

PUBLIC SERVICES WHITE PAPER

An Institute for Government Briefing Note

Introduction

Public services touch the lives of every citizen. The performance of our schools, hospitals, law enforcement and welfare services matters to every one of us, whether we use these services on a regular basis or not. As a nation we spend nearly 45% GDP to keep them running and the public sector alone [employs over six million people](#).

Every government promises to improve public services and this Coalition Government is no different. What is different today is that for the foreseeable future our public services will need to improve without significant injections of additional spending. In fact, apart from in a few protected areas, real terms spending will decrease over the lifetime of this parliament as part of the Government's deficit reduction plans.

The Open Public Services White Paper has set out a cross-government vision for how this improvement will be achieved. The paper brings together and reinforces the reform themes that have already been developed within individual departmental plans and the wider Big Society agenda.

- **A radical transfer of power** from "bureaucrats" to services users through increased use of personal budgets, choice mechanisms, elected Police Commissioners etc;
- **Greater autonomy for frontline professionals** through the removal of targets, inspection regimes and other top-down controls;
- **Opening up public services to new providers** such as private providers, community organisations, social enterprises, charities and public sector mutuals; and
- **Commissioning for outcomes** rather than process through increased use of payment by results mechanisms.

The purpose of this paper is not to question the underlying rationale behind the Government's agenda. Rather, we set out the most important arguments behind each of the core themes and summarise the challenges that the Government will need to address if it is to successfully implement these reforms.

1. A radical transfer of power

The Government argues that for our public services to improve they must be truly responsive to the people they serve. This means being accountable to individuals and local communities rather than to Whitehall.

There are a number of ways that local accountability can be enhanced and, looking across the Government's reform agenda, a hierarchy of mechanisms is implied. The most direct form of accountability is for people to be handed direct control, for example by being given a budget to spend on the services that best suit their needs. Where this is not possible, market mechanisms can be introduced which allow people to choose service providers such as which hospital to be treated in. For services such as policing, where a market is inappropriate, local democratic mechanisms can ensure accountability such as elected Police and Crime Commissioners.

There are two main challenges that any decentralising government must face. Firstly, can sufficiently robust local accountability mechanisms be put in place to genuinely empower local communities? Secondly, can Ministers and Whitehall 'let go'?

To the first point, different **local accountability mechanisms** have different strengths and weaknesses. Voting in a local election is very different to choosing your GP but both are held up as forms of accountability. It is likely that a combination of accountability mechanisms will be required rather than relying purely on one mechanism if citizens are to feel truly empowered.

As we are likely to see different combinations of accountability mechanisms being adopted for different public services, it will be important to check that the whole package makes sense from the citizen's perspective. These mechanisms will take time to become fully effective so it is important that the pace of devolution matches the speed at which local accountability can be strengthened.

Central to enabling local accountability will be increased transparency in public services. The Prime Minister has [announced](#) "the most ambitious open data agenda of any government in the world", promising to release a wide range of data on public service performance. Such data is intended to allow citizens to make informed choices about the public services they use and the representatives they elect. Releasing data can also create economic benefits, for example by providing developers with information on road traffic congestion, or making it easier for citizens to use public transport systems. There are, of course, technical challenges to ensuring that data is accurate, timely and accessible and it will be important to ensure that the public is willing and able to use the information to hold services fully to account. Will residents really be willing to let failing local schools close, for example?

Ministers often seem to find it difficult to relinquish power, particularly over decisions which their residents care passionately about, such as school closure. The main reason for this is our system of **ministerial accountability**, the constitutional convention that individual ministers are accountable

for the actions (and omissions) of their departments and associated public bodies. How will ministerial accountability function in a more decentralised system?

The Deputy Prime Minister recognised this challenge in a speech at the Institute for Government pointing out that “Ministers standing at the despatch box will continue to be held responsible for local decisions over which they no longer have any control. This will feel uncomfortable, to say the least: responsibility without power, the curse of the decentralising Minister.”

Avoiding this conundrum requires nothing short of revisiting the convention of ministerial accountability. In our report on accountability we recommended that the Ministerial Code needs to be formally altered to recognise this changing accountability landscape.

Read more about the Institute’s work on [Accountability for Public Services](#).

2. Greater autonomy for frontline professionals

The last government placed a great deal of emphasis on targets, inspection regimes and other forms of 'top-down' control. The logic was that by being clear what success looked like (e.g., shorter waiting times for surgery), being explicit about how these targets would be achieved and then closely managing performance, services would improve.

The current government is more sceptical about the centralised performance management of public services pointing out that the centre rarely 'knows best' and top-down targets risk focusing too much attention 'up' to Whitehall rather than 'out' to the public. What's more, central controls can result in perverse incentives that actually drive the wrong behaviours (such as faking results). As a result, the vast majority of top-down controls have been scrapped, along with the Audit Commission and swathes of other guidance and restrictions giving frontline professionals more autonomy to decide how best to deliver public services.

Greater autonomy can allow the frontline to respond to the needs of the users of public services, but this requires two important factors to be in place.

Firstly, there must be **strong pressure on the system** to improve which means that the local accountability mechanisms discussed above are essential. In addition, it will be important for the Government to be clear what poor performance looks like and set the 'floor' below which outcomes cannot fall without unnecessarily restricting the freedoms they are hoping to promote.

Secondly, public sector professionals must have the necessary resources and skills to succeed. For example, the quality of a school system cannot exceed the quality of the teachers within it. Ensuring that the right people are recruited and then providing them with the necessary professional development is key.

Read more about IfG's work on the [Performance Management of Public Services](#).

3. Opening up public services to new providers

Encouraging a 'mixed economy' of providers is not new but this government would like to go further and faster in 'breaking up the state monopolies' for provision. This means new providers such as charities, public sector mutuals and private sector organisations playing a much greater role than today.

The idea is that this will help to improve the quality of services by encouraging innovation and increasing competition. For example, free schools have fewer restrictions on their activities and can be established in response to parental demand. Similarly, people working in public services are being encouraged to consider setting up employee-owned mutuals which will take the services out of direct state control.

As services are fragmented it will be increasingly important to be absolutely clear **who is responsible for what**. The state's role will become focused on setting the overall framework within which services are delivered, including minimum standards and what happens if things go wrong. Providers will be responsible for the quality of the services they deliver. Often this relationship will need to be codified through contracts which will need to be both flexible enough to allow innovation but specific enough to avoid doubt over what all parties are committing to (see discussion of commissioning for outcomes below).

To ensure one public monopoly isn't simply replaced by another non-public one it might be necessary to specify the percentage of services to be delivered by small and medium sized enterprises or charities. Regulation of new markets may also be required, for example through bodies such as the Office for Fair Trading, the Competition Commission, or new sector-specific regulators (similar to the Care Quality Commission). In addition, commissioners will have to work hard to ensure services remain coherent and integrated from the public's perspective even if they are being delivered by a wide range of organisations.

Public sector mutuals can help to break up existing provision and create new service models. However, they will need to operate as sustainable businesses. This means being able to access multiple revenue streams and sources of capital. Employees will need to think of ways to blend state support and private investment without being solely dependent on a single source of finance. This is a big ask for many mutual organisations.

Many employees will want to work for a mutual because of the implied greater interaction with users and may have limited experience managing business, legal and financial issues. To develop the necessary capabilities, members of mutual organisations will need to collaborate and share best practice, perhaps with the help of supportive intermediary organisations.

Read more about the IfG's work on [Big Society public services](#) and [public sector mutuals](#).

4. Commissioning for outcomes

Commissioners of public services have a choice about what they 'buy'. Traditionally, commissioners have focused on specifying the types of services they require (e.g., skills courses for job seekers). The Government is keen to switch the emphasis to the outcome being sought (e.g., a reduction in worklessness). It is believed that switching the focus to outcomes encourages providers to innovate. It is also argued that the state is, in effect, transferring the risk of delivery to the provider as only outcomes that are achieved will be paid for.

Successful outcomes-based commissioning requires several conditions to be in place. First, the outcomes must be **measurable**. Measuring outcomes is often more complex than measuring outputs. For example, it is easy to measure whether a hip operation took place. It is harder to measure whether or not the patient had increased mobility and life satisfaction as a result.

Second, there must be a **causal link** between what the service provider did and the outcome. It is important to be able to distinguish between an outcome that would have happened anyway and an outcome that is a direct result of the provider's efforts. Using job seekers as an example, the likelihood of finding a job will be driven by the job market as well as any particular interventions by providers. This also implies that if the time between the intervention and the outcome is very long (possibly years) then causation will be harder to determine.

Third, it must be possible to **price** the outcome. Often some of the benefits of the intervention will be intangible or distributed between different parts of government so understanding what the outcome is worth can be difficult.

Commissioning skills will also need to be improved if this approach is to be adopted. Commissioners will need to think outside of traditional service delivery silos as outcomes will often cut across several different policy areas. They will need to think carefully about how to encourage the development of provider markets that can meet their requirements. All this will take time to establish.

Read more about the IfG's work on the [State of Commissioning](#).

Conclusion

The agenda set out in the Government's Open Public Services White Paper demonstrates the Government's ongoing commitment to a radical reconfiguration of Britain's public services, even at a time of significant expenditure reductions. Many of the themes developed within the White Paper are, of course far from new but an agenda that seeks to find satisfactory alternatives to 'top-down' controls is nonetheless ambitious and translating this agenda into concrete change will take time.

The process of moving from the white paper's general principles and ideas towards fully developed and implemented policies is now underway. Government has committed to ensuring that this process is open and collaborative – an approach that is supported by the Institute's research on [policymaking](#).

From now on, the Institute will be supporting those within and outside government in the process of further testing and developing the ideas presented in the white paper – supporting all those who want to improve Britain's public services.

Read more about the Institute's [ongoing work in this area](#) and sign up to our newsletter for updates on this and wider Institute work.

To comment, query or to get involved in the Institute's work on new models of government and public services, please contact:

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Copies of this report are available alongside other work at:

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