit. When the coalition came to power it decided to abandon almost all central machinery for supporting performance and efficiency in a self-defeating reaction to the old regime. The decision to scrap the Audit Commission and its value for money studies was particularly odd.⁵⁴ The coalition's replacement for Labour's PSAs, departmental

business plans, focus almost exclusively on the implementation of specified policies rather than the pursuit of performance or value.

The task now is to strike a balance between central diktat and ministerial indifference, to show that the pursuit of performance and value can go hand in hand with decentralisation. As the custodian of taxpayers' money, central government is entitled to demand progress – it is the paymaster – but in future each tier should take responsibility for how results are achieved and for creating robust processes for securing continuing improvement in performance and value. As part of this new partnership, some of the functions of performance improvement, such as data benchmarking, external scrutiny and third-party support should be shared with local levels of government, like councils or NHS commissioners. Local public service institutions should work both with these sub-national tiers and horizontally with their peers.

In place of top-down targets, mutual suspicion and relationships based on data, trusting partnerships need to be created rooted in ongoing two-way dialogue. For

BOX 10: INNOVATION, TRUST AND EMPOWERMENT

At each level, cost-focused innovation should be embraced as a core responsibility. For example, frontline employees should initiate continuous, incremental innovation, working in partnership with service users, in search of performance and value; while councils and other sub-national tiers of government should drive the radical redesign of local service systems to achieve goals in new ways.

Trust and empowerment are essential ingredients for this innovation. For although innovation is often associated with top-down intervention from central government experts, management

consultants or 'heroic' leaders, most incremental innovation is initiated by frontline staff and middle managers.⁵⁵ Even radical innovation can emerge from unplanned adaptation by autonomous agencies interacting together within complex systems.⁵⁶ Central intervention is sometimes justified, especially to create wholly new institutions or service entitlements; but recent experience has shown that 'top-down reorganisation' comes with risks, including the likelihood of disrupting embedded local innovation, based on experience, learning and adaptation in the context of established relationships, institutions and networks.

example, every head teacher should be engaged in an open and continuing conversation regarding performance and value with a local director for children or schools; and in turn each director should have a similar relationship with the leadership team at the Department of Education. National government will always have a handful of improvement priorities where it will wish to track and chase progress, but the centre's main task should be to support public services to put in place their own arrangements for performance and value. As part of this the government should encourage public services to collectively establish national agencies responsible for performance and value in each sector – and a council-led agency with respect to local government responsibilities.

Central government should also have a revived 'performance' and 'efficiency' capability, but its main role should be to coordinate and support others to use evidence well and to adopt proven techniques for driving improvement – not to 'do' delivery from Whitehall. The most important task

for the centre is the specification of data collection and evidence requirements because relevant, accurate and nationally consistent measurement is vital for the work of each layer on performance and value. One option, proposed by the 2013 Fabian Commission on Future Spending Choices, would be to establish an Office for Public Performance at arms' length from ministers.⁵⁷ This would take on some of the responsibilities of the old Audit Commission and Prime Minister's Delivery Unit. It would be a coordinating body for all the sector-specific inspectorates, improvement agencies and independent 'what works' centres. It could report to ministers on progress against the government's top priorities but its main role would be to support the wider pursuit of performance and value across the public services.

'Trust and empowerment' also has implications for current models of inspection and regulation, which largely bypass sub-national levels of government. National regulators should still ensure that robust

nationally-consistent data is available; they should also take a hands-on role in identifying and intervening in cases of serious risk and service failure. But apart from that, they should play more of a 'backstop' role with local tiers leading the 'performance and value' relationship through public scrutiny, site visits and service improvement support. National regulators would monitor these arrangements and step in when not satisfied, but their main national responsibility would be compliance with minimum expectations. This implies a major change in the current work of some inspectorates and regulators, such as Ofsted.

We are optimistic about the prospects for performance and value in an era of decentralisation. It is more feasible now than in the early 2000s to expect each tier to autonomously champion cost-focused innovation: first, the state of the public finances create strong internal incentives at every level; second a high proportion of services are today performing well enough to be capable of generating their own improvement; and third the public service workforce is more qualified and capable than ever, so has greater capacity to engage in frontline innovation.

Even Sir Michael Barber, the doyen of Blairite top-down reform, emphasises that once services reach an acceptable standard then professional development, peer-to-peer support and autonomous innovation are the key to further improvement.⁵⁹ So the drive for performance and value should be an intrinsic feature of the work of public services not an external imposition. The continuing role for national government can be more light-touch – except in cases of failure – with the centre providing evidence, support and a limited set of national priorities.

Fig 5: The conditions and barriers for innovation⁵⁸

Conditions for innovation	Barriers to innovation
<ul style="list-style-type: none"> • high levels of autonomy and empowerment • appetite for controlled risks • a diversity of inputs and perspectives • motivated and engaged employees • flat organisational structures • suitable rewards and incentives • high levels of internal communication including channels for the upward flow of ideas • strong organisational leadership and good middle management • sufficient resources 	<ul style="list-style-type: none"> • very prescriptive external requirements • fear of failure, blame and risk • an over-reliance on high performers for ideas • change fatigue • the pressures of routine delivery • short-termist planning and budget horizons • reluctance to stop doing old things • resistance to adopting technology • suspicion of borrowing and adapting other people's ideas ('not invented here') • barriers to collaboration across institutional boundaries (financial pressures, competition)

4. RECOMMENDATIONS: PRINCIPLES INTO PRACTICE

This report is about three principles that should inform the direction of public service for decades to come. It is intended as a roadmap for decentralised change, driven internally by each public service. And it is likely to take more than a single parliament to become entrenched. Applied consistently, over years, from Whitehall to the frontline, these principles can transform the purpose, control and impact of public services: for it is often said that we overestimate what can be done in one year, and underestimate what can be done in ten.

A shopping list of national policy prescriptions is therefore counter to the spirit of the report. But every long-term change has to start from somewhere. And since we are proposing a major rupture from the theory and practice of public service management over the last 20 years, it is important to mark the shift in a vivid, declaratory fashion. So we present these proposals, as the first steps in translating our principles into practice. They are grouped under our three principles, although several of them are linked to more than one. These recommendations are directed at central government, and mainly for the first one or two years of the next parliament. That makes them necessary but not sufficient – trust, power and self-generated reform cannot simply be imposed from above.

Recommendations to an incoming 2015 government:

1. **Publish a white paper within 100 days of coming to office, setting out the new approach to public services.** This would form part of

the preparation and consultation for the spending review in autumn 2015. The paper should endorse our three principles and set out a timetable for some of the key reforms required to bring them to life. It should also be an invitation to every local public service, every employee and every service user to work together in partnership to shape and drive forward the new agenda for public services.

Strong public character

2. **In the white paper renounce the coalition's 'open public services' agenda and launch a conversation within the public services about the nature of their public character.** In each public service sector, representatives of commissioners, providers, employees and service users should collaborate to agree a description of the public character of their service and the operational changes required to bring it to life.
3. **To put the outcomes of the conversation about public character into practice:**
 - **Support each public service to develop a 'constitution' along the lines of the NHS constitution setting out its public purpose, values and key promises to citizens.** This would be the principle tool for specifying public character in each specific public service setting.

- **Encourage each local service to lead its own conversations with stakeholders about its public purpose and accountability.** The outcome would be a set of promises to citizens about what services will aim to achieve and the nature of their two-way relationship. These could encompass commitments regarding accountability arrangements, minimum service standards, the values that will inform relationships and the contributions expected from citizens.
- **Publish a public service 'code' specifying what is expected from independent public service providers, including binding stipulations regarding freedom of information and employment standards.** Expectations might focus on user control, professional development, collaboration across boundaries and participative decision making. Aspects of the code which were specific enough to be enforceable should be written into provider contracts, including requirements relating to freedom of information and employment standards (eg paying the living wage; using apprenticeships; avoiding two-tier workforces).
- **Develop a memorable set of employee standards for everyone working in public services.** These would apply to employees in every organisation delivering public services, and their promotion in the workplace would be contractually binding on independent providers. The standards should describe the behaviours and ethos required to bring public character to life and could build on the existing Seven Principles of Public Life which apply to elected representatives, boards and senior executives.

- **Carry out a review of governance arrangements in public services with a view to establishing more participative processes and models.** The review would consider whether legal or policy change is needed to expand opportunities for deliberation and participation by citizens, employees and other stakeholders. Often a spirit of shared ownership will not require formal rule changes; but enabling legislation should be passed to make it possible to change governance arrangements when needed, for example in the case of academies and free schools.
4. **Bar the outsourcing of whole public service systems in areas like health, education, probation and welfare to work, where strong relationships with citizens and high levels of inter-agency collaboration are necessary.** The role of companies would then be restricted to 'operational' contracts as part of a supply-chain, under close supervision by a public body. This implies bringing the Work Programme and the outsourcing of probation to an end. The integration of health and social care should also be used as an opportunity to deliver more adult social care through public interest institutions.
 5. **Consider legislating to exclude for-profit organisations from the frontline delivery of more public services, for example major NHS services – or at least create a 'presumption' in favour of delivery by public interest institutions. In these restricted sectors independent providers would need to be non-profit and also meet a public character test (this would lead to the reform or closure of some free schools).** At present schools, social housing landlords and adoption agencies must be public or non-profit bodies (though businesses are still involved in the supply chain). This principle must be upheld where it already exists, for example in schools. However, it may also be appropriate to create similar 'pluralism with public character' in other sectors, such as healthcare or higher education. Alternatively, there could be a 'presumption' in favour of public interest institutions, with other providers only used when there is an essential reason. The government would need to establish what reforms would be compatible with existing EU law and/or seek agreement to its reform. In these restricted sectors, independent providers should meet criteria relating to their public character, rather than simply being non-profit organisations. For example, free schools should only continue to receive public money when they can show they comply with requirements relating to shared ownership, equality and collaboration.
 6. **Promote non-market models that enable public services to develop long-term relationships with independent partners dedicated to the public interest.** Public bodies should be able to treat non-profit organisations as partners in identifying needs, developing new solutions, sharing assets, collaborating in joined-up service delivery, and helping to empower and support communities to meet their own needs. So the government should encourage public bodies to consider founding or supporting independent institutions as one way of meeting their aims; and to consider alternative funding relationships to open tendering competitions.
 7. **Review the working of citizen choice across each public service over the course of the next parliament (eg the fairness of admissions policies for religiously selective schools).** The aim would be to determine how to ensure people have the choices they want while also guaranteeing that: citizens are treated fairly and have equal ability to exercise choice; and the individual providers and the whole system have strong public character, which excessive competition may undermine.
- Trust and empowerment**
8. **Found public service leadership councils for each public service at national and local level, including public service leaders and representatives of citizens and employees.** This would create spaces for two-way conversations, shared understanding and deliberative decision making; they would not be a platform for issuing orders but a space for facilitated dialogue. The local and national councils should lock together, with ideas from local leadership councils flowing upward direct to the secretary of state. Ministers should only set national requirements for public services following debate and consultation within these councils.
 9. **Design audit, regulation and service improvement arrangements to focus on the perspectives, experiences and contributions of citizens and employees.** The perspectives of citizens and employees should be key components in the planning, design, monitoring and evaluation of services. External scrutiny and peer support processes should monitor this by considering: how well organisations are seeking to understand and improve citizen experiences; and the extent to which employees are engaged, developing their professional practice, focusing on citizens and participating in innovation.

10. **Create a mechanism to give citizens and stakeholders the power to establish co-operative styles of governance within individual public services, providing they remain strong public interest institutions which cannot be subsequently privatised.** In addition to our proposal for sectoral reviews of public service governance models (recommendation 3), citizens and other stakeholders should be able to trigger governance reform to create more direct control, at the level of each individual institution. Public bodies could adopt new governance arrangements, based on co-operative principles; or occasionally services could become independent mutuals, as long as they continued to meet a public character test and the change did not subject them to new market competition (see recommendations 3 and 6). This approach would be an alternative to the privatisation of services or the chaotic, expensive and risky creation of citizen controlled startups.
11. **Support employees in all public service occupations to found strong, autonomous professional institutions, where they do not already exist, to define professional practice and support learning.** The teaching profession is currently exploring the creation of a Royal College of Teaching and the Probation Institute was recently established using a social partnership model. Different arrangements will work for each sector, but a strong institution is needed for every public service occupation, especially those not seen as traditional ‘professions’. Unions which play a strong role in supporting professional practice could be strengthened as part of this process. The top priority should be sectors where capacity is weakest because of low pay and status, restricted professional autonomy or high levels of fragmentation and outsourcing – for example adult social care or welfare to work.
12. **Encourage public services to work with trade unions to improve working conditions, job design and opportunities for employee learning, innovation and progression; and negotiate fair remuneration that sustains the quality of the public service workforce over time (including a Living Wage for all public service employees).** At local and institutional level trade unions should be trusted as partners in the workplace to support innovation, learning and the promotion of expert practice (and in turn, trade union representatives should work collaboratively with service leaders). In national negotiations the government will need to recognise that the quality of workplace performance will depend on employees being fairly rewarded: pay awards cannot remain below wage increases in the rest of the economy on an ongoing basis.
13. **Establish elected authorities for city and county regions and consider other ways to improve the local democratic control of services.** This is not a report about constitutional reform but creating trust and power within public services requires a better democratic system. The aim should be to improve the quality and quantity of engagement and dialogue at every level. Immediate action is needed to correct an emerging democratic deficit, by creating elected sub-regional authorities for conurbations and county regions. One-party ‘rotten boroughs’ are also a cause for concern in some parts of the country, suggesting that local voting reform should be considered in some areas. Sometimes there may also be a case for councils to have fewer, properly remunerated councillors. Finally, the government should create incentives for small or two-tier authorities to merge where this makes sense from the perspective of leadership, performance and value.
14. **Designate in law that councils are the ‘ringmasters’ for all public services in their community and create a duty for all local services to collaborate with them.** Local authorities should have a duty to set area-wide strategies for all the public services in their community; an ability to input into the budget and performance process of each service; and a role as the champion for citizen and stakeholder participation in services. All public services would be required to collaborate in this work. These functions could also be exercised by a cluster of authorities or by elected politicians at the level of city or county regions.
15. **Transfer responsibilities for commissioning health and social care (to council-led Health and Wellbeing Boards) and adult skills (to councils or elected authorities for city or county regions). Also establish a simple process for councils or sub-regional authorities to take over the commissioning of other public services, like welfare to work or probation.** This could include taking over responsibilities from another local commissioner or the devolution of power from Whitehall. Where a council has secured the support of all the local agencies affected, the government should only block these proposals in exceptional circumstances.
- Performance and value**
16. **Establish a new light-touch framework of national standards, improvement priorities and data requirements, as part of the 2015**

spending review announcements. This should include setting a limited number of national guarantees, entitlements and service improvement priorities. It should also contain a wider range of national data collection expectations – but with most measures not linked to central targets. These standards should be set following deliberation with public service leaders and other stakeholders.

17. **Mandate all local authorities to establish scrutiny committees covering all public services operating in their locality** and create a duty for all those services to participate in scrutiny. The committees would be responsible for overseeing performance and value in all local public services. Some of these functions could also be exercised at city or county region level.
18. **Create a new right for citizens or employees to trigger an early inspection or local scrutiny of any public service when they have concerns about its performance or ethos.** The ensuing scrutiny could be carried out by a regulator, sectoral improvement agency or by local level teams reporting to councils' scrutiny committees. This would be a mechanism for helping services to improve and the trigger would not imply that a provider was failing or at risk of closure. Elected local authorities would be the local gateway for the trigger, which would form one part of their broader scrutiny and service improvement relationship with services. They could set a sensible trigger threshold to stop tiny minorities abusing the process.
19. **Establish new decentralised machinery for support on service improvement:**

- **Remove most improvement functions from inspectorates and regulators (national inspections by organisations like Ofsted would assess compliance with minimum standards).** National bodies are too remote from individual services to provide assurance and support on matters where an ongoing relationship is needed; and a compliance relationship is ill-suited to supporting autonomous, internally-driven improvement. So regulators' direct national responsibilities should be confined to the policing of minimum standards, failure and risk. They should also implement and police data and evidence requirements, to provide robust information to support effective local and sectoral efforts to improve performance and value.
- **Designate a sub-national tier of government to provide local support and challenge to each public service, with accountability to elected politicians.** The precise arrangements would vary by sector – a large local authority would be a suitable body for supporting improvement in schools or social care; while hospital improvement might need a regional approach. Elected politicians should guide and supervise this work; it is not a technocratic exercise but a process of public accountability. Labour's proposal for local directors of schools standards will only be compatible with this approach if these posts are fully accountable to local politicians.
- **Encourage public services to establish their own independent sectoral improvement agencies dedicated to performance and value.** The Local Government Association and sectoral umbrella groups

could drive the creation of these autonomous sector-led bodies. They could work alongside or subsume the Cabinet Office's existing network of independent 'what works' centres. The government should also explore how to reform effective existing bodies like NICE so they are steered by and accountable to the public services they support.

- **Establish a new national institution to coordinate and hold to account these improvement support arrangements, such as an Office for Public Performance operating at arms' length from ministers.** The Fabian Commission on Future Spending Choices proposed an Office for Public Performance that would combine features of the old Prime Minister's Delivery Unit and Audit Commission. It would support all the sector-specific inspectorates, improvement agencies and independent 'what works' centres. An early priority should be to publish evidence and guidance to support public service leaders make decisions about whether, when and how to work with independent providers to achieve performance, value and strong public character, based on an understanding of the 'whole life' costs of outsourcing.

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