

2020 Vision:

A far-sighted approach to
transforming public services

About the 2020 Public Services Trust

The 2020 Public Services Trust is a registered charity (no. 1124095), based at the RSA. It is not aligned with any political party and operates with independence and impartiality. The Trust exists to stimulate deeper understanding of the challenges facing public services in the medium term. Through research, inquiry and discourse, it aims to develop rigorous and practical solutions, capable of sustaining support across all political parties.

In December 2008, the Trust launched a major new Commission on 2020 Public Services, chaired by Sir Andrew Foster, to recommend the characteristics of a new public services settlement appropriate for the future needs and aspirations of citizens, and the best practical arrangements for its implementation.

For more information on the Trust and its Commission, please visit www.2020pst.org.

This report is a research input requested by and prepared for the Commission. The recommendations submitted herein may or may not be adopted, either wholly or in part, by the Commission in its final report. The views expressed in this report are those of the author and do not represent the opinion of the Trust or the Commission.

Published by the 2020 Public Services Trust, June 2010.

2020 Public Services Trust at the RSA
8 John Adam Street
London WC2N 6EZ

© 2020 Public Services Trust, 2010

ISBN 978-0-9565031-6-9 2020 Vision Paperback
ISBN 978-0-9565031-7-6 2020 Vision PDF

Contents

Author	5
Acknowledgements	6
Foreword	8
Executive Summary	10
1 Introduction	13
Pull factors	14
Push factors	14
2 The Commission's vision and principles	17
A shift in culture: from social security, to social productivity	18
A shift in power: from the centre to citizens	19
A shift in finance: reconnecting financing with the purposes of public services	19
3 Implications of the Commission's vision	22
Identify opportunities to create public value and agree priorities for public action	24
Create public value	32
Ensure mechanisms of accountability for the creation of public value	36
4 Barriers to transformation in the public sector	39
5 Managing the transformation process	42
Establish a sense of urgency	43
Create a guiding coalition	44
Develop a vision and strategy – and communicate it	44
Empower broad-based action	47

Generate short-term wins	47
Consolidate wins and produce more change	48
Sustain transformation: the innovation challenge	48
6 Key steps towards the Commission's vision	50
Shift in culture	52
Shift in power	54
Shift in finance	56
7 Conclusion	58
Bibliography	59

Author

This study was undertaken by Lauren M. Cumming. Lauren is a Researcher to the Commission on 2020 Public Services. Prior to working for 2020, she was a research assistant at The Serco Institute, publishing a briefing paper on behavioural economics and public service contracting, and conducting research comparing education quasi-markets in six OECD countries. Lauren has a Masters in International Security from Sciences Po Paris and an MSc with Distinction in International Political Economy from the London School of Economics.

Acknowledgements

The 2020 Public Services Trust and the author would like to thank the many people that participated in the preparation of this report, generously giving of their time and offering encouragement, information and insights.

Project sponsor

- Accenture

Commissioner project leads

- Tim Besley, Kuwait Professor of Economics and Political Science, LSE
- Nick Bosanquet, Professor of Health Policy, Imperial College; Consultant Director, Reform
- Lord Geoffrey Filkin, Chair and Founder, 2020 Public Services Trust

Steering group members

- Rod Aldridge, Chairman, The Aldridge Foundation
- Michael Harris, Research Director, Innovation Policy, NESTA
- Ben Lucas, Director, 2020 Public Services Trust
- Jeff Masters, Commission Secretary, 2020 Public Services Trust
- Tom McLaughlan, Director of UK Government Relations, Accenture
- Louise Morgan, Government Relations, Accenture
- Carol Propper, Professor of Economics, Imperial College Business School

Expert consultants

- Charlotte Alldritt, Researcher, 2020 Public Services Trust
- Julian Denney, Chief Planning Officer, NHS Institute for Innovation and Improvement
- Julian McCrae, Fellow, Institute for Government

Report preparation

- Heidi Hauf, 2020 Public Services Trust (administrative support)
- Henry Kippin and Jeff Masters, 2020 Public Services Trust (editing)
- Ashish Prashar, 2020 Public Services Trust (communications and media)
- SoapBox, www.soapboxcommunications.co.uk (design and printing)

Foreword

Britain faces a challenging decade. Society is changing and citizens' needs and expectations are changing with it. The fiscal context is extremely difficult. It is essential that public services change to reflect these new realities. As members of the Commission on 2020 Public Services (the Commission), we have a vision of public services that are better aligned with the needs, priorities and aspirations of citizens, encourage independence and responsibility and put citizens in control of their lives. This report addresses the process of transforming public services from their current configuration to that of this vision by 2020.

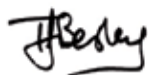
Transformation is urgent. While politicians recognise the scale of the immediate fiscal crisis facing Britain, there has been insufficient public debate about the crisis looming in 2020 due to an ageing population, increasingly demanding service users and the “higher labour costs that high quality social services require.”¹ Without public service transformation, the breadth and quality of services to which citizens have become accustomed will not be delivered and expanding the range of services that are offered will be near impossible. To address these issues, the Commission proposes three major shifts:

- A shift in culture: from social security, to social productivity
- A shift in power: from the centre to citizens
- A shift in finance: reconnecting financing with the purposes of public services

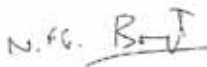
These shifts represent a fundamentally different relationship between government and citizens. The Commission proposes a model in which government engages more with citizens to understand their priorities and provides strategic leadership, while citizens are enabled to take responsibility for themselves and their communities.

1 Howard Glennerster, *Financing the United Kingdom's Welfare States* (London: 2020 Public Services Trust, 2010): 8.

Transformation will not be easy. But a new coalition government has just been formed providing an opportunity to begin the debate with UK citizens about the future of public services and to build a cross-party consensus the core issues Britain faces. We hope that this report will become an essential reference to government as a source of inspirational vision and as a practical guide to public service transformation.

**Tim Besley**

Kuwait Professor of
Economics and Political
Science, London
School of Economics

**Nick Bosanquet**

Professor of Health
Policy, Imperial
College and Consultant
Director, Reform

**Geoffrey Filkin**

Chair and Founder,
2020 Public Services
Trust

Commissioner Leads for Transformation

Executive Summary

Public services are a cornerstone of British society. Many people strongly link their identity as British citizens to public services such as the NHS: “It’s like the NHS and the Union Jack, they’re the same thing.”² Public services play a critical role providing the security citizens need during difficult times in their lives and supporting the most vulnerable in our society. It is vital that public services be the best that can be offered.

Transforming our public services is essential. Public services can be made better by using information and communication technologies (ICT) and informal citizen resources to their fullest potential. The pressures of coping with the long-term fiscal challenges of an ageing population and the immediate fiscal crisis make change urgent. However, change in public services should not mean salami-slicing or ring-fencing entire departmental budgets. A more sophisticated, long-term approach is required.

Rising to the challenges ahead means transforming public services according to a positive long-term vision which articulates the objectives of services and provides a strategy to achieve them. A more open and honest debate about the purposes of public services and the priorities for public action at the national and local levels is urgently needed.

One possible way to conduct a national debate of this kind is through twenty-first century town meetings. Using technology to transmit information between groups of citizens all over the country, twenty-first century town meetings can enable very large numbers of people to voice their opinions, hear what their counterparts in other parts of the country think, re-consider the options and, ultimately, vote on policies. Such meetings are also an opportunity to provide citizens with the information they need to make difficult choices, information they may be otherwise unaware of, such as the cost of certain policies or their implications for particular groups of vulnerable citizens.

2 Discussion group participant, Kent. Quoted in Ipsos MORI, *Citizen engagement: testing policy ideas for public service reform* (London: 2020 Public Services Trust, 2010): 22.

When faced with ‘impossible’ choices about priorities for public services, an instinctive reaction is to attempt to avoid the problem altogether by refusing to recognise the need for change. In light of this, it is important continually to communicate a positive vision for the future and to equip citizens with essential tools to help them think through the issues. Some of the fundamental questions for citizens are:

- What would I like public services to help me achieve? Which public services seem superfluous to me, or which would I like to be created that would have a positive impact on my life?
- Does wider society benefit from my using this public service paid for by the taxpayer? If not, should a partnership funding model be considered?
- Does government need to play a role in funding, delivering or regulating this service for equality or efficiency reasons?

However, public service transformation is not only about establishing priorities. Doing things differently, more efficiently, can sometimes reduce the number of tough choices that need to be made. The Commission on 2020 Public Services (the Commission) has recommended three shifts for public services that together could lead to better outcomes.

- A shift in culture: from social security, to social productivity
- A shift in power: from the centre to citizens
- A shift in finance: reconnecting financing with the purposes of public services

This framework enables fresh thinking about how services can be redesigned to deliver more public (and private) value. The emphasis is on empowering citizens and communities to make decisions that affect them and participate actively in the design and delivery of services. Empowering citizens also means enabling them to hold accountable the correct people or organisations by ensuring short and visible lines of accountability running directly down to citizens wherever possible.

The barriers to transforming public services are large, but if the process is managed carefully, they can be overcome. Experimenting with new ways of working is risky because sometimes it fails, but given the current context, the benefits of encouraging large-scale innovation far outweigh those risks. Transformation must

begin today, with a far-sighted vision for society in 2020. This report calls for citizens and government to be courageous and participate in a transformation critical to the quality of life of all.

1

Introduction

“First comes thought; then organization of that thought, into ideas and plans; then transformation of those plans into reality. The beginning, as you will observe, is in your imagination.”

Napoleon Hill

Public services fulfil an incredibly important function in society. The Commission’s own research shows that citizens value public services for the role they play in maintaining order in society and for the security they provide in times of need.³ But our current model of public services, based on the Beveridge Report of 1942, is outdated and needs to change. There are huge demand and behavioural challenges ahead. The fiscal crisis places new constraints on funding and delivery. The imperative for change also comes from within: public services must do better for the people who rely on them.

This sense of urgency is critical to making the case for change. As a recent report argues, a “critical factor” in explaining innovation is “the will to change that comes from awareness of threat or failure (and, occasionally, from a sense of a new opportunity).”⁴ In this report we call these ‘push’ and ‘pull’ factors. Push factors are the awareness of threat or failure (such as the potential impact of the fiscal crisis). Pull factors are about new opportunities (such as those provided by new technologies). The need for change in our public services is driven by both push and pull factors.

3 Ipsos MORI, *Citizen engagement: testing policy ideas for public service reform* (London: 2020 Public Services Trust, 2010): 11–12.

4 Nicola Bacon, Nusrat Faizullah, Geoff Mulgan and Saffron Woodcraft, *Transformers: how local area innovate to address changing social needs* (London: NESTA, 2008): 4.

Pull factors

Two crucial pull factors are the resources and agency of citizens. 2020 Commissioner Hilary Cottam argues that late in life Beveridge realised “he had made a mistake in the way he had designed our welfare state.”⁵ His self-diagnosed error was “that he had both missed and limited the potential power of the citizen.”⁶ In order for public services to achieve good outcomes, citizens must be enabled and encouraged to play an active role in identifying and participating in solutions to their individual and collective problems. Citizens possess many resources that can be harnessed to meet their needs or to help them use services better. These include knowledge, skills, time, energy and will-power. Public services that acknowledged and used these resources would be much more likely to achieve good outcomes.

Other pull factors could not have been anticipated in the 1940s. The extent to which technology has changed lives since Beveridge’s time cannot be overstated. The invention of the personal computer and the increasingly widespread use of the Internet have profound implications for the ways in which public services can be delivered, and may re-shape citizens’ preferences about how they interact with certain public services. ICT can make public services more effective at meeting citizens’ needs and more efficient, delivering services more quickly and cheaply. As the Trust’s recent report *Online or In-Line* argues, “together with the potential of online technologies to change our mode of access to public services, we are challenged to rethink the entire role of the state and our relationship with government”⁷ in the light of new technology. If technology can make access to public services more convenient for service users, and the services themselves cheaper for taxpayers and more effective for citizens overall, then this is surely one of the most important reasons for changing the current model of public services to one which uses technology to its potential.

Push factors

The pull factors above lead the Commission and others to believe that public services can be reformed to deliver better outcomes for citizens. However, there are also increasingly urgent short- and long-term push factors driving reform. The UK has an ageing and increasingly diverse and demanding population. In 2008,

5 Hilary Cottam, *Beveridge 4.0* (London: Participle, 2008): 2.

6 *Ibid.*: 3.

7 Charlotte Alldritt et al., *Online or In-line: The future of information and communication technology in public services* (London: 2020 Public Services Trust, 2010): 11.

there were more people over 65 years of age than under 16, and this accelerating trend has been predicted to cost over £300 billion by 2025.⁸ Migration flows are also changing the composition of the population, creating a more diverse society with increasingly varied needs and aspirations.⁹ This increasing diversity has profound implications for the demand for public services. Culturally, citizens are becoming increasingly assertive, demanding higher quality, prompt and more personalised services.¹⁰

The current fiscal crisis makes transformation all the more urgent. The forecast for public sector net borrowing this year is £157 billion.¹¹ The new coalition government has committed to making £6.2 billion worth of spending cuts this year¹² and to “significantly accelerate the reduction of the structural deficit over the course of a Parliament, with the main burden of deficit reduction borne by reduced spending rather than increased taxes.”¹³ Clearly, delivering better quality services by increasing spending is no longer an option. To achieve ‘more for less’ or even retain the ‘same for less’ will require transformation and a recognition that, in some cases, ‘less for less’ may be the only option.

A coherent response to these challenges requires public service transformation. A more open and honest public debate about the priorities for government action and how services can be re-designed to deliver better outcomes is urgently required. The alternative – increasingly likely without this debate – is to sleepwalk towards a future in which “public services work in the same way as now, only with less resources [*sic.*]. Public services are retrenched but not reformed. They are residualised, and become increasingly poor services for a marginalised minority.”¹⁴

The new coalition government has the difficult task of regaining public trust and building political consensus around the best of the alternatives for meeting the transformation challenge. This report is a contribution to the debate the new

- 8 Laura Bunt and Michael Harris, *The Human Factor: How transforming healthcare to involve the public can save money and can save lives* (London: NESTA, 2009): 11; Michael Harris and David Albury, *The Innovation Imperative* (London: NESTA, 2009): 8.
- 9 Barrow Cadbury Trust, *Cities in Transition: Britain's Increasing Plurality* (London: Barrow Cadbury Trust, 2007): 2.
- 10 Simon Griffiths, Beth Foley and Jessica Prendergrast, *Assertive Citizens: New Relationships in Public Services* (London: The Social Market Foundation, 2009); Peter Taylor-Gooby, Charlotte Hastie and Caroline Bromley, “Querulous Citizens: Welfare Knowledge and the Limits to Welfare Reform” *Social Policy and Administration* 1 (2003): 1–20.
- 11 Office for National Statistics, “Public Sector”, *Economy*, accessed on 25 May 2010 at <<http://www.statistics.gov.uk/cci/nugget.asp?id=206>>.
- 12 BBC News, “George Osborne to outline £6.2bn spending cuts” accessed online on 24 May 2010 at <http://news.bbc.co.uk/1/hi/uk_politics/8699522.stm>.
- 13 HM Government, *The Coalition: our programme for government* (London: Cabinet Office, 2010): 15–16.
- 14 Commission on 2020 Public Services, *Beyond Beveridge* (2010): 7.

coalition government must engage in, regarding how government can reconnect with citizens, the priorities for government and the responsibilities of citizens.

2020 Vision first explains and analyses the Commission's vision and principles for 2020 public services. The report discusses the barriers to change in the public sector, then describes the stages of the transformation process. The last section outlines a change pathway for the implementation of the Commission's vision.

2

The Commission's vision and principles

It could be argued that decades of reform to public services have not delivered results to match expenditure. This is partially due to a failure on the part of reformers to return to first principles, to ask what public services are really for and establish the guiding principles for a coherent 'model'. It is also due to a tendency to favour incremental reform over complete transformation, because whole system-change is extremely difficult to enact. However, the problem is that very often one cannot easily make small changes to the system without shifting the conditions that prevail in the rest of the system to make it amenable to reform.

At a time when public finances are increasingly constrained, the purpose and underlying principles of public service reform become even more crucial. The Commission has argued that politicians have been locked in a conspiracy of silence, avoiding debate about how to pay for public services in the future and leaving the public convinced that that 'efficiency savings' are all that will be required to maintain current service breadth and quality.¹⁵ In reality, the scale of the deficit and the cost drivers of public services, such as the effects of demographic change, make a long-term strategy for financing public services essential. Avoiding this debate risks alienating the public from key decisions, jeopardising the legitimacy of reform.

The Commission was established to help widen public debate on a subject that matters to all citizens. It seeks to shift a debate that has become narrowly centred on cuts ('what to cut' and 'when to cut it') to a more fruitful discussion of the broader

¹⁵ Only 27% of the public believe disagreed with the statement that "Making public services more efficient can save enough money to pay off the very high national debt we now have, without damaging services the public receive. Ipsos MORI, *Ipsos MORI March Political Indicator*, accessed online on 25 May 2010 at <<http://www.ipsos-mori.com/Assets/Docs/Polls/poll-Mar10-topline.pdf>>: 7.

choices, trade-offs, and attitudinal and cultural changes that need to be made if public services are to continue to play a central role in the lives of British citizens. The Commission has asked: what kind of needs and values will citizens have in future? What means to deliver services will be at our disposal? What should be the role of citizens, the state and society? The starting point has been to think about 'ends': getting above narrow debates on improving existing services, and thinking about what the role and purpose of 2020 public services should be. The Commission's vision is that

2020 public services help us to achieve – for ourselves and each other – things that we value and cannot achieve on our own. They help us become the people we want to be, living within a society we want to be part of.

2020 public services put us in control of our own lives. They make us more secure today and more confident about tomorrow, encouraging us to take responsibility for ourselves and for others.

There is clearly space between this vision and today's public services. Innovation and creativity are constantly emerging within our services, but so often run up against structural constraints, mis-aligned incentives and a static, point-in-time culture. The Commission has suggested overcoming these barriers to transformation by implementing three 'shifts':

- A shift in culture: from social security, to social productivity
- A shift in power: from the centre to citizens
- A shift in finance: reconnect financing with the purposes of public services

These shifts, explained below, are interdependent and mutually reinforcing. The Commission believes they can form the building blocks of systematic, long-term reform to public services and the framework for a more sustainable and citizen-centric settlement.

A shift in culture: from social security, to social productivity

Social productivity is the idea that citizens should be more actively involved in setting the priorities for public services, defining policy solutions and implementing those solutions. Social productivity requires active citizen engagement with public

services, based on the understanding that social outcomes cannot be delivered by services alone but are created by the interaction between services and users (sometimes called co-production).

A 'socially productive' approach means encouraging active collaboration between citizens and understanding better the resources all citizens possess, such as knowledge, skills, time and empathy. When fiscal resource is constrained, public services must get better at utilising these resources through engaging citizens in the design, delivery and smarter consumption of public services.

One of the prerequisites of a more socially productive society is that everyone be able to participate. The Commission recognises that citizens do not begin life with the same talents, resources and opportunities. Public services will need to play a role in helping those citizens and communities that are most disadvantaged to protect and promote capabilities so that everyone can benefit from increased participation in public services.

A shift in power: from the centre to citizens

Shifting power is about creating citizen-centric public services through the transfer of political, administrative and financial powers away from the centre. Britain's current centralised system must be re-balanced to give more political power and spending discretion to people and localities. This shift would mean more integrated public services built around the needs of citizens and communities, commissioned at the lowest practicable level, across traditional service and budget lines.

Starting with people and places would have implications for the organisation of government. Whitehall would need to be smaller but more strategic, setting long-term priorities and overseeing their implementation. Strong accountability mechanisms are essential to this shift, as more decisions are taken locally and the pattern of public spending begins to reflect the priorities of different people and communities.

A shift in finance: reconnecting financing with the purposes of public services

Shifting finance means making the financing of public services more transparent and more connected to the purposes of services. First, there should be more transparency around public finances – how money is raised and spent. Citizens should be able to be more involved in deciding the priorities for public spending and their collective responsibilities. They should also be more aware of how they are contributing to and benefiting from public services, compared to others at particular

moments in time, and across their own lifecycles.¹⁶ This cannot be achieved in a system that is monolithic and opaque.

Second, the ways in which public services are financed should help to achieve the objectives of services. This means aligning financial incentives so that people behave in ways that contribute to the creation of public (and private) value. In some cases this may imply means-tested partnership models for financing, such as co-payment, which helps to limit the risk of over-consumption of services and encourages users to extract the most possible value when they do need services.

Finally, resources will need to be used more intelligently through the life-cycle of citizens. This means investing preventatively, using informal resources better and unlocking latent community assets. Technology can help, for example by providing access to better quality data and more sophisticated accounts of individual and community needs.

The following table summarises what public services would look like if these three shifts occurred.

Table 1: The Commission's three shifts

Shift in culture	Shift in power	Shift in finance
<ul style="list-style-type: none"> • Citizens define priorities for public services. • Citizens define the solutions to their particular problems/needs. • Public services focus on creating value through the relationship between the service and service users. • Public services encourage citizen to citizen collaboration. • Public services help citizens build capabilities and become more resilient. 	<ul style="list-style-type: none"> • The political system is rebalanced – local government takes on more responsibility while the centre is smaller and more strategic. • Commissioning is democratised. • Individuals often control the resources allocated to meet their needs. • Professionals are encouraged to innovate in the way they deliver services. • Public services are designed around citizens and communities, not functions and departments. 	<ul style="list-style-type: none"> • The financing of public services is transparent. • Citizens' contributions to public services are linked to use or entitlement. • Citizens are aware of what they contribute to public services and how they benefit from them now and over time. • Citizens have more control over what is spent on them and are better able to plan for the future. • All types of resources are valued, including non-monetary contributions.

¹⁶ At different points in their lives, people contribute more or less to public services. Taking a life-cycle approach to understanding net contributions to and benefits from public services can help people understand how they have redistributed to themselves and benefited from the system over time.

These three shifts would clearly have implications for the ways in which public services are designed, funded and delivered, and the roles of various actors within the system. The next section of this report discusses some of these implications, and offers some examples of what the shifts could mean in particular service areas.

3

Implications of the Commission's vision

In its vision statement, the Commission gives its description of ideal-type public services in 2020:

2020 public services help us to achieve – for ourselves and each other – things that we value and cannot achieve on our own. They help us become the people we want to be, living within a society we want to be part of.

This is a broad definition of 2020 public services which is not limited to existing services but rather encompasses any collective action towards achieving common goals – “things we value and cannot achieve on our own.” The Commission's vision is of public services that achieve public objectives through the identification and creation of public (and private) value.¹⁷

The goal of creating public and private value through public services requires two approaches. It requires thinking about ways to solve public problems by reforming existing services as well as by creating new services or using other means such as regulation or citizen-to-citizen collaboration. In addition to forcing greater productivity from existing service models, innovation will be necessary. The question is: how can public services be re-aligned to meet the wants, needs and expectations of citizens today?

At the heart of this vision is a recognition that needs change over time and vary by place. Hence, public objectives should be agreed democratically by citizens and

¹⁷ The term 'public value' has been popularised by Mark Moore. The Commission's thinking has been influenced by his definition of public value, but we use the term more broadly. See Mark H. Moore, *Creating Public Value: Strategic Management in Government* (Boston: The President and Fellows of Harvard College, 1995).

government at the appropriate level, whether national, regional, local or community. This process will enable citizens to define collectively the “society we want to be part of.” The objectives of public services will be changeable and contested, and should be flexible enough to adapt over time. They will also be diverse, reflecting local and individual differences.

The second part of the Commission’s vision describes, from the individual’s perspective, what it believes should characterise 2020 public services. The aim is to give individuals maximum freedom to make decisions affecting them, within the constraints of collective goals:

2020 public services put us in control of our own lives. They make us more secure today and more confident about tomorrow, encouraging us to take responsibility for ourselves and for others.

In this vision public services enable individuals to take control of defining their own problems and participating actively in solutions to those problems. A second goal is to give citizens security in times of need and confidence that they will be able to thrive in the future. Finally, public services should aim to give people the tools and capabilities they need to help themselves and their communities.

Deliberative discussions with citizens (conducted by Ipsos MORI for the Commission) reflect much of this vision, including that of security and also some indication of the society citizens want to be a part of – a fair one.¹⁸ Part of creating public service value involves creating the conditions for this kind of deliberation, in which citizens are able to trade off various public objectives to come to agreement about the priorities for public action, on a wider and much more regular scale.

In order for public services to achieve their objectives in the future, it will be necessary to accomplish the following three steps:

- 1 *Identify opportunities to create public value and agree priorities for public action.* This is fundamentally a democratic process of deciding what citizens value most as a society that is best achieved by acting collectively. This process helps determine the priorities for ‘inputs’ into public services.¹⁹

18 Ipsos MORI, *Citizen engagement* (2010): 11–12.

19 ‘Inputs’ here refers to the resources required to provide services.

- 2 *Create public value.* This is about the process of turning these inputs into valuable outcomes. This report focuses on how to re-design services so that they are more effective in achieving these outcomes.
- 3 *Ensure mechanisms of accountability,* to ascertain whether or not outcomes are being achieved through a transparent and acceptable process. This report argues for visible and short chains of accountability that run down to citizens as well as up to central government.

The following section discusses how citizens and government might work together to make these three steps happen.

Identify opportunities to create public value and agree priorities for public action

Public objectives will need to be agreed and then prioritised to reflect the needs and aspirations of citizens today, set against the limits of public tolerance of taxation. The Canadian government went through this in the 1990s and its experience indicates that “there is no substitute for making choices about the relative importance of government programmes to eliminate a large deficit. It comes down to repositioning the role of the government within the collective means of citizens.”²⁰

The identification of opportunities to create public value should be a democratic process, but one that is truly involving rather than simply consultative. The process would require the creation of arenas in which large numbers of citizens were required to express (costless) preferences and, more importantly, make difficult (and costly) choices and trade-offs.

There are many types of forum for this kind of deliberation. Some are more suited to local area discussions and some can facilitate larger scale national deliberation. Of the latter, one might consider twenty-first century town meetings, appreciative inquiry, citizens’ juries, consensus conferences and voting, deliberative mapping, deliberative polling and e-panels.²¹ Technology can facilitate the dialogue and increase the number of possible participants.

20 Jocelyne Bourgon, *Program Review: The Government of Canada’s experience eliminating the deficit, 1994–99: a Canadian case study* (London: Institute for Government, 2009): 18.

21 For descriptions of these methods of public participation, please see <http://www.peopleandparticipation.net/display/Methods/browse+methods>.

Twenty-first century town meeting

The twenty-first century town meeting involves large numbers of citizens deliberating on local or national issues. Participants sit at tables of between 10 and 12, and the facilitator of each group inputs information about the discussion into a computer. This information is sent to a central 'theme team' which collates the information from all the tables, divides it into themes and sends it back to the tables. Each participant has a keyboard enabling them to comment or vote individually on the re-transmitted information. The results of the votes are then broadcast to participants on video screens for instant feedback. These feedback loops allow small groups to engage in in-depth discussions while also providing them with information about what a much larger group thinks about the issues.²²

A twenty-first century town meeting has been organised in the US for 26 June 2010 to "engage the American public in an unprecedented national conversation about [the] federal budget." This will enable thousands of Americans from diverse backgrounds "to weigh-in on the difficult choices involved in putting [the] federal budget on a sustainable path."²³ "These meetings are especially useful for engaging citizens in planning, resource allocation, and policy formulation"²⁴ and they therefore show promise in fulfilling the function of engaging citizens in deciding the priorities for public action in the UK.

One could envisage a twenty-first century town meeting occurring in many cities in the UK simultaneously, connected by computer technology and live streaming videos. This would allow citizens in every area to have a say and understand what their counterparts in other regions think about the issues. One could also include political leaders in the deliberation. They could play a role in providing information about the cost of policies and the trade-offs that need to be made. The individual voting technology could be used to track information about what people with certain demographic characteristics think about a variety of issues. To be truly democratic, one would have to ensure that representative samples of the population, both regionally and nationally, participated, including typically hard-to-reach groups.

This kind of large-scale, technology-intensive deliberation is costly in terms of time, money and expertise (as a very large number of facilitators is required). This means that it will only be possible to hold such an event infrequently. One idea is to organise this type of event one year before a general election is expected, to provide information to the political parties about the public's values, priorities and expectations and enable the parties to write their manifestos in light of these.

22 people and participation.net, "21st Century Town Meeting" accessed online on 12 May 2010 at <<http://www.peopleandparticipation.net/display/Methods/21st+Century+Town+Meeting>>.

23 AmericaSpeaks, "National Town Meeting: June 26", accessed online on 12 May 2010 at <<http://www.americaspeaks.org/>>.

24 people and participation.net <<http://www.peopleandparticipation.net/display/Methods/21st+Century+Town+Meeting>>.

Large scale democratic deliberation can be difficult and unwieldy, but there may be some criteria that can help guide the process and structure debate. In Canada for example, the government asked its departments to consider six questions, as explained in the following example.

Canada's Program Review questions

When Canada decided to embark on a large programme of fiscal consolidation in 1994, it asked every department to prepare a "proposal for the future role of the department in serving Canadians, taking into account the [Government of Canada's] three-year fiscal plan."²⁵ In preparing these plans, departments were asked to consider the following questions:

- 1 Does the programme or activity continue to serve a public interest?
- 2 Is there a legitimate and necessary role for government in this programme area or activity?
- 3 Is the current role of the federal government appropriate or is the programme a candidate for realignment with the provinces?
- 4 What activities or programmes should, or could, be transferred in whole or in part to the private or voluntary sector?
- 5 If the programme or activity continues, how could its efficiency be improved?
- 6 Is the resultant package of programmes and activities affordable within the fiscal restraint? If not, what programmes or activities should be abandoned?²⁶

While these questions reflect the Canadian federal political system and its aims of fiscal consolidation, they are nevertheless reasonable questions to ask in the context of re-prioritising government action in the face of a changing fiscal and demand context. The next section looks in particular at how one might begin to answer the first two questions, which are the most relevant to discussions about how to identify opportunities to create public value.

²⁵ Bourgon, *Program Review* (2009): 21.

²⁶ Bourgon, *Program Review* (2009): 22.

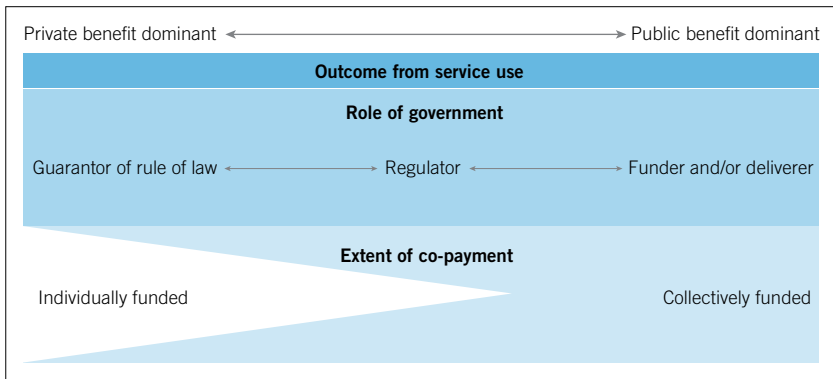
Does the programme or activity continue to serve a public interest?

One way of assessing whether or not a programme continues to serve the public interest is by asking two related questions:

- 1 Is it aligned with the needs or aspirations of citizens today?
- 2 Which needs are not being met by the current range of services?

On this basis, one might decide to eliminate services involving technology that has become obsolete – telegraphy being one historical example. However, given the increasing participation of women in the workforce and dominant cultural patterns of caring responsibility, one might decide that childcare services have become a greater priority.

Another strategy is to consider whether or not there are benefits to society (not just service users) from the individual consumption of a service. It is widely accepted, for example, that there are public benefits to the individual consumption of waste disposal services: it reduces the amount of litter left in public places, contributing to a cleaner living environment and a reduction in the spread of disease. Conversely, there may be less public benefit to an individual going to the dentist, and this may be one reason why individuals are required to pay a portion of the cost for this service. The following diagram sets out how the government might decide the role it should play in services, by considering where the public and private benefits fall from the consumption of certain services.



The diagram above could be used as a guiding framework for thinking about public service priorities.

- There is a good argument for the collective funding (through taxation) of services that fall on the right side of this scale, which create a high level of public benefit. This collective funding can be allocated to and spent by central government, local government or the individual (for example in the form of an individual budget).
- For those services where the extent of public benefit is smaller or less certain, there may be a case, given fiscal constraint, for a rebalancing of the financing of services to individual users. In many cases, government will then play a different role such as sign-poster, provider of information or regulator.
- There is scope for partnership approaches for services with both private and public benefit, such as collectively funded minimum entitlements with individually funded top-ups, or grants from central to local government with local freedom to decide how they are allocated.

Such a framework would allow government and citizens to assess the extent of private and public value created across the breadth of services that are currently collectively funded, as well as when considering how to fund new services. This would generate a picture of areas where the role of government could change from funding a service to playing a different role, as the following example suggests.

Changing the government's role in higher education

Some services are best funded collectively because of the benefit to society from the individual consumption of those services. Other services, however, do not generate as much public value and should therefore be paid for individually. Hood refers to the abandonment of government funding of activities as “East of Suez” moments, and argues that this is one way to respond to an increasingly constrained fiscal situation.²⁷

A good example of an activity whose funding could be rebalanced so that individual users paid more is higher education. This does not mean that central government should no longer play a role in this sector. However, the role of central government may change from one of funding higher education places to one of regulating the sector, ensuring there are mechanisms in place to promote equality in the new system.

Introducing student tuition fees and loans was contemplated as early as 1963, but the Robbins Committee concluded that as parents were not yet used to sending

²⁷ In some cases, this may involve government ceasing to fund certain services – see Christopher Hood, *Reflections on Public Service Reform in a Cold Fiscal Climate* (London: 2020 Public Services Trust, forthcoming): 3.

their children to university, the disincentive effects would be too great.²⁸ However, the Committee went on to assert, “But if, as time goes on, the habit is more firmly established, the arguments of justice in distribution and of the advantage of increasing individual responsibility may come to weigh more heavily and lead to some experiment in this direction.”²⁹ In 1989 the government introduced top-up grants to supplement maintenance grants. In 1998 maintenance grants were abolished and tuition fees introduced.³⁰ In 2006, top-up (variable) fees, with payment deferred until after graduation and repaid on an income-contingent basis through the tax system, were introduced.³¹ Charging students the full cost of tuition is thus a natural extension of current policy, rather than a radical departure.

Higher education has certain characteristics that differentiate it from primary and secondary education. Higher education is not mandatory and the primary beneficiary is the individual participating in it, although the wider public does receive some residual benefit.³² Therefore it would make more sense for those individuals wishing to participate in higher education to fund their own place. Such a system would result in complete fiscal transparency, as students would be able to weigh the cost of a qualification against its benefits.³³

Individually funded higher education would have additional benefits. It would likely limit the risk of over-consumption of higher education, since individuals may decide that the benefit is not worth the cost. This would also help maintain the value of higher education qualifications. Moreover, students would be more likely to choose programmes that would ensure them a place in the workforce, thus helping better to align the interests of students with those of employers and the broader economy. Finally, in line with the Commission’s principle of social productivity, students who are paying for their education are more likely to try to get the most out of it by participating actively.

For reasons of equality, government would need to put in place mechanisms to ensure that everyone who wanted to attend university was able to. One such mechanism might

28 Robbins Committee Evidence Part 2 1963, 212, quoted in Maureen Woodhall, *Funding Higher Education: The Contribution of Economic Thinking to Debate and Policy Development* (World Bank, 2007): 11.

29 *Ibid.*

30 Maureen Woodhall, *Funding Higher Education: The Contribution of Economic Thinking to Debate and Policy Development* (World Bank, 2007): 16.

31 *Ibid.*: 17.

32 In 1985 (the latest data available) the rate of return to the graduate was calculated at 25% compared to 7% for society (Woodhall, *Funding Higher Education* (2007): 15). See also Alison Wolf, *Does Education Matter: myths about education and economic growth* (London: Penguin Books, 2002), which argues that the marginal spend on higher education contributes very little to GDP growth, and Henry Kippin and Alison Wolf, *What are the Underlying Principles of our Education System?* (London: 2020 Public Services Trust, forthcoming) for a description of the inconsistencies in the way education is funded at different levels.

33 See Julian Astle, *Time’s up: why the Lib Dems should end their opposition to tuition fees* (London: CentreForum, 2008) for further arguments in favour of tuition fees in higher education.

be easy access to interest-free loans, so that individuals who could not afford to fund their higher education up front would still be able to access the higher future earnings that a higher education qualification brings. A similar alternative to this, already in operation in the UK since 2006, is deferred fees, referred to above. Other mechanisms may include offering maintenance grants to poorer students or other underrepresented groups or in some cases waiving tuition fees. In addition, universities might be required to offer scholarships and grants to particular types of applicants, such as for academic achievement or community service at the secondary school level.

Is there a legitimate and necessary role for government?

There are arguably two legitimate and necessary roles for government in relation to public services. The first is related to the promotion of equality and the second to efficiency and the provision of goods the market would not provide on its own.

One of the most important questions of our time is how to promote intergenerational fairness.³⁴ This means ensuring, for example, that young people do not bear a disproportionate burden of supporting an ageing population, or that young people born into difficult circumstances have the same opportunity to succeed in life as their more fortunate peers.

Government also has a role in some services for efficiency reasons. Services that are public goods or have significant market failures, and which the market would not provide at all, not provide at the right level, or not provide at a price that would enable the people needing the service the most to access it, require some level of government intervention to ensure their provision.

Some services are pure public goods, in the sense that they are both non-rival (one person's consumption does not reduce the amount of the good available to others) and non-excludable (one cannot prevent another person from consuming the service once it is provided). National security and clean air are pure public goods. Markets will not provide these goods because it is impossible to ensure that users pay for them; in other words, there is a free-riding problem (individuals can use the service without paying for it) that prevents the provider of the service from making a profit. This makes combating climate change a new challenge to society,

³⁴ See, for example, Alan Milburn, *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions* (London: The Panel on Fair Access to the Professions, 2009): 18; David Willetts, *The Pinch: How the Baby Boomers Took Their Children's Future – And Why They Should Give it Back* (London: Atlantic Books, 2010); John Hills, *An Anatomy of Economic Inequality in the UK – Report of the National Equality Panel* (2010); and Henry Kippin, *2020 Welfare* (London: 2020 Public Services Trust, forthcoming).

and an area in which free-riding will pose a significant problem. One could argue that it is thus appropriate for government to play a role in funding services and promoting behaviours to combat climate change, as set out in the example below.

Tackling new challenges

In July 2010, Boris Johnson will launch the bicycle hire scheme, modelled on the Paris Vélib scheme, with a myriad of benefits to Londoners. Transport for London's website lists the following benefits. The scheme will:

- Provide a greater choice of transport;
- Provide a greener, healthier and sustainable way to travel; and
- Encourage a switch from driving to cycling.³⁵

In 2000, the latest year for which there is data, the UK ranked near the bottom for cycling in a European comparative study of transportation use patterns, with British people cycling an average of 75 kilometres per person per year, compared to an EU15 average of 198 km per person per year.³⁶ Although from 2000 to 2008 there was a 91% increase in the number of people cycling in London,³⁷ cycling still only represents 1% of journeys in London.³⁸ This scheme will act as an incentive for Londoners to increase the number of journeys completed by bicycle.

It is hoped that the scheme will reduce carbon emissions in London and therefore help combat climate change.³⁹ In addition, the Commission for Integrated Transport has noted that "cycling also offers wider benefits to society such as reducing obesity and extending life expectancy".⁴⁰ It is therefore clear that cycling can produce private, public and community value – it brings health benefits to the individual, environmental benefits to everyone and reduces the amount of car traffic in the community. The cycling scheme signals government's recognition that it needs to provide new services that are better adapted to the patterns of risk we face today and which the market will not provide.

35 Transport for London, "Benefits", *Cycle Hire Scheme*, accessed online on 11 May 2010 at <<http://www.tfl.gov.uk/roadusers/cycling/12449.aspx>>.

36 Commission for Integrated Transport, *Are we there yet? A comparison of transport in Europe*, 2007, accessed online on 7 April 2010 at <<http://cfit.independent.gov.uk/pubs/2007/ebp/index.htm>>.

37 Hélène Mulholland, "6,000 bikes in 400 locations: Boris Johnson's bike-hire scheme", *The Guardian* 18 November 2008, accessed online on 7 April 2010 at <<http://www.guardian.co.uk/politics/2008/nov/18/boris-cycling>>.

38 Mayor of London, *Way to Go: Planning for better transport*, 2008, accessed on 7 April 2010 at <<http://www.london.gov.uk/archive/mayor/publications/2008/docs/way-to-go.pdf>>.

39 London Cycling Campaign, "Free Cycle Hire Launches in London on 30 July", accessed online on 6 April 2010 at <<http://www.lcc.org.uk/index.asp?PageID=1784>>.

40 Commission for Integrated Transport, *Are we there yet?* (2007): 10.

If the priorities for government action can be decided, the question is then how services can be redesigned so that public value will be created, the subject of the following section.

Create public value

Value from public services is created through the relationship between the service and the service user. It is not enough to distribute public service *entitlements* fairly, since people have varying capabilities to turn those entitlements into things of value. For example, in the UK every child aged 5 to 18 is entitled to a free state education. However, not all children are able to turn this entitlement into a ticket to higher education or desired employment, partly due to differences in innate ability but also to circumstances in young peoples' lives that affect their learning. This means that some children will require more than just access to free education in order to have the opportunity to achieve. They may require one-to-one tuition, peer mentors or other types of additional support to extract the most value from their educational opportunity. Examples such as this suggest that resolving questions about entitlement to public services is only one part of the puzzle; the second part is designing services so that they create public value, giving those who need it extra support.

The Commission's three shifts suggest some ways services could be transformed to help create more public value, as in the table on page 20.

Shifting the culture so that it promotes social productivity is the starting point:

- Citizens defining their problems and the solutions to those problems would better ensure that resources are spent on the things citizens perceive to be important.
- Focusing on the relationship between services and service users would ensure that services were designed to incentivise citizens to interact with services in ways that created value. This means that citizens would more likely consume the correct amount of services (not over- or under-consuming) and achieve their desired outcomes from the interactions.
- Citizen to citizen collaboration can enable individuals and communities to create public value with minimal support from the state.
- Finally, public services that help citizens achieve their goals could eventually help to break cycles of dependence on public services, supporting citizens in becoming more capable and resilient.

LIFE: supporting families in chronic crisis⁴¹

There are an estimated 150,000 families in chronic crisis in Britain. These families suffer from a complex range of inter generational social, financial and emotional issues and are estimated to cost the state an average of £250,000 a year.

Working with these families Participle has seen that none of this spend directly touches families and even more importantly, none of the current services wrapped around families are designed to bring about change or open up new opportunities.

LIFE (Lives for Individuals and Families to Enjoy) has been designed by Participle with families in chronic crisis and is currently being piloted in partnership with Swindon. The programme is family led – in other words the families, working closely with a team (as opposed to a key worker) design the lives they want to lead and are then supported in developing the capabilities they will need.

Relationships are at the heart of the approach: relationships with the team, within the family and between the family and the wider community. It is these relationships which give the families the strength and tools to change and to address the causes of problems as opposed to merely dealing with the symptoms.

Participle estimates that in 2008 over £180,000 was spent on one family and these costs were expected to continue. In 2009 after 12 weeks within the programme £200,000 had been saved with the same family based on the real changes which had occurred. The LIFE programme is estimated to cost £10,000 per annum per family and it is expected that families graduate off the programme within two years.

LIFE illustrates that even those in the most difficult of circumstances want to and can change, when empowered to do so. The bigger challenge is reforming the system around the programme to allow more front line workers to dedicate 80 percent of their time to frontline family work (as the LIFE team are able to do) and to work at the pace and direction of the family as opposed to service based targets.

Shifting power to citizens means designing public services from the perspective of the person and place, rather than service provider or commissioner. In practice, this could mean joining up services that are currently delivered in departmental silos or, where appropriate, giving citizens commissioning powers and control of the resources allocated to meet their needs so that they can buy the package of services that suits them.

41 Participle, "The LIFE Programme: Building new Lives for Individuals and Families to Enjoy", *The LIFE Programme*, accessed online on 10 May 2010 at <<http://www.participle.net/projects/view/3/102/>>.

Piloting citizen advisers

Importantly, citizen participation in achieving good outcomes from public services does not entail withdrawal of the state from funding or providing services. On the contrary, certain groups of citizens may require extra support in order to be able to participate as much as they would like to in co-producing outcomes. The state should play a role in providing people the support they need to develop the means to get involved.

The Commission on 2020 Public Services has undertaken a wide-reaching citizen engagement programme, including organising a series of deliberative events to test some of its policy proposals. By far the most popular policy was that of citizen advisers: “giving people access to advisors who provide information allowing users to access the services that best meet their needs.”⁴² Citizens emphasise two qualities of this policy which are important to them. Having someone to advocate for them is appealing, as many citizens do not feel “well equipped to engage with services.”⁴³ Second, citizens like the idea of being able to access their advisor ‘on demand’.

Crucially, citizens felt that this was a fair policy, and this was important to them. They recognised that more vulnerable groups were likely to use their advisors more frequently, but this was seen to be positive since there was a “perception that the most vulnerable groups do not always receive the help they could simply because they find it difficult to navigate public services.”⁴⁴

Reconnecting finance with purpose means developing mechanisms of financing services that increase the value created through those services. An example of this is co-payment. This requires service users to pay a part of the cost for a service, which will usually mean they invest more in achieving value from that service. Transparency about what individuals pay for and receive from public services over time is also likely to increase the creation of public value, because citizens will be better able to plan for the services they require, especially in old age. Finally, broadening the resource base of public services – by better understanding, capturing and deploying informal resources such as caring – should enable more public value to be created.

42 Ipsos MORI, *Citizen engagement* (2010): 15.

43 *Ibid.*: 26.

44 *Ibid.*: 27.

Creating a partnership approach to caring for the elderly

There is general political consensus around the need for a partnership approach to funding and providing care for the elderly, even if there remains disagreement about the details of how this partnership would work.⁴⁵ The need for a partnership approach follows logically from two assumptions. First, where the benefits of a service are mostly private, the individual should at least partially pay for that service. Second, where the potential risk to individuals of facing an expensive bill for their care is high, this risk will need to be spread across a large population, and the state should play a role in facilitating this.

Under the current system, a significant share (about 35%) of the burden of social care is placed on individuals and their informal networks.⁴⁶ Entitlements to care packages vary. While there are national rules for user charging for care home places, local authorities decide what to charge for domiciliary care,⁴⁷ and this therefore varies from place to place within the UK, hindering individuals' abilities to make informed decisions about how to meet their own needs. Moreover, entitlements do not necessarily reflect individuals' contributions over their lifetime. As Wanless reflects in his 2006 paper, "It often comes as an unwelcome surprise to older people to discover that social care is means-tested and they are expected to rely on their own savings and income until their assets have fallen to the threshold set for state-funded care. It is a common complaint that the existing system penalises those who have saved for their old age."⁴⁸

Wanless proposes one model of partnership working to address these issues. This model would provide people with a guaranteed minimum amount of care. Individuals would then make contributions matched by the state until funding was sufficient for a benchmark package of care. Beyond this level, individual private contributions would not be matched by the state.⁴⁹ This model would require higher levels of state spending and is therefore unlikely in the current climate.

The 2009 Green Paper proposes an insurance model for social care in which individuals could choose to pay a required minimum amount into an insurance scheme so that in the future all the costs of any social care they needed would be paid for by the state.⁵⁰

45 For an overview of the challenges associated with providing social care to the growing elderly population, see Henry Kippin, *social care 2020: what are the challenges ahead?* (London: 2020 Public Services Trust, 2010).

46 Derek Wanless, *Securing Good Care for Older People: Taking a Long-Term View* (London: King's Fund, 2006): 87.

47 *Ibid.*

48 *Ibid.*: xxi.

49 *Ibid.*: xxx.

50 Secretary of State for Health, *Shaping the Future of Care Together* (London: The Stationary Office, 2009): 107.

Another model proposed by the Green Paper is a comprehensive, mandatory insurance scheme, in which everyone would be required to pay a means-tested amount into the scheme and in return would receive all the basic care and support they needed.⁵¹ Glennerster proposes a twist on this model, which would entail people paying into an insurance scheme from the age of 45, since “households’ spare capacity begins to mount then and... people begin to take seriously the prospect of old age.”⁵² Glennerster also advocates giving people flexibility to opt out of this public insurance scheme and into a government-approved private one.

Finally, there is the option of individuals paying the cost of the care they receive to the state on their death, through the sale of assets such as their homes.⁵³

Any of these options would be better than the current model, and would reflect the Commission’s principles of transparent financing of care and enabling individuals to plan for and take some level of responsibility for their own care in partnership with the state.

Ensure mechanisms of accountability for the creation of public value

One of the consequences of a more significant role for citizens in creating public value is that government will need to demonstrate that what it does do, it does well and in acceptable ways. It is important to create short, visible chains of accountability for public action that run down to citizens as well as up to the centre. Government cannot expect citizens to participate actively in public services if it does not uphold its end of the bargain. Citizens will expect to receive excellent quality services in return for greater engagement, and they will want the government to get the best value for money. Therefore, government will need to become more open about how it spends taxpayers’ money and what it delivers in return. Individuals will require access to comparable performance data about public services. A shift in this direction could well require citizens to be more willing to allow government agencies to share their anonymised data with other agencies, to compile a picture of overall government performance.

51 *Ibid.*

52 Glennerster, *Financing the United Kingdom’s Welfare States* (2010): 22.

53 *Ibid.*: 23.

Providing data on the performance of public service providers

Open data about public services is important for a number of reasons. One of the tools that people need in order to engage with public services in the most effective way is information. Currently, citizens lack access to data that would allow them to make more informed choices about their needs and which services to access in order to get help. Central and local government collect data on the performance of public services, but much of this information is not publicly available, except through Freedom of Information requests, which may be denied for any number of reasons. Although there have been improvements in government's use of ICT and provision of information, as exemplified by NHS Direct, much more could be done to help vulnerable individuals access the best quality services available.

Open data also enables citizens to evaluate government spending, including what government spends tax receipts on, the quality of services it delivers and the value for money the public receives. This will achieve four objectives. Open data will:

- 1 Enable citizens to participate in the (re-)prioritisation of government spending as appropriate;
- 2 Make it easier for the public to understand government's reasons for cutting or increasing spending in certain areas;
- 3 Give citizens valuable information about service quality, allowing them to make choices about the services they access; and
- 4 Ensure that citizens can hold government and public service providers to account for the quality of service they provide and the cost of services.

The potential implications of the Commission's shifts are far reaching. The result would be a society that enables citizens to participate in an ongoing conversation about the priorities for collective activities. Citizens themselves would have more incentives to participate in defining their own problems and developing innovative solutions to them. Services would be designed around citizens and communities, rather than existing structural frameworks. This would be underpinned by a system of accountability that works from the bottom-up, through citizen control of open data, as well as top-down.

The examples given in this section are illustrative rather than prescriptive, and the specific policies that are implemented will differ from place to place. What is unique about the Commission's principles is that they can be used as a cohesive set to reform public services in a systematic way.

For the Commission's vision to become a reality, there are a number of stages of transformation that must be successfully achieved. The following section explains the barriers to transformation in the public sector, while Section 5 discusses the steps of the transformation process, analysing how those barriers can be overcome.

4

Barriers to transformation in the public sector

By re-examining the purposes of public services, the Commission is exploring what Peter Hall would term ‘third order change’. This involves challenging “the very nature of the problems [the goals and instruments of policy] are meant to be addressing”.⁵⁴ It is a paradigmatic shift which cannot be accommodated within existing institutional arrangements. However, according to Hall, such changes occur relatively rarely. It is important to be honest about the obstacles that prevent transformation in the public sector so that we can develop strategies to overcome them. This section examines the barriers to public sector reform.⁵⁵

There are many reasons why welfare state institutions rarely undergo third order change, many of which overlap with the reasons why third order change is difficult even in the private sector. This report focuses only on a few of the barriers to third order change that particularly affect the public sector, including those related to the mission, organisation and culture of the public sector and the democratic process.

The public sector consists of many different organisations that perform varied and complex functions, have thousands of employees and serve millions of people. Delivering transformation on this scale is extremely difficult.⁵⁶ In addition, the mission of the public sector makes transformation more complicated than it may be in the private sector, where organisational missions are generally narrower and more clearly defined. The breadth of missions of public sector organisations means

54 Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain” *Comparative Politics* 3 (1993): 279.

55 *Ibid.*

56 Accenture, *Barriers to Public Sector Transformation* (unpublished, produced for the Transformation work stream): 3.

it can be difficult to establish the priorities of organisations or to be creative about different ways of achieving objectives.⁵⁷

The way the public sector is organised can also cause problems for those wishing to reform it. As “a result of the constitutional position of the UK civil service, by which politicians are responsible for policy decisions and civil servants for operational delivery”,⁵⁸ leadership responsibilities are divided, making formation of a guiding coalition for change more difficult. In addition, the monopoly position of public sector organisations may reduce incentives to make major changes.⁵⁹ Finally, there is a lack of a ‘bottom line equivalent’ in the public sector. Because budgets are assigned to organisations, performance and budget are not necessarily linked, reducing the incentives to for transformation.⁶⁰

There are some cultural characteristics of the public sector that also impose barriers to transformation. These include:

- *Culture, incentives and accountability.* The culture in the public sector tends to focus on risk avoidance as opposed to value creation. In addition, civil servants are often insufficiently incentivised to deliver change or held to account for its delivery.⁶¹
- *Credibility.* One way for politicians to make policy commitments credible is to enact legislation or purposely embed institutions to make reform difficult.⁶²
- *Cost of exit.* The costs of changing institutional arrangements increase over time, so that when there is pressure to change, individuals and organisations seek first to adapt within the existing institutional framework rather than pay the price of exit.⁶³
- *Powerful actors favouring the status quo.* “Rational agents with agenda setting power will seek to maintain the status quo in their favour.”⁶⁴
- *Focus on the short-term.* Transformation takes time, and very often more emphasis is put into areas where short-term gains can be made.⁶⁵

57 Tom Gash and Julian McCrae, *Transformation in the Ministry of Justice: An interim evaluation report* (London: Institute for Government, forthcoming).

58 *Ibid.*

59 *Ibid.*

60 *Ibid.*

61 Accenture, *Barriers to Public Sector Transformation* (unpublished): 3.

62 Charlotte Aldritt, *Barriers to Welfare State Institutional Reform* (London: 2020 Public Services Trust, 2010): 10.

63 Paul Pierson, “Increasing Returns, Path Dependence, and the Study of Politics” *The American Political Science Review* 2 (2000): 256.

64 Aldritt, *Barriers to Welfare State Institutional Reform* (2010): 10.

65 Accenture, *Barriers to Public Sector Transformation* (unpublished): 3.

Finally, some characteristics of democracy and the democratic process can create barriers to change in the public sector. Public scrutiny, criticisms of government reform processes by citizens and the media, and the general public distrust of reform as simply disguising cuts can make politicians risk-averse and therefore hesitant to embark on an ambitious process of transformation.⁶⁶ Electoral competition and the electoral cycle can also cause problems. Because of electoral competition, politicians may deliberately embed institutions so that successor governments find it difficult to change them. Unfortunately, this also results in change being very difficult even when it is necessary.⁶⁷ The problem with the electoral cycle is that it may impose artificial timelines for transformation.⁶⁸

Radical system change in the public sector is clearly very tough. However, the scale of the benefits from this kind of change could be huge, and given the long-term trends and current fiscal crisis we face, the alternative could be much worse: a salami-slicing approach to budget cuts, and public services that are retrenched but not reformed. This makes it all the more important to understand the conditions for transformation.

66 Gash and McCrae, *Transformation in the Ministry of Justice* (forthcoming).

67 Aldritt, *Barriers to Welfare State Institutional Reform* (2010): 10.

68 Gash and McCrae, *Transformation in the Ministry of Justice* (forthcoming).

5

Managing the transformation process

This report adopts John Kotter's framework of eight conditions for transformational change in order to assess what needs to be done to achieve the Commission's vision.⁶⁹ The framework, originally developed through case studies of change in the private sector, provides an excellent overview of how to manage a successful transformation process. To enrich the analysis, public sector-specific issues are discussed in detail. It should be noted that these are not necessarily step-by-step conditions, so some actions may take place simultaneously or in a different order to that given here.

- 1 Establish a sense of urgency
- 2 Create a guiding coalition
- 3 Develop a vision and strategy
- 4 Communicate the change vision
- 5 Empower broad-based action
- 6 Generate short-term wins
- 7 Consolidate wins and produce more change
- 8 Anchor new approaches into the culture

Successful transformation will require both broad societal input into and support of transformation and committed political leadership of the process. Stakeholder groups should have influence over the first four stages of transformation. Citizens should be

⁶⁹ John P. Kotter, *Leading Change* (Cambridge: Harvard Business School Press, 1996): 21. Kotter is a well-known organisational change expert. His framework is particularly useful as it sets out very clear steps to enact change, identifies the barriers to change at each stage and gives recommendation for how they can be overcome.

central to developing the vision for the future and civil servants and professionals will need to be empowered and take action to achieve it. Without government leadership of the change process, however, transformation will likely fail.

Establish a sense of urgency

Kotter argues that change leaders must first “establish a sense of urgency.”⁷⁰ Research on transformation in the NHS supports this view, asserting that change will be more likely if the current situation is perceived to be intolerable – this is known as “tension for change”.⁷¹ This first condition is in the process of being created. The new coalition government’s recent announcements of £6.25 billion of cuts to government spending and the high profile news coverage of Greece’s problems is driving home the point that doing nothing is not an option.

To maintain the sense of urgency, politicians will need to repeat the message that there are significant long-term public spending sustainability problems in addition to the more immediate fiscal pressures, both of which make transformation necessary. This should also help decrease the risk that too much emphasis on the message of immediate cuts causes politicians and civil servants to lose sight of the importance of reducing spending within the context of a long-term vision.

The British public remains to be convinced that there is a case for urgent reform. As of March 2010, 64% of the public thought that efficiency savings would be enough to pay off the national debt, without damaging public services.⁷² Although the percentage of people who thought there was a need to cut spending on public services to pay off the national debt increased from 43% in November 2009 to 49% in March 2010, there is clearly still some convincing to do.⁷³ The Commission’s interim report makes a contribution to the debate about public spending by explaining the scale of the problem in 2020 and stating the case for beginning to transform our public services now,⁷⁴ but politicians also need to generate public awareness of these problems so that citizens can be involved in an informed debate about the priorities for government action.

⁷⁰ Kotter, *Leading Change* (1996): 51.

⁷¹ Greenhalgh et al., *How to Spread Good Ideas: A systemic review of the literature on diffusion, dissemination and sustainability of innovations in health service delivery and organisation* (London: National Co-ordinating Centre for NHS Service Delivery and Organisation, 2004): 22.

⁷² Ipsos MORI, *Ipsos MORI March Political Indicator* <<http://www.ipsos-mori.com/Assets/Docs/Polls/poll-Mar10-topline.pdf>>: 7.

⁷³ *Ibid.*

⁷⁴ Commission on 2020 Public Services, *Beyond Beveridge* (2010).

Create a guiding coalition

The next step is to “create a guiding coalition”. Although a single, powerful, charismatic person is often associated with transformational processes, it would be dangerous to believe that one person leading change was sufficient. Change of this scale requires broad-based consensus.⁷⁵ A coalition government was recently formed between the Conservative and Liberal Democrat Parties, demonstrating the possibilities for a cross-party guiding coalition. This guiding coalition will need to lead the transformation process, navigating the barriers to reform indicated in this and the next section. The coalition will need to be radical, accepting that innovation may sometimes fail but that this risk is far less than that of continuing with the current model of public services.

Clearly, the coalition is not the only group that will need to influence, support and be empowered to make change. Important stakeholders in the transformation process will be citizens, opinion leaders, civil society organisations, civil servants, all those working in public services and private and third sector organisations at the cutting edge of innovation in public services. These stakeholders have key roles in developing a vision for transformed public services, legitimating change and implementing reforms, and this is discussed further in subsequent sections.

Develop a vision and strategy – and communicate it

In the face of the barriers to change in the public sector, it is very important to have “a persistent or sufficiently significant challenge to the prevailing paradigm *and* an alternative, coherent framework to adopt instead. Without these conditions for third order change, actors will instead adapt their expectations and behaviours within the existing norms and structures.”⁷⁶

Perhaps the Commission’s biggest contribution to the transformational process thus far has been to articulate a positive and coherent vision for the future of public services, together with three shifts that will need to occur in order to achieve it. The contribution of this report (see Section 6) is to flesh out the strategy for making the three shifts happen. Again, however, the Commission can only make recommendations. Government, in conjunction with citizens, will need to develop its own vision, drawing on a variety of sources of which the Commission’s vision and three shifts are only one.

⁷⁵ Kotter, *Leading Change* (1996): 51.

⁷⁶ Alldritt, *Barriers to Welfare State Institutional Reform* (2010): 12.

Political leaders will need to communicate clearly the problems with the current model and a positive vision for the future. The Institute for Government has identified that “public awareness is necessary for citizens to accept the sacrifices demanded of them. The lower the public awareness of the problem, the harder it is to reduce government spending and the longer it takes to implement fiscal reform.”⁷⁷ Moreover, the vision is very important since this “shared sense of a desirable future can help motivate and coordinate the kinds of actions that create transformations.”⁷⁸ As such, the vision needs to reach large numbers of people working at all levels in the public sector, private and third sector providers and citizens, all of whom will need to both understand and accept the need for change and the vision. This means that the guiding coalition will have to ‘sell’ its idea effectively.

Many citizens resist change to public services because previous experience and their distrust of politicians lead them to believe that ‘change’ is a euphemism for cuts to frontline services. Research conducted by Ipsos MORI for the Commission shows that many people, while remaining critical of some services, do not believe that radical change is necessary, and would prefer a more incremental approach to public service reform.⁷⁹ When one of the deliberative groups was asked about the need to change public services, one person summed up the feeling in the group, saying, “But changed in what way? To me the word ‘change’ is quite dramatic, changing the way you run something completely. I think small basic things need to be done, tightened up.”⁸⁰

The public seem much more ready to consider small-scale changes.⁸¹ Research suggests that this preference for maintaining the status quo or making incremental change stems from a tendency to focus on the present and short-term when evaluating new policy ideas. This means that the idea of future benefits does not outweigh the potential short-term ‘risks’ to reforming public services.⁸² The public also display “a wider sense of loss aversion and fear of change”, in addition to concern about putting ‘core services’ such as health or education “in jeopardy”.⁸³

77 Bourgon, *Program Review* (2009): 18.

78 Kotter, *Leading Change* (1996): 85.

79 Ipsos MORI, *Citizen engagement* (2010): 4.

80 Discussion group participant, Oxford. For more information about this research, please see Ipsos MORI, *Citizen engagement: testing policy ideas for public service reform* (London: 2020 Public Services Trust, 2010).

81 Discussion group participant, Oxford.

82 Ipsos MORI, *Citizen engagement* (2010): 4.

83 *Ibid.*

Convincing ways can be found to articulate change to the public. Many individuals become less reticent about change “when non-core as opposed to core services are at stake.”⁸⁴ People are far more willing to experiment with reforms to parks and leisure centres than they are with changes to health or education. Citizens are also open to evidence-based arguments – they have a so-called “empirical streak”, and can accept the case for changing services if pilots or examples from abroad can be shown to have worked.⁸⁵ Finally, it helps to discuss changes with the public in a way that clearly demonstrates the benefits of a particular new policy as well as the details of how it would work in practice.⁸⁶

Professionals that deliver public services may also be sceptical of change. This can slow the spread of reform, since individuals working in public services need to be committed to change in order for reform to be achieved. There are, however, factors that can be put in place to increase professionals’ receptiveness to change and ability to help implement change that political leaders should bear in mind.

- *Professional involvement and commitment.* If senior officials support reform and professionals are involved early in the process, then transformation will be easier. Related to this, strong leadership, clear strategic vision and good managerial relations will aid the implementation of reforms.
- *Observability.* If the benefits of particular changes are visible to intended adopters, they will be more easily adopted and implemented. Sometimes this observability can be provided through examples of successful transformation processes with similar goals that have delivered benefits in other countries.⁸⁷
- *Complexity.* If the transformation process is perceived to be simple to undergo, then it is more likely to gain support. Breaking the process down into manageable stages (as recommended in Section 6) and celebrating short-term wins may be one key to making a complex process appear easier.
- *Information and support.* Individuals are more likely to implement reforms if they are given adequate information and support pre-, during and post-implementation.

84 *Ibid.*

85 *Ibid.*

86 *Ibid.*

87 Greenhalgh et al., *How to Spread Good Ideas* (2004): 23.

Empower broad-based action

Next, political leaders will need to create the space in which others can innovate. Once key people understand the vision and are convinced of the merits of the transformation process, they need to be given sufficient freedom to bring it to life in ways that make most sense to them in the context in which they are working.

Kotter identifies four major barriers to broad-based action: structures, skills, systems and supervisors.⁸⁸ Structures, systems and cultures that are not supportive of or undermine change may be particularly problematic in the public sector. Change leaders in one department cannot necessarily change the structures or systems outside of it. Frontline workers may fear that managers will punish innovation that fails, as some attempts inevitably will. It is therefore important that there are strong countervailing forces supporting the change process, and structural barriers are systematically removed.

Government will also need to focus on the new behaviours, skills and attitudes that public services professionals will need to adopt as a result of the changes advocated.⁸⁹ For example, a shift to a culture of ‘social productivity’ could mean that the way professionals interact with the citizens they serve needs to change. Professionals may need training that teaches them the practical skills of working in partnership with citizens and also transforms their preconceptions about the knowledge and skills that citizens bring to the table in their interactions with public services.

Generate short-term wins

Transformation processes will not be credible without short-term results that are clearly linked to the change effort and visible to large numbers of people.⁹⁰ While a long-term vision is essential and change can take time, the transformational effort will be unsustainable if there is no short-term evidence that it is generating improvements.⁹¹ Short-term improvements to services can help professionals justify the sacrifices they are making, reward those who support transformation and convince cynics.⁹² Moreover, the process of trying to generate short-term wins is a good test of overall objectives. The vision itself may not be quite right or the strategies for achieving it may need to be adjusted. This process will reveal

⁸⁸ Kotter, *Leading Change* (1996): 102.

⁸⁹ *Ibid.*: 108.

⁹⁰ *Ibid.*: 121–122.

⁹¹ *Ibid.*: 119.

⁹² *Ibid.*: 123.

weaknesses early in the process rather than when it is too late to make changes.⁹³ Section 7 of this report sets out what could be done in the short, medium and long term to achieve the Commission's vision, and government should plan strategically to achieve some of the short-term wins.

Consolidate wins and produce more change

A characteristic of the public sector, and indeed most organisations, is that its various parts are highly interdependent. It can be very difficult to enact change in one part of the system when other parts of the same system are holding that piece in place.⁹⁴ Kotter reflects that “changing anything of significance in highly interdependent systems often means changing nearly everything”.⁹⁵ However, making change everywhere in the system at once can be daunting, so a step by step approach may be taken at first. The danger is that once short-term wins have been generated, people may relax and the transformation process may stall or regress because of resistance that remains in various parts of the system.

The guiding coalition will need to maintain a relentless focus on driving and developing change. The leaders of the change process will need to use the credibility and momentum generated by short-term successes to embark on several more ambitious projects at once, to change a number of the interconnected parts simultaneously.⁹⁶ The alternative is to continue with a step by step approach that will likely fail, since there will be too much resistance left in the system.

Sustain transformation: the innovation challenge

The final step in Kotter's framework is to “anchor new approaches into the culture”, but this is a very static view of sustainability. Sustainability in the dynamic sense is “continuous improvement and a commitment to finding better ways of working” in every organisation and throughout the system as a whole.⁹⁷ The table below sets out the differences between the static and dynamic perspectives of sustainability.

93 *Ibid.*: 122–123.

94 *Ibid.*: 136.

95 *Ibid.*: 143.

96 *Ibid.*: 140.

97 Annette Neath, *Complexity of sustaining healthcare improvements: What have we learned so far?* (Research into Practice Team, 2004): 4.

Table 2: Static versus dynamic view of sustainability

Static	Dynamic
<ul style="list-style-type: none"> • Maintain behaviour • Continue with new systems • Continuous achievement of targets and goals • Or discounting certain behaviours • Sustainability is perceived as a condition 	<ul style="list-style-type: none"> • Fluid – receptive to new ideas • Adapt to a continuously changing environment • Changes unfold with time in a manner unique to the context of organisation • Sustainability is perceived as a process
<p>Maintaining work methods suggests a static view. A focus ongoing development suggests a more dynamic or evolutionary perspective.</p>	

Source: Annette Neath, *Complexity of sustaining healthcare improvements: What have we learned so far?* (Research into Practice Team, 2004): 5.

How can a commitment to dynamic sustainability be embedded in public service transformation? Three principles may help ensure a focus on sustaining innovation. First, evaluating outcomes will ensure the emphasis is on the purposes of services while allowing for innovation in how they are achieved. Second, broad stakeholder consultation will be important in driving further change. Finally, it will be important to be flexible, to allow public services to adapt to changing circumstances, new risks and shifting demands.

Adopting a dynamic view of sustainability also has disadvantages. While a focus on continuous improvement may be healthy, it can also be demoralising to professionals, who may perceive that their work is never considered to be ‘good enough’ and that reforms are never ‘completed’. That said, it is vital that public service organisations constantly strive to deliver better quality services, and celebrating the achievement of stages along the path to transformation can alleviate some of the dissatisfaction that can accompany an ever-rising quality bar. The final section of this report examines what some of those stages might be.

6

Key steps towards the Commission's vision

This report has evaluated the transformation process from pre-transformation to the sustainability phase, and identified some key difficulties along the way. This section sets out a route-map for assessing progress, using the Commission's three shifts as a guiding framework. Rather than a detailed time-line, this report seeks to identify the crucial elements of change that must occur in the short-, medium- and long-term.

Jorgensen has argued that, when faced with conditions of fiscal constraint following a long period of growth, policymakers generally begin by implementing incremental reforms, such as “pruning budgets at the edges, hiring freezes, deferring capital or maintenance spending”.⁹⁸ However, the savings from this type of reform decline over time, so policymakers eventually move to ‘managerial-style’ cutbacks, which often involve the government changing its relationship with service users in order to increase productivity, as per the ‘easy Council’ model.⁹⁹ These types of reforms also have their limits, so ultimately policymakers are forced to think strategically about priorities and find savings through re-directing budgets rather than by making efficiency savings.¹⁰⁰

The challenge that the Commission poses to government is for policymakers to avoid this pattern, in which incremental reforms undermine a longer term strategic

98 Hood, *Reflections on Public Service Reform in a Cold Fiscal Climate* (forthcoming): 9.

99 ‘easy Council’ is a model in which basic services are collectively funded, but service users can choose to top-up (pay extra) to receive a more elaborate service. For example, while ordinary rubbish collection remains free at the point of use, some councils charge for the removal of garden waste or bulky furniture. “Barnet ‘easy Council’ plans go ahead”, *Public Service*, 23 October 2009, accessed online on 26 May 2010 at <http://www.publicservice.co.uk/news_story.asp?id=11005>. Hood, *Reflections on Public Service Reform in a Cold Fiscal Climate* (forthcoming): 9.

100 *Ibid.*: 9.

vision. Rather, policymakers should begin by thinking strategically about priorities and risks, defining the end point in response to citizen needs, then thinking creatively about the means to get there. In fact, this may be politically more feasible as well, since if the funding of certain services needs to be discontinued, this should ideally be done early in a new government's term. It will, however, require a strategic vision of what public services should look like in the medium- to long-term.

The following charts set out a strategic pathway for achieving change, framed by the Commission's approach. In the short-term, the most important actions will be the 'quick wins' that Kotter advocates, and these relate mostly to transparency and opening up services to public scrutiny in order to give citizens informed choice and improve quality. There are also some quick wins that involve rolling out current pilots or small-scale initiatives already in place. In the medium-term, substantial institutional change will be required in order to achieve the Commission's vision, and the actions in this column relate to transforming the institutional structures that support our public services. There are also some actions that fall into this category because some savings will need to be made up front before they will become affordable. In the long-term, some of the actions will need to be taken a step further and the Commission's vision will need to be embedded in the new culture. Each chart reflects the changes that will need to be made to support one of the three shifts. However, it should be noted that because the three shifts are mutually reinforcing, many of the actions will contribute to more than one of the shifts that need to occur so some are repeated in two or more charts.

Shift in culture

Characteristics	Examples	Conditions	Structural barriers
<ul style="list-style-type: none"> • Citizens define priorities for public services. • Citizens define the solutions to their particular problems/needs. • Public services focus on creating value through the relationship between the service and service users. • Public services encourage citizen to citizen collaboration. • Public services help citizens build capabilities and become more resilient 	<ul style="list-style-type: none"> • 21st century town meeting • Individuals use health self-diagnostic tools on the Internet • Outcome agreements between parents and teachers, specifying responsibilities and commitments of each to children's education • Websites in which citizens can match volunteering skills with needs in their communities 	<ul style="list-style-type: none"> • All citizens are able to get involved, with those who require it receiving extra support to do so • Democratic spaces and online platforms for citizen engagement • Mechanisms for government to process citizen feedback • Citizens have freedom to decide how to resolve their problems and can tailor packages of services that meet their needs • Citizens have as much control as possible of resources allocated to meet their needs • Citizens have sufficient information, forums and funding to create collaborative platforms to meet their needs • Legislation and regulation that encourages social productivity 	<ul style="list-style-type: none"> • There are few arenas for citizens to get involved in priority setting • Services are not designed in ways that are likely to create public value • Legislation can often act as a blockage to citizens working together • The tax system sometimes discourages citizen-to-citizen collaboration because of rules regarding care credits, time banks, etc. • Services are designed to be delivered to citizens, rather than work with them, which often increases dependency instead of building capabilities

Actions <i>Short-term</i>	Actions <i>Medium-term</i>	Actions <i>Long-term</i>
<p>Central government</p> <ul style="list-style-type: none"> • Conduct a Spending Review with extensive citizen participation so that spending better reflects citizens' needs and priorities • Give citizens more choice about service providers in more areas of public services • Commission for outcomes wherever possible • Continue to conduct Equality Impact Assessments for decisions by public bodies • Continue to use the EHRC Equality Assessment Framework • Publish all available data on public services online, including that related to user experience/satisfaction • Create online resources so citizens can communicate and exchange informal resources • Develop an online self-service aspect of most services <p>Local government</p> <ul style="list-style-type: none"> • Establish deliberative forums for citizen participation in decision making • Introduce platforms (online and real) for citizens to shape priorities and services • Encourage local services to establish individual agreements with users where appropriate 	<p>Central government</p> <ul style="list-style-type: none"> • Dedicate more resources to preventative action and for targeted investment to erode inequalities • Monitor the effects on equality and social cohesion and take measures to address areas of concern • Shift the emphasis from 'curative' to preventive spending • Actively manage the market for public services to ensure enough spare capacity to make choice real • Allow citizens to comment on data about public services, complain about spending and suggest ways to re-prioritise spending¹⁰¹ <p>Local government</p> <ul style="list-style-type: none"> • Involve citizens in the design of services • Shift the emphasis from 'curative' to preventive spending 	<p>Central government</p> <ul style="list-style-type: none"> • Create individually-tailored 'public service portals' for citizens¹⁰² • Monitor the effects on equality and social cohesion and take measures to address areas of concern

101 Government would need to collate and respond to feedback, explaining reasons for taking action or not.

102 These would be accessed through a common website, but citizens would enter a personal domain in which information about them had been used to tailor the space. This way, citizens would only be given information they needed and it would be easier for them to access services useful to them about which they may not otherwise have known. See, for example, a vision for 'MyNHS' in Alldritt et al, *Online or In-line* (2010): 16.

Shift in power

Characteristics	Examples	Conditions	Structural barriers
<ul style="list-style-type: none"> • The political system is rebalanced – local government takes on more responsibility while the centre is smaller and more strategic. • Commissioning is democratised. • Individuals often control the resources allocated to meet their needs. • Professionals are encouraged to innovate in the way they deliver services. • Public services are designed around citizens and communities. 	<ul style="list-style-type: none"> • Single place budgets • Individual budgets • Citizens choose the PCT to which they would like to belong 	<ul style="list-style-type: none"> • Clear accountability • Local authorities have fund raising capabilities • Local authorities have adequate capacity and capability to cope with new responsibilities • Reformed centre • Resources that back choices made by individuals, families, communities and localities • Performance management regime focused on outcomes 	<ul style="list-style-type: none"> • The UK's centralised political system • Performance management systems stifle innovation • Services are often separated into silos, making it difficult for citizens to tailor solutions to needs that cross those service boundaries

Actions Short-term	Actions Medium-term	Actions Long-term
<p>Central government</p> <ul style="list-style-type: none"> • Begin process of devolution by introducing relevant legislation • Strengthen the strategic and coordinating role of the centre • Roll out individual budgets in appropriate areas, along with brokerage services • Give citizens the right to recall their MP if they are dissatisfied with his/her representation of their interests • NAO to continue to audit public bodies, reporting back to Parliament on economy, efficiency and effectiveness of use of resources <p>Local government</p> <ul style="list-style-type: none"> • Build sufficient capacity and adequate skills to take on more responsibility • Establish priorities for local area in conjunction with citizens • Audit Commission to continue to evaluate economy, efficiency and effectiveness in local public services 	<p>Central government</p> <ul style="list-style-type: none"> • Fully devolve substantial power to elected mayors • Make clear who is in charge of which services • Reduce number of ministers • Introduce 'Programme Ministers'¹⁰³ <p>Local government</p> <ul style="list-style-type: none"> • Facilitate new mayoral campaigns • Roll-out 'Single place more-for-less budgets', where local areas get less funding but greater control over how they spend it¹⁰⁴ • Make clear who is in charge of which services • Encourage the establishment of public service mutuals run jointly by citizens and professionals • Create a fund to provide financing to support collaborative citizen initiatives 	<p>Central government</p> <ul style="list-style-type: none"> • Give local areas more revenue-raising powers <p>Local government</p> <ul style="list-style-type: none"> • Implement participatory budgeting

103 Following the Dutch model, create ministerial positions in charge of a particular outcome, rather than a service portfolio. In 2007 the Netherlands created two Programme Minister positions. André Rouvoet became the Minister for Youth and Families. As such, he is responsible for "areas of policy implemented by several other ministries". The civil servants that report to Rouvoet remain formally employed by other ministries. This is a truly interdisciplinary ministry responsible for delivering the outcomes of the Youth and Families programme. For more information, please see Ministry for Youth and Families, *A Special Ministry for Youth and Families: How does it work?* (The Hague: Ministry for Youth and Families, 2008).

104 As advocated in Shared Intelligence, *Delivering a Localist Future: A route-map for change*. (London: 2020 Public Services Trust, 2010).

Shift in finance

Characteristics	Examples	Conditions	Structural barriers
<ul style="list-style-type: none"> • The financing of public services is transparent. • Citizens' contributions to public services are linked to use or entitlement. • Citizens are aware of what they contribute to public services and how they benefit from them both now and over time. • Citizens have more control over what is spent on them and are better able to plan for the future. • All types of resources are valued, including non-monetary contributions. 	<ul style="list-style-type: none"> • Citizen statements • Lifecycle accounts • Partnership funding models • Open data guarantee 	<ul style="list-style-type: none"> • Presumption in favour of freedom of information • Culture of openness and transparency • Citizen willingness to share anonymised data • Citizen willingness to consider sharing identifiable data with authorised public service professionals • Citizens are able easily to contribute non-monetary resources to public services • Easy to use financial planning tools for citizens 	<ul style="list-style-type: none"> • Lack of information about specific citizen contributions and benefits, and lack of systems ability to process data on this • Fears that too much financial transparency might undermine the tax coalition

Actions <i>Short-term</i>	Actions <i>Medium-term</i>	Actions <i>Long-term</i>
<p>Central government</p> <ul style="list-style-type: none"> Effectively communicate the need for both cuts and new resources to the public Publish online a programmatic breakdown of public finances Appropriate training for professionals regarding data protection and sharing regulations Ensure all transactional services can be done online Departments required to report to Parliament on savings generated through online service provision <p>Local government</p> <ul style="list-style-type: none"> Effectively communicate the need for both cuts and new resources to the public Publish online a programmatic breakdown of local spending and tax revenues/central grants 	<p>Central government</p> <ul style="list-style-type: none"> Create citizens' accounts that show how taxes have been spent and the direct benefits to citizens Introduce payment by results where possible <p>Local government</p> <ul style="list-style-type: none"> Introduce co-payment in some services Promote the expansion of skills-exchange and mutual self-help platforms such as Southwark circle Encourage development of time banks, local volunteering and other community initiatives 	<p>Central government</p> <ul style="list-style-type: none"> Add a non-monetary component to the citizens' accounts <p>Local government</p> <ul style="list-style-type: none"> Introduce legislation enabling local government to keep savings generated through more efficient use of resources

7

Conclusion

Given both the immediate and longer term challenges to public services, public service transformation should be considered a pressing priority, not an optional extra. By improving outcomes, transformation can enable public services to deliver the maximum possible of both ‘more-for-less’ and ‘same-for-less’ during a time of sharp fiscal constraints. In the longer term, trends such as an ageing and increasingly diverse population, rising citizen expectations and new risks like climate change also create an imperative for fundamental redesign rather than incremental change.

The Commission’s positive vision for 2020 public services and its recommended three shifts provide a framework for the kind of transformation that will be necessary. This report has provided some tools for translating some of these ideas into action, such as how citizens might participate in prioritising public action, creating public value and holding services more directly accountable. The report has argued that the process of change will require broad engagement from all relevant stakeholders as well as political leadership. Finally, it has suggested the conditions that the government may need to create, and actions to do so, for the three shifts to occur.

In June and July 2010, the Commission will publish reports illustrating how its vision might transform four specific public service areas: health, welfare, public safety and education. Seventy-two per cent of all public spending is on these four services alone,¹⁰⁵ so understanding how those public services could be transformed to deliver better outcomes more efficiently is critical. The Commission will publish its final report in autumn 2010.

105 Volterra, *The Fiscal Landscape: Understanding contributions and benefits* (London: 2020 Public Services Trust, 2009): 19.

Bibliography

- Accenture. *Barriers to Public Sector Transformation*. Unpublished, produced for the Transformation work stream.
- Alldritt, Charlotte. *Barriers to Welfare State Institutional Reform*. London: 2020 Public Services Trust, 2010.
- Alldritt et al. *Online or In-line: The future of information and communication technology in public services*. London: 2020 Public Services Trust, 2010.
- AmericaSpeaks. "National Town Meeting: June 26." Accessed online on 12 May 2010 at <<http://www.americaspeaks.org/>>.
- Astle, Julian. *Time's up: why the Lib Dems should end their opposition to tuition fees*. London: CentreForum, 2008.
- Bacon, Nicola, Nusrat Faizullah, Geoff Mulgan and Saffron Woodcraft. *Transformers: how local area innovate to address changing social needs*. London: NESTA, 2008.
- "Barnet 'easy Council' plans go ahead." *Public Service*. 23 October 2009. Accessed online on 26 May 2010 at <http://www.publicservice.co.uk/news_story.asp?id=11005>
- Barrow Cadbury Trust. *Cities in Transition: Britain's Increasing Plurality*. London: Barrow Cadbury Trust, 2007.
- BBC News. "George Osborne to outline £6.2bn spending cuts." Accessed online on 24 May 2010 at <http://news.bbc.co.uk/1/hi/uk_politics/8699522.stm>.
- Bourgon, Jocelyne. *Program Review: The Government of Canada's experience eliminating the deficit, 1994-99: a Canadian case study*. London: Institute for Government, 2009.
- Bunt, Laura and Michael Harris. *The Human Factor: How transforming healthcare to involve the public can save money and can save lives*. London: NESTA, 2009.
- Commission for Integrated Transport. *Are we there yet? A comparison of transport in Europe*. 2007. Accessed online on 7 April 2010 at <<http://cfit.independent.gov.uk/pubs/2007/ebp/index.htm>>.
- Commission on 2020 Public Services. *Beyond Beveridge: Principles for 2020 Public Services*. London: 2020 Public Services Trust, 2010.
- Cottam, Hilary. *Beveridge 4.0*. London: Participle, 2008.
- Gash, Tom and Julian McCrae. *Transformation in the Ministry of Justice: An interim evaluation report*. London: Institute for Government, forthcoming.
- Glennerster, Howard. *Financing the United Kingdom's Welfare States*. London: 2020 Public Services Trust, 2010.
- Greenhalgh, Trisha, Glenn Robert, Paul Bate, Olympia Kyriakidou, Fraser Macfarlane, Richard Peacock. *How to Spread Good Ideas: A systemic review of the literature on diffusion, dissemination and sustainability of innovations in health service delivery and organisation*. London: National Co-ordinating Centre for NHS Service Delivery and Organisation, 2004.
- Griffiths, Simon, Beth Foley and Jessica Prendergrast. *Assertive Citizens: New Relationships in Public Services*. London: The Social Market Foundation, 2009.
- Hall, Peter A. "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain." *Comparative Politics* 3 (1993): 275-296.
- Harris, Michael and David Albury. *The Innovation Imperative*. London: NESTA, 2009.
- Hills, John. *An Anatomy of Economic Inequality in the UK - Report of the National Equality Panel*. 2010.
- HM Government. *The Coalition: our programme for government*. London: Cabinet Office, 2010.

- Hood, Christopher. *Reflections on Public Service Reform in a Cold Fiscal Climate*. London: 2020 Public Services Trust, forthcoming.
- Ipsos MORI. *Citizen engagement: testing policy ideas with the public*. London: 2020 Public Services Trust, 2010.
- Ipsos MORI. *Ipsos MORI March Political Indicator*. Accessed online on 25 May 2010 at <<http://www.ipsos-mori.com/Assets/Docs/Polls/poll-Mar10-topline.pdf>>.
- Kippin, Henry. *2020 Welfare*. London: 2020 Public Services Trust, forthcoming.
- Kippin, Henry. *Social care 2020: what are the challenges ahead?* London: 2020 Public Services Trust, 2010.
- Kippin, Henry and Alison Wolf. *What are the Underlying Principles of our Education System?* London: 2020 Public Services Trust, forthcoming.
- Kotter, John P. *Leading Change*. Cambridge: Harvard Business School Press, 1996.
- London Cycling Campaign. "Free Cycle Hire Launches in London on 30 July." Accessed online on 6 April 2010 at <<http://www.lcc.org.uk/index.asp?PageID=1784>>.
- Mayor of London. *Way to Go: Planning for better transport*. 2008. Accessed on 7 April 2010 at <<http://www.london.gov.uk/archive/mayor/publications/2008/docs/way-to-go.pdf>>.
- Milburn, Alan. *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions*. London: The Panel on Fair Access to the Professions, 2009.
- Ministry for Youth and Families. *A Special Ministry for Youth and Families: How does it work?* The Hague: Ministry for Youth and Families, 2008.
- Moore, Mark H. *Creating Public Value: Strategic Management in Government*. Boston: The President and Fellows of Harvard College, 1995.
- Mulholland, Hélène. "6,000 bikes in 400 locations: Boris Johnson's bike-hire scheme." *The Guardian*. 18 November 2008. Accessed online on 7 April 2010 at <<http://www.guardian.co.uk/politics/2008/nov/18/boris-cycling>>.
- Neath, Annette. *Complexity of sustaining healthcare improvements: What have we learned so far?* Research into Practice Team, 2004.
- Office for National Statistics. "Public Sector." *Economy*. Accessed on 25 May 2010 at <<http://www.statistics.gov.uk/cci/nugget.asp?id=206>>. Participle. "The LIFE Programme: Building new Lives for Individuals and Families to Enjoy." *The LIFE Programme*. Accessed online on 10 May 2010 at <<http://www.participle.net/projects/view/3/102/>>.
- people and participation.net. "21st Century Town Meeting." Accessed online on 12 May 2010 at <<http://www.peopleandparticipation.net/display/Methods/21st+Century+Town+Meeting>>.
- Pierson, Paul. "Increasing Returns, Path Dependence, and the Study of Politics." *The American Political Science Review* 2 (2000): 251–267.
- Secretary of State for Health. *Shaping the Future of Care Together*. London: The Stationary Office, 2009.
- Shared Intelligence. *Delivering a Localist Future: A route-map for change*. London: 2020 Public Services Trust, 2010.
- Taylor-Gooby, Peter, Charlotte Hastie and Caroline Bromley. "Querulous Citizens: Welfare Knowledge and the Limits to Welfare Reform." *Social Policy and Administration* 1 (2003): 1–20.
- Transport for London. "Benefits." *Cycle Hire Scheme*. Accessed online on 11 May 2010 at <<http://www.tfl.gov.uk/roadusers/cycling/12449.aspx>>.
- Wanless, Derek. *Securing Good Care for Older People: Taking a Long-Term View*. London: King's Fund, 2006.
- Willetts, David. *The Pinch: How the Baby Boomers Took Their Children's Future – And Why They Should Give it Back*. London: Atlantic Books, 2010.
- Wolf, Alison. *Does Education Matter: myths about education and economic growth*. London: Penguin Books, 2002.
- Woodhall, Maureen. *Funding Higher Education: The Contribution of Economic Thinking to Debate and Policy Development*. World Bank, 2007.

transparency potential
participation urgency
debate **VISION** models
complex
agency
nature democratic

Supported by:

accenture
High performance. Delivered.

2020 Public Services Trust
at the RSA

2020 Public Services Trust, RSA, 8 John Adam Street, London, WC2N 6EZ
telephone: 020 7451 6962 | charity no: 1124095 | www.2020pst.org