

presentation to
CORE Seminar

Ottawa, Canada
11 January 2006

‘An obsession with delivery’: public service reform in the UK

The **Serco** Institute

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Government as a 'work in progress'



“What of policy? Our approach is ‘permanent revisionism’, a continual search for better means to meet our goals, based on a clear view of the changes taking place in advanced industrialised societies.”

- Tony Blair, 1998

Blair's 'work in progress'

- A clear view of the changes taking place in the world
- A strong belief that these changes will redefine the role of public services in society
- A firm conviction that social democrats must preside over that re-definition
- A vague idea of what public services will look like in the future
- A continual search for the new paradigm

What are these changes?

- Globalisation – markets, mobility, migration
- Remorseless technological innovation
- Mass communication & mass culture
- Rising consumer expectations
- The speed of change

Some Implications 1: Adaptability



“In an era of rapid globalisation, there is no mystery about what works: an open, liberal economy, prepared constantly to change to remain competitive.”

- Tony Blair, 2005

Some Implications 1: Adaptability



“It means replacing monolithic, ‘one-size-fits-all’ state provision with a far more flexible and adaptable system that encourages innovation.”

- Tony Blair, 2003

Some Implications 2: Affordability



“The basic principle for me is that the service should be based on need, not ability to pay .”

- Tony Blair, 2001 election

Some Implications 2: Affordability



And yet -

“In parts of the welfare state, like pensions and transport, we have to find new ways of funding services, based on contributions from citizen and state.”

- Tony Blair, 2003

Some Implications 3: Universality



“We have to confront the 20/60/20 society – 20 percent well off; 60 percent reasonably off; 20 percent left behind.”

- Tony Blair, 2003

Some Implications 3: Universality



“One of the most glaring faults [in the NHS] is the huge variation in performance between parts of the service.”

- Alan Milburn, 2002

Some Implications 4: Accountability



“The public want education and health services free at the point of use – but they don’t want services uniform and undifferentiated at the point of use, unable to respond to their individual needs and aspirations.”

- Tony Blair, 2003

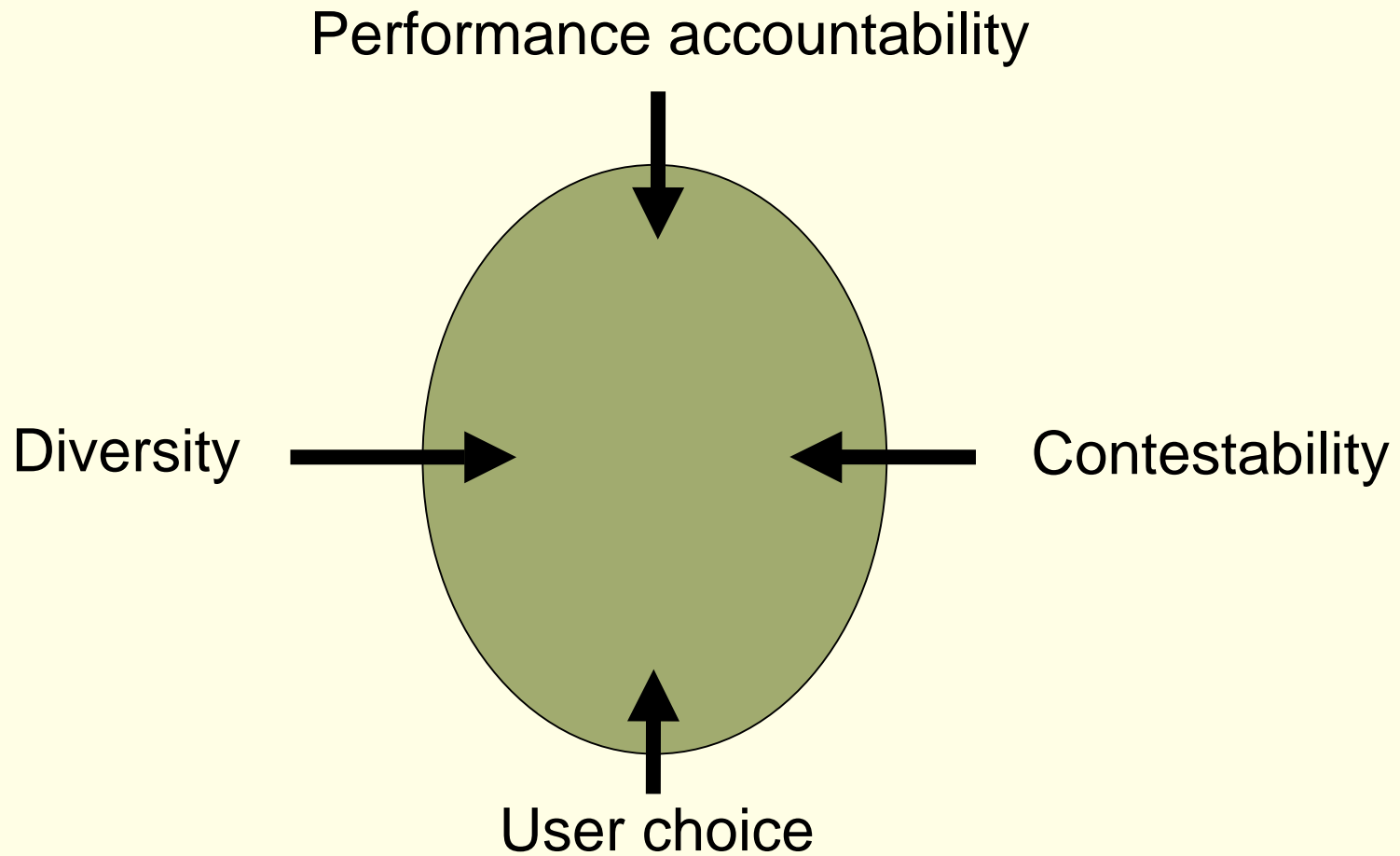
Some Implications 4: Accountability



“The relationship between state and citizen has changed. People have grown up. They want to make their own life choices.”

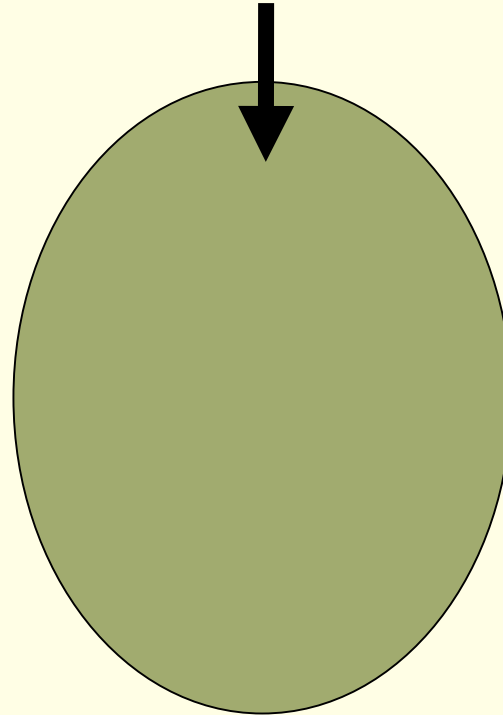
- Tony Blair, 2004

Modernising public services



Modernising public services

Performance accountability



Performance accountability: the politics



“For the public, what matters is what is achieved. They are less concerned with the processes of government. . . Across the world, a revolution is underway to refocus government on outcomes. . . .”

- Tony Blair, 1998

Performance accountability: the policy agenda

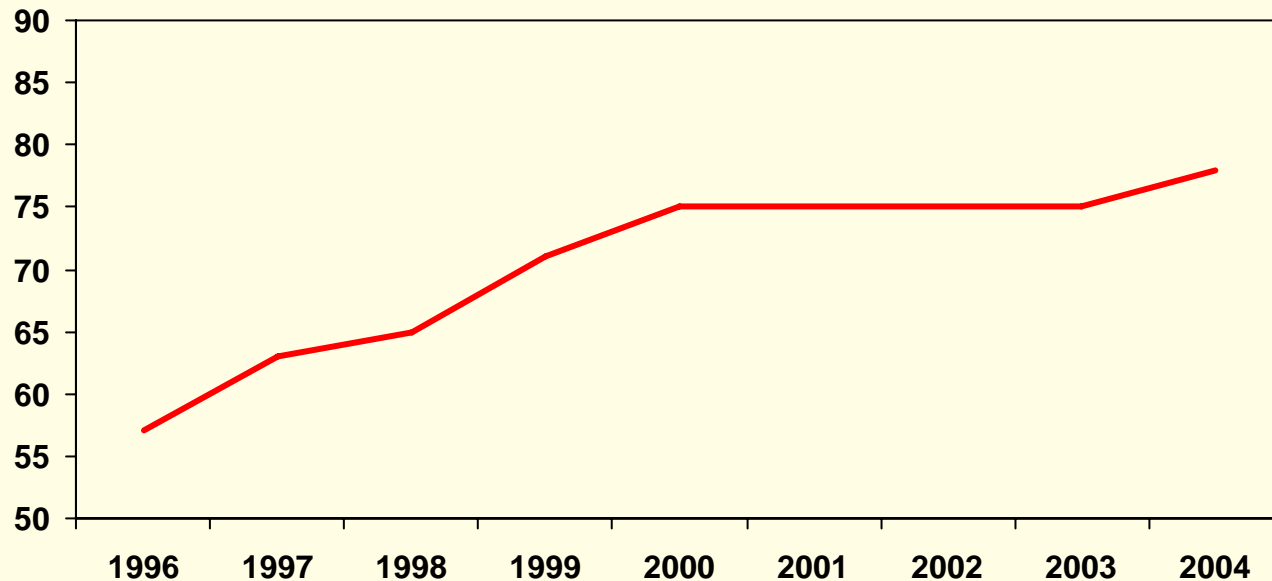


“It only becomes delivery when it makes a difference.”

- Sir Michael Barber, 2005

Performance accountability: the results

Percentage of 11-year olds achieving Level 4
or above in English



(i) Public Service Agreements: the politics

- To ensure that budget allocations were tied to outcomes:
 - the introduction of 3-year budgeting
 - a significant increase in spending on public services
- To systematise performance accountability across government

(i) Public Service Agreements: the framework

- Public Service Agreements, signed with Treasury every 2 years
- Service Delivery Agreements (details on how PSAs will be delivered)
- Technical Notes (how performance will be measured)
- NAO audit of systems underlying targets

(i) Public Service Agreements: the results

“Some butterflies were caught, no elephants stopped.”

(ii) Intervention: the language



“We have to deal with failure, which we have never managed to do inside a state monopoly.”

- Alan Milburn, Health Secretary, 2002

(ii) Intervention: the policy model



“A system that has the capacity to know early whether something is going wrong, intervenes and prevents it.’

- Sir Michael Barber, 2005

(ii) Intervention: the framework

- Separate and clearly identifiable service units
- Clear performance standards for service levels
- Objective methodologies for measuring performance
- Independent inspection service
- Publication of results
- Willingness/capacity to intervene and impose change
- A system of escalating interventions

(ii) Intervention: the tools

- 'Fresh start' or 'reconstitution'
- Send in 'hit squads' of proven managers
- Franchise the management to private firms
- 'Take-over' by a successful public service
- Market-testing and full private operation

(ii) Intervention: the results

2001: Intervention in 20 failing LEA's, with 9 outsourced to private management.

2004: The 9 private sector LEAs had:

- improved more than the national average
- improved more than the 11 non-outsourced LEAs
- improved more than LEAs with similarly low levels of attainment .

(iii) Rewards: the politics



“ . . . a funding system that rewards the successful and takes something away from under-performance.’

- Sir Michael Barber, 2005

(iii) Rewards: the tools

- Greater freedom from inspection & monitoring
- Freer access to capital resources
- Authority to vary national agreements on pay & conditions
- Freedom to trade & take over failing institutions

(iii) Rewards: the results

The jury is still out, but there is little evidence of success thus far.

Performance accountability: new directions



“In our third term, we must seek to strike a new balance between centrally imposed targets and empowering public service customers to drive performance themselves.”

- John Hutton, 2005

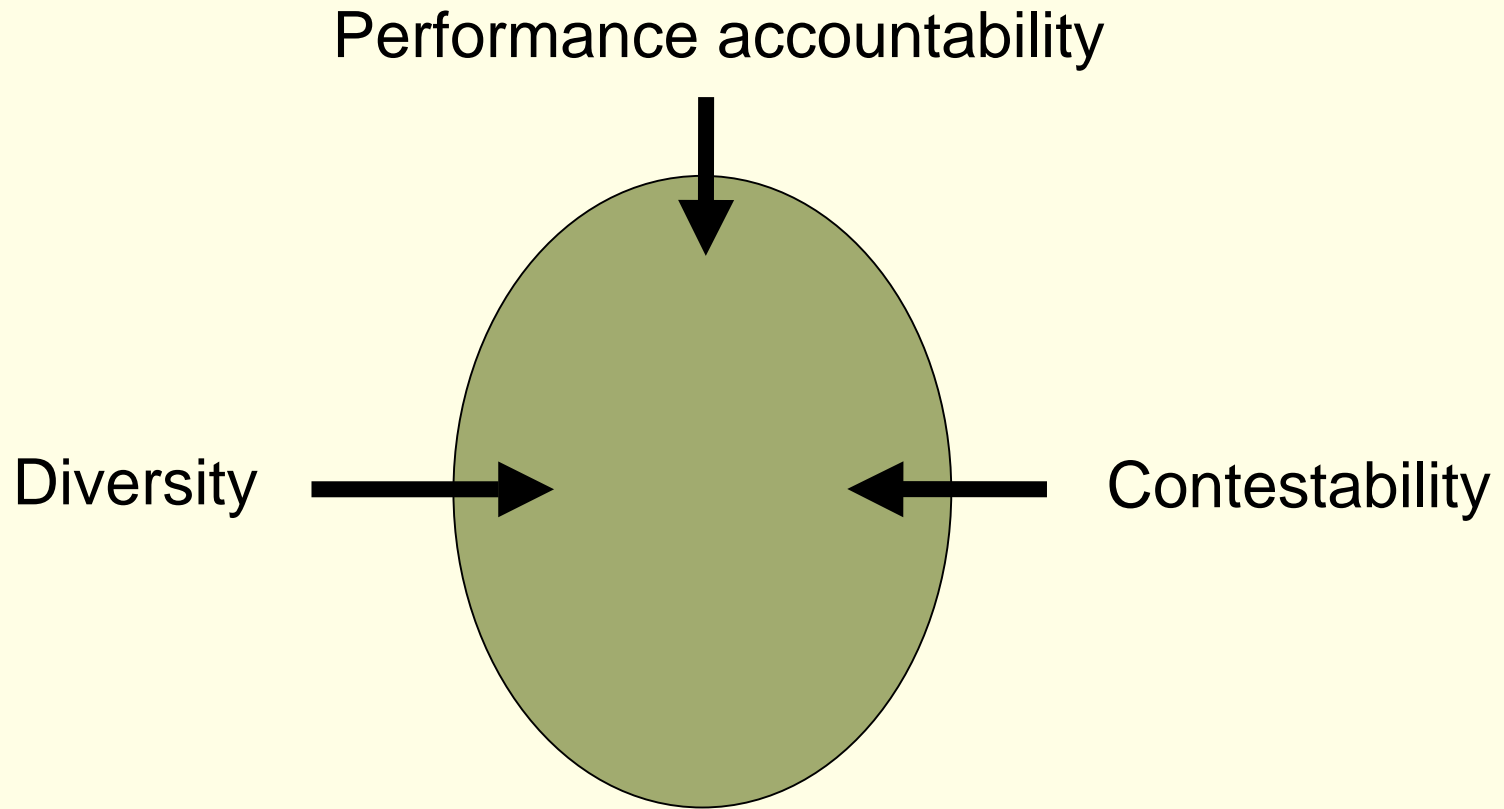
Performance accountability: new directions



“But it is handing power to individual service users – increasing the levers they can pull to get the public services they want – which will be the most powerful dynamic for change in the future. Extending the ability to choose between public service providers. . . .”

- John Hutton, 2005

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Contestability: the politics



“Long gone are rigid demarcations between public, private and voluntary sectors, at least in the public’s mind.”

- Tony Blair, 2004

Competition & contracting: many different frameworks

- PFI/PPP – right across government
- Interventions – education sector
- Additional capacity – ISTCS in health
- Market-testing – prisons
- Best Value – local government
- Shared services – central & local government

Competition & contracting: some examples



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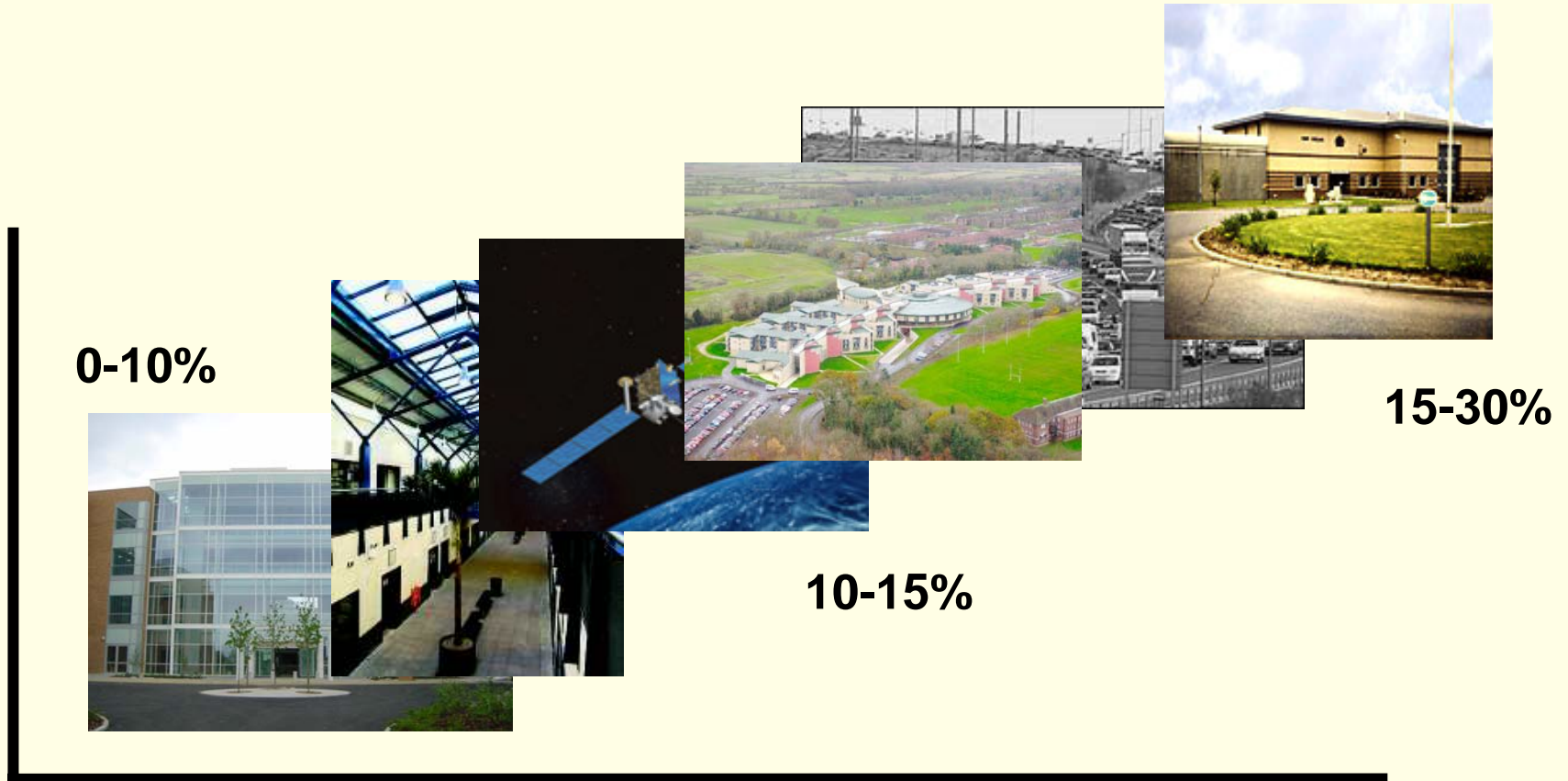
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PFI/PPP: the results

- 700 PFI deals signed
- Major infrastructure spending programme delivered on-time & on-budget
- Reduced construction times
- Reduced construction & operating costs

PFI/PPP: the results



Contestability: the *real* policy agenda?

Contestability: 'a latent but real possibility that services can be switched to other organisations'.

Diversity: the language



“Partnership between public, private and voluntary sectors is of critical importance in generating diversity.”

- Tony Blair, 2001 Election

Diversity: the language

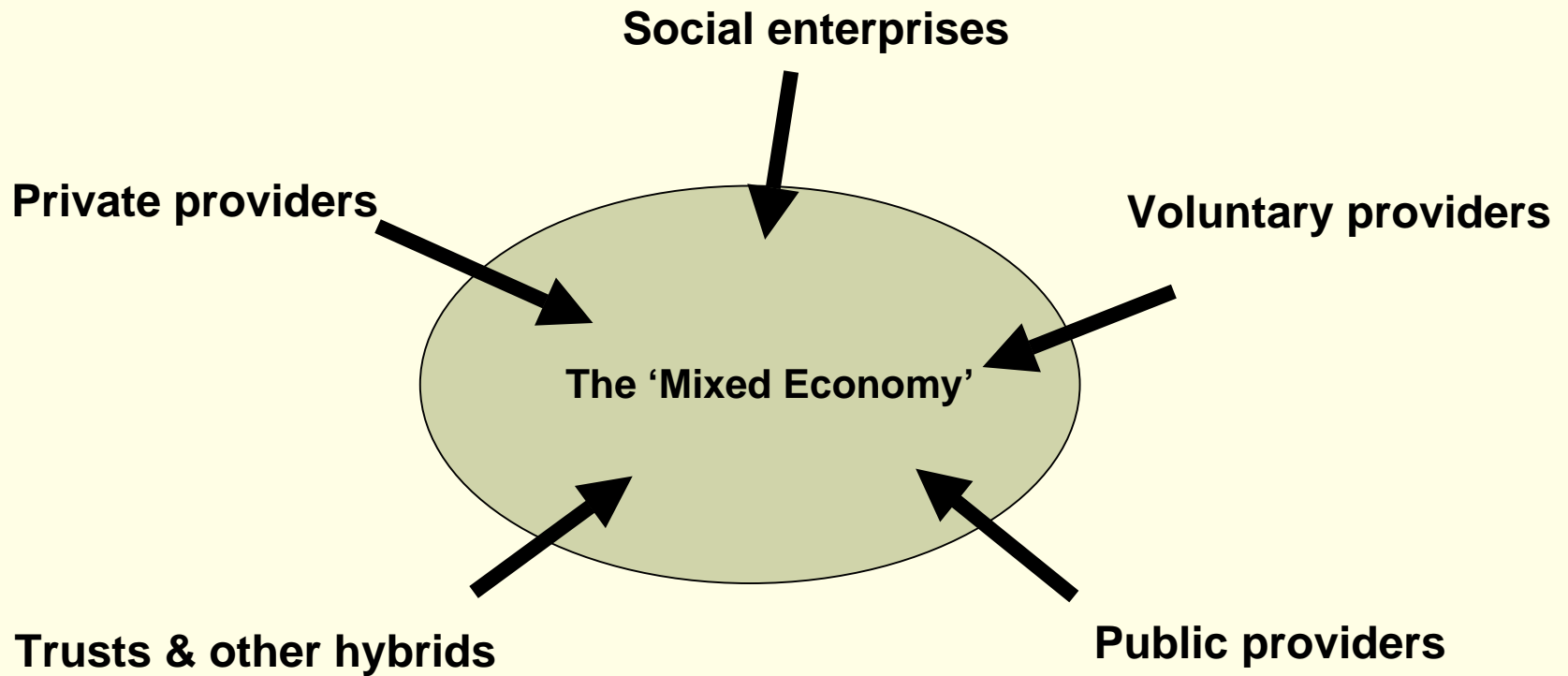
Diversity = contestability

Diversity = innovation

Diversity = choice

Diversity = a 'mixed economy'

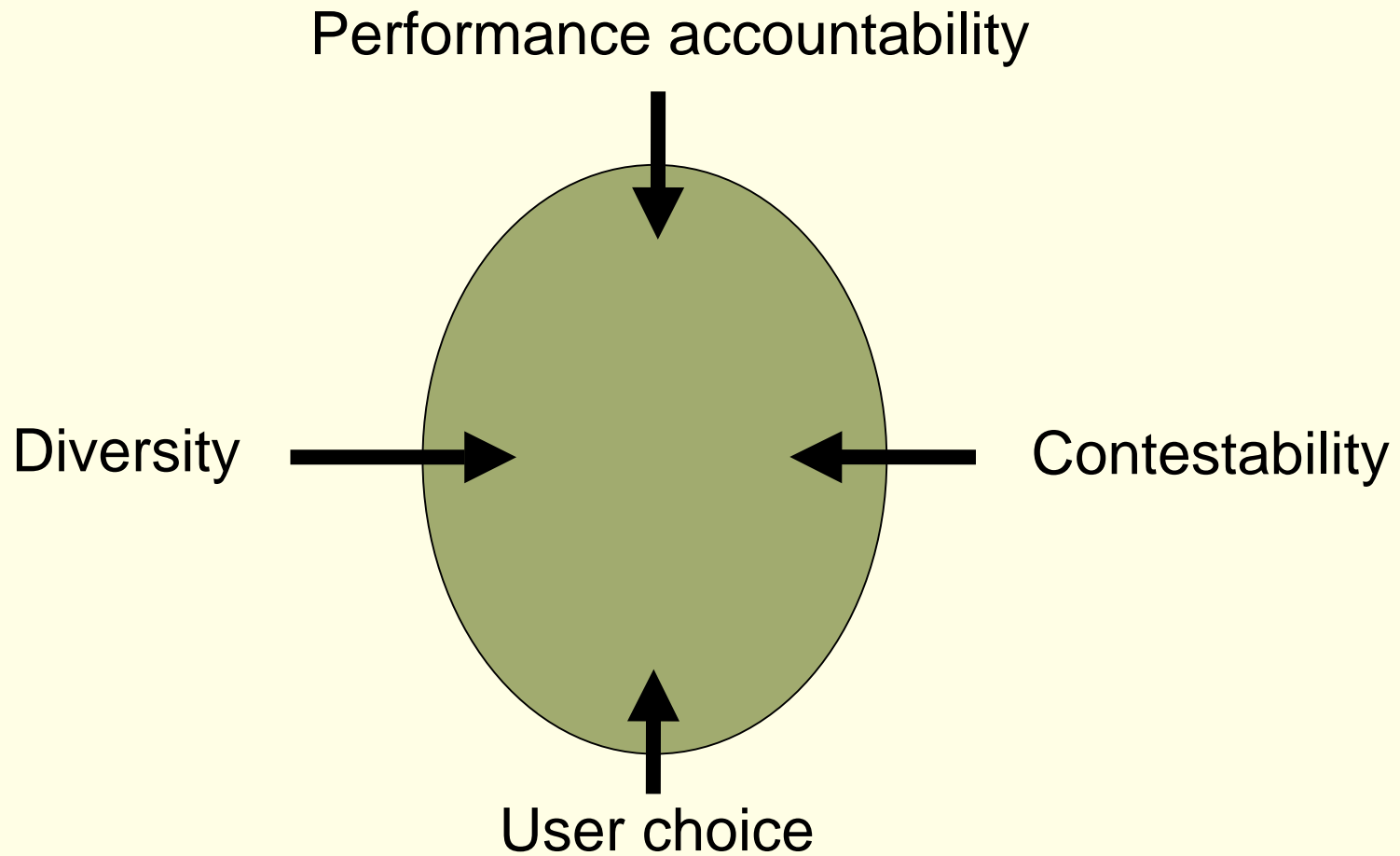
Diversity: the policy agenda



Diversity: the results

The jury is still out, but very promising

Modernising public services



Choice: the politics

- More than two-thirds of people say choice in public services is important to them
 - 80% believe that public services need to start treating users as customers
 - 74% believe choice of hospital will push up standards for everyone
 - 50% say patients need more control over their treatment
 - Only 37% say the NHS needs more money

Choice: the politics

- Strongest support from lower socio-economic groups, women & the north
- Choice is regarded as being more important for the disadvantaged
- No enthusiasm about paying more for choice through higher taxes

Choice: the language



“The public want the consumer power of the private sector, but the values of the public sector.”

- Tony Blair, 2003

Choice: the language



“We need a patient-centred NHS; and a pupil-centred school system. . . Putting the user first. . .”

- Tony Blair, 2003

Choice: the language



“The right to demand the best and refuse the worst, and do so, not by virtue of your wealth, but your equal status as a citizen.”

- Tony Blair, 2004

Choice: the language



“We know that reforms that offer public service providers more incentives to give consumers an improved service are powerful tools in driving up standards.”

- John Hutton, 2005

Choice: the policy agenda

Health:

1. Expanding choice of hospital provider
2. Towards full choice - 'Payment by Results'
3. Choice of provider - Independent Sector Treatment Centres

Education:

4. Diversity in schooling - specialist schools
5. Parents can choose to establish a school - City Academies

Choice: the results

Health:

- 70% of patients in London exercised their choice to get faster treatment
- NHS trusts gave responded by improving service
- Waiting lists have fallen dramatically (>15 months → < 9 months)

Education:

- Specialist schools outperform comprehensives
- City Academies – popular but with mixed results

Choice: means or end?

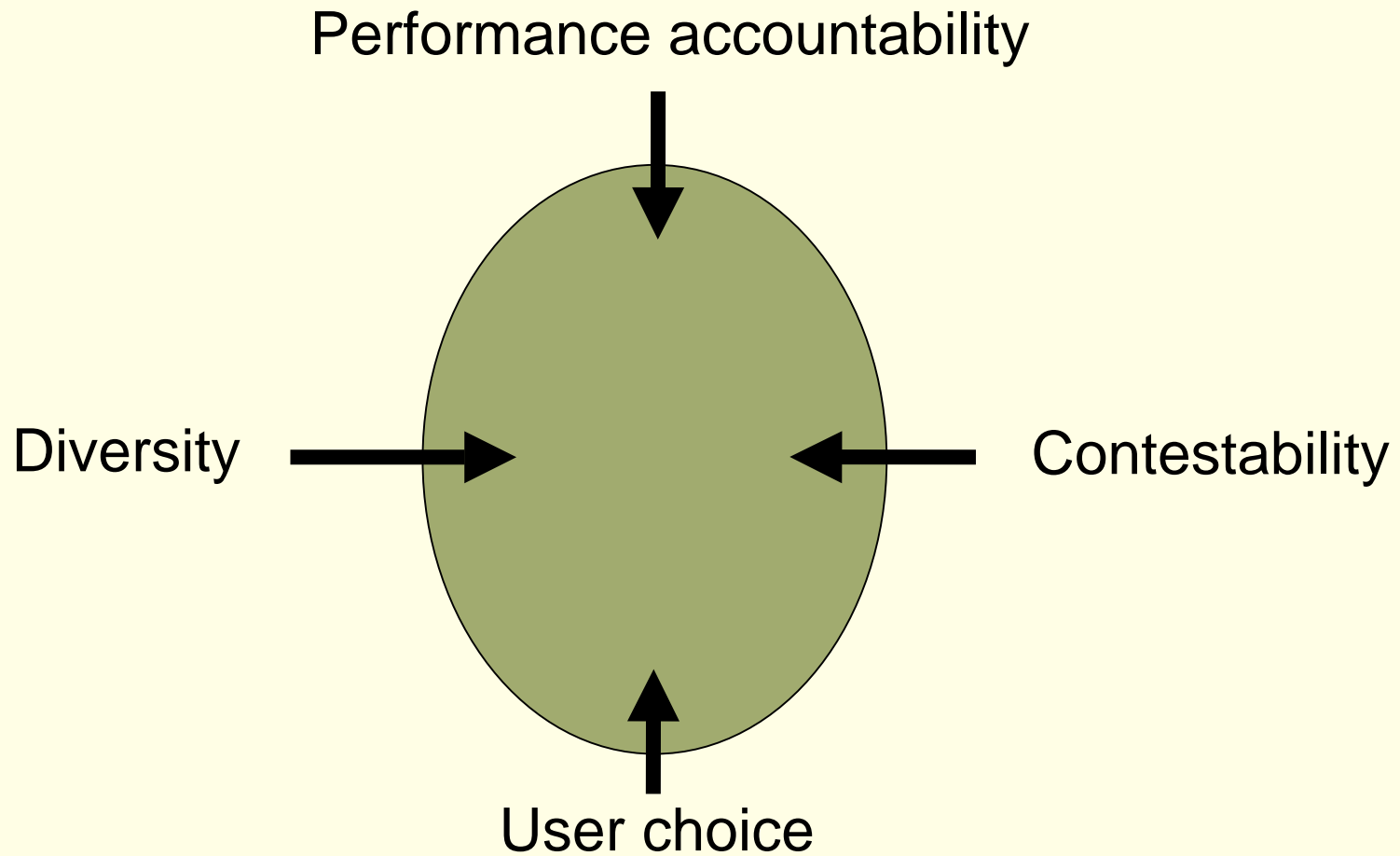
‘Ultimately, it is not choice that matters, but the responsiveness of the particular service to individual needs.’

- Audit Commission, 2004

‘People have a sense of control when dealing with the private sector. They can take their custom elsewhere: Ask me. Involve me. Value me.’

- Future Services Forum, 2005

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Future directions: market management



“Local authorities will need to take a view about what market structures. . . are best suited to competition and security of supply. They will also need to influence those structures. . . .”

- John Hutton, 2005

Future directions?



“Every time I’ve introduced a reform in government, I wish in retrospect I had gone further.”

- Tony Blair, 2005