

**British Council event**  
**New developments in Service delivery**

**Public Sector Policy Making: Strategies and Challenges”**  
**Dr. Wendy Thomson**

**Introduction**

Thank you, and the British Council, for giving me the opportunity to speak with such a distinguished international audience. It looks like you will be having an interesting week.

I have been given a pretty broad subject, and as this is the starting point for your event, what I intend to cover is:

- The UK government’s programme on investment and public service reform
- The principles underpinning the reform programme, and what those look like in practice
- The changes in the way government does business – resource allocation, targets and performance, changes in departmental structures and civil service capacity.

By way of background, however, it may be helpful for me to start off by explaining my position in the UK government. The Office of Public Service Reform was set up by the Prime Minister after the last election, to support him and his colleagues on the public service reform agenda. The Office was set up as one of 3 units, along with the Delivery Unit, which is about performance review, and the Strategy Unit, about national strategy. The 3 were a constitutional innovation, in that each is headed by a PM adviser, based in No 10 supported by a staff based in the cabinet office.

A year into the 2<sup>nd</sup> term, the PM appointed a new Cabinet Secretary, Andrew Turnbull, who was appointed in order to take on more responsibility for public service and not just civil service reform. In the last year he has made further changes in the centre of government – establishing a Delivery and Reform

team. It includes the 3 PM's units as well as other parts of the central machinery - the cabinet secretariat, Corporate Development Group (Human Resources and the Centre Management and Policy Studies), the office of Government Commerce, the E-Envoy, and the Regulatory Impact Unit.

These changes reflect, coming into his second term, the PM's close interest in domestic policy and delivery as well as European and international relations. They represent a strengthening of the centre, that in part reflects this PM's style and approach, but is part of a longer trend within British Government.

As events have unfolded, following 11th Sept., the PM's attention to international matters have exceeded what anyone might have predicted at that time. But such is government, and despite the demands of international affairs, public services have remained in the central spotlight.

The OPSR has played a variety of roles over the past 2 years – consistently it is responsible for giving definition and gaining recognition for the government's strategy for reform across the public services<sup>1</sup>, particularly amongst people working within it. I will go to present what this is and how it is working in practice.

We have worked through discrete projects, some of the major ones include -

- on the local government white paper, devising an approach to 'earned autonomy' and gaining support for it across Whitehall departments,
- designed a Departmental Change programme and supported its application in 3 Whitehall departments<sup>2</sup> that were priorities for reform (Defra, LCD, and Scottish Executive).
- reviewed and made recommendations to improve the effectiveness of Agencies<sup>3</sup>
- a programme for Customer Focus across government<sup>4</sup>

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<sup>1</sup> **Reforming Public Services: Principles into practice**"; Cabinet office. OPSR, March 2002; **Leading from the Front Line**, Cabinet Office, OPSR, October, 2003

<sup>2</sup> **Characteristics of high performing organisations**, Cabinet office, OPSR, June, 2002; **Departmental Change programme – toolkit**, Cabinet office. OPSR, February 2003.

- reviewed the Inspection and Regulation of Public Services<sup>5</sup>, producing a government policy and principles to be followed for public service inspection.
- Re-launched Chartermark as a government standard for customer service
- Improving Project and programme management<sup>6</sup> across Whitehall

This experience has given us a central position from which to contribute to the reform process, looking out from the centre of government but with the experience and strong networks into the front line of public services. Most of the people working in the office have come from working in the public services rather than being career civil servants, policy analysts or academics. This has brought benefits as well as challenges.

### **Investment and Reform**

The UK story is about increased investment in public services, alongside a radical programme of reform. It is a defining moment for public services in the UK, but a unique opportunity created by the coming together of economic and fiscal stability, political commitment and public support.

It is not about the welfare state of labour's past, where people were allocated one-size-fits-all services by professional experts. Nor is it the residual state where most citizens are expected to pay for privately provided services, and public services serve primarily as a safety net, for those who can't afford anything better.

The modern challenge is what Roger Faroux described in Notre Etat, "The real problem is not whether the state is too big or not big enough. What we need in this volatile century is a fast state".

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<sup>3</sup> **Better Government for the 21<sup>st</sup> century, the government's review of agencies;** Cabinet office, OPSR, July 2002.

<sup>4</sup> **Principles for measuring Customer satisfaction,** OPSR, 2003

<sup>5</sup> **Improving the Inspection of Public services: developing a customer perspective;** Cabinet office, July 2003

<sup>6</sup> **Improving project and programme management,** Cabinet office, OPSR, February, 2003

The focus is mainly on public services that the population consistently identify as the top of their concerns – health, education, criminal justice, transport, housing. Empowering individuals and freeing up organisations to serve them. With service that are both universal and diverse and are competitive on cost and quality.

## **UK in Context**

Right across Europe and the West governments are being challenged to reform public services. First, Standards of living and consumer choice are rising. More complex personal and social problems are presented for state solution, and modern communications more rapidly spreads messages about what is available. Technological progress in medicine, transport, and criminal investigation, continues apace and with it people's expectations of the problems it is possible for state services to solve. A knowledge-based economy places higher expectations on the education system, and technology affords an unprecedented access to global systems.

Second, personalised delivery is necessary to meet ever more diverse needs and preferences. It is not only a matter of what people expect, but how they are treated – better informed and enabled to make decisions and choices for themselves. Customised products and services that are personally delivered are what is required, rather than ones that are mass-produced to a uniform standard, and allocated by state rules to those it deems worthy. National objectives for better education, health and other outcomes, can only be successful by engaging with this complexity.

Third, balancing state income with costs becomes increasingly difficult. This has nothing to do with the myth of public sector inefficiency (in fact UK's services are the most efficient in Europe). It is that these new demands and developments create systematic upward cost pressures, that are likely to outstrip revenue generated through taxes, fees or charging. New drugs and medical procedures. New educational and forensic technologies with global as well as local applications. A competitive labour market demanding better

rewards for both skilled and unskilled people. An increasingly litigious public and workforce. Some of these costs can be offset through the introduction of modern labour-saving technologies, such as those we have seen in the financial services sector. But many of these services will remain highly labour intensive.

## **Investment**

In the 1997 election the government committed itself to a more central role for public services in Britain's future, and that would require investment. Though it was clear that reform would have to be paid for, it would rely on economic success. The first task was to manage the economy well and demonstrate Labour's fiscal discipline. It maintained the spending limits it inherited for the first two years of its administration.

So it was not until the 2000 spending review that the process of major investment began. This was built on in SR 2002, which set out the government's priorities for the next 3 years, that will see spending rising by £24b in 2003/04; £40b in 2004/05; and £61b in 2005/06: an average growth of 5 ¼ % a year after inflation.

Three quarters of this increase is invested in education, health, transport, housing and the fight against crime. But investment alone is not enough – we know from experience that it doesn't necessarily deliver better services, nor does it attract public confidence that money will be well spent and services effectively organised. And it is said that government in the UK has become increasingly centralised, at the same time there is enormous inequality in the accessibility, performance and quality of services delivered.

## **Reform**

*“To deliver opportunity and security today, public services must be radically recast. Our challenge is to ensure that they are universal – an engine of*

*equality; and personalised – responsive to the rising aspirations of the public. In short universal services with personalised provision”.*<sup>7</sup>

Towards the end of the 1<sup>st</sup> term, certain principles became associated with successful reform. These are reflected as...”designing services around the needs of customers, in line with the principles of reform –

- €# Standards & accountability – a national framework of standards and accountability
- €# Devolution – Devolution to the front line, allowing far greater freedom and room for innovation so that local services can develop services as users want
- €# Flexibility – so that local organisations and their staff are better able to provide modern public services
- €# Choice – more choice for the pupil, patient, or customer, and ability to have an alternative provider”.

So the first phase of reform is to drive up standards, within a national framework of national accountability.

In education through the rolling out of the national curriculum, then the literacy and numeracy strategy (KS 2), and then transforming secondary education (KS 3) and Further Education (Success for All). Targets were set for Literacy and numeracy in primary schools and for adults, achievement of GCSEs and entry to Higher Education (50%). League tables are published to show the performance of every school across the country.

In health, the NHS Ten Year Plan was published with ambitious commitments to a modernised service, financed by taxation. National Service Frameworks (NSF) were introduced for cancer, cardiovascular and mental health services, targeting the 3 diseases responsible for the greatest portion of mortality. Targets were set for waiting times for A & E, GPs, elective surgery, and outpatient treatment. Hospitals, and soon primary care trusts, are going to

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<sup>7</sup> **The Courage of our Convictions**, Fabian Society, September, 2002

have star ratings of their performance. The best hospitals are to be granted what is being called Foundation Status, to grant them increased freedom from central government controls.

The criminal justice system is being radically overhauled to ensure offenders are brought to justice, with targets set for confidence in the CJS, effective trials, tackling persistent offenders. A Police Performance Assessment Framework has been established, with a series of reforms to improve the performance of police forces across the country.

In local government, “compulsory competitive tendering” and “Rate capping” have been abolished and replaced with a duty to deliver “Best Value”., and Corporate Performance assessments rate every council as excellent, good, fair or weak. Shared priorities for improving key public services have been negotiated to align local drivers for service improvement with those most important to the nation as a whole. Local Public Service Agreements are negotiated with individual councils, to engage local deliverers in raising standards.

Whereas in the past, government had sought to control finance, and administrative process, now the focus is on what is delivered to the public – outcomes and services - through a framework of devolved accountability.

Accountability for public expenditure is seen as critical to securing public confidence and support as well as efficiency. Public Service Agreements, assigning specific “targets” to departments, are cascaded through public service organisations, who are responsible for delivering them. Performance against these targets is monitored with exam results for every school and “star ratings” for hospitals and local services published in league tables for all to see.

Most services are independently audited and inspected, and made the subject of public reports. Such reports feature in the columns of local papers, and the professional trade press. It is bringing a focus on the performance of the

managers of these services and the central officials responsible for national delivery.

It is these changes that are experienced as centralising, and justified to bring higher service standards . After 50 years of public provision such standards haven't been achieved – For many people who rely on these services, they need them to work. Most people don't have a choice. But the reform is part of a cycle – the debate and decisions about service standards once conducted, move on.

Standards, and accountability, make devolution possible, and can only be delivered by giving local leaders freedom to design and develop services around the needs of local people. Devolution, flexibility and choice are the Decentralisation in the drive for Reform.

With devolution must also come more flexibility for services, and the professionals who work within them to provide a more diverse range of “offers” in response to the diverse needs and preferences present in contemporary British society. Restrictive practices, red tape and traditional professional attitudes are being challenged and swept away. In their place, better incentives and rewards for performance, people-focused leadership, excellent management, and training.

Finally, is the introduction of choice, and greater contestability of supply. Despite the controversy these principles have attracted we are only at the foothills of creating real choice for most people. We will see more as capacity grows as a result of investment, and with experience of successful private sector involvement.

Devolution, flexibility and choice - are the way to deliver more personalised services in a framework of national standards and accountability.

So we have devolved responsibility for financial and educational achievement to schools, in what is the most decentralised education system in Europe.

They can employ staff, develop “specialist” subject areas, and enjoy a “power to innovate”. More successful schools will enjoy even more freedoms. Teachers are working more flexibly alongside classroom assistants, and there is a more diverse choice of schools with the expansion of City Academies, Technology Colleges and Specialist Schools. A market has been created in the supply of specialist educational support services, to offer alternative provision where the Local Education Authority is not up to scratch.

The whole structure of the NHS has been radically redesigned to shift the balance of power to the local level and to streamline the hierarchy. 75% of NHS funding (£46b in 2003/4, rising to £56b in 2005/06) will be devolved to over 300 Primary Care Trusts where GP’s and local Boards are given responsibility for commissioning health services with their local community. Traditional professional demarcations are being removed with specialist GPs and nurse practitioner qualifications.

Along with thousands of additional nurses and doctors, a more diverse range of services are being established – Foundation Hospitals, Diagnostic and Treatment Centres, Walk-in Centres, and 24 hour telephone advice through NHS Direct. The private sector is being invited to supply these facilities, and in some areas is already working alongside longstanding NHS teams. Patients will be offered a choice of hospital where they would otherwise be waiting more than 6 months.

In London, patients are given a choice of alternative hospitals for heart and eye surgery. The NHS web site (<http://www.nhs.uk/>) equips people with information about their local hospital, GP’s and access times for particular treatments. Soon this will give information about individual doctors and surgeons.

More freedom and flexibility is also being devolved to Regions. Regional Development Agencies have more flexible funding to help strengthen the building blocks for economic growth across England. London-wide government has been restored to the capital, with a high profile mayor

responsible for the police, economic development, and strategies to tackle housing, sports and tourism, land use and planning and the environment. Direct delivery remains with the boroughs, in line with the philosophy of devolution, to stay close to the community.

No region will be forced to have an Assembly, but where the population decides, elected regional assemblies will be established to improve accountability and effectiveness. In those regions, unitary local government will be introduced to ensure government remains streamlined with no additional tiers.

Local Councils have a new power to promote the well-being of their areas, with new political structures and public scrutiny. Every Council's performance is reviewed and rated as: Excellent, Good, Fair, Weak or Poor. Financial freedom over rates and capital borrowing has been devolved to all councils, with removal of bureaucratic plans, central consents, and new powers to sell successful services to other public bodies. The best councils are given incentives to innovate with central restrictions and inspection removed. Poorer councils will receive direct support and close monitoring until they achieve acceptable standards.

Reform of this kind is an innovation that is developing rapidly through ideas and experience. As it takes hold it challenges not only the way public services are organised locally. It requires a very different approach from central government departments of state.

## **Reform of central government**

### **Targets and Performance Management**

In the contract between government and the people, there has to be sufficient 'public value' to justify the taxes raised. From the beginning, the Blair government has kept tight fiscal discipline, and started off with a Comprehensive Spending Review, on which it has built Spending Reviews

every 2 years. From these Spending Reviews has come Public Service Agreements (PSAs) for which targets are set by the Treasury for dept to meet. This has brought new disciplines into the way government works.

The way to make government work has been to allocate specific funds, set targets as part of a PSA, set up a dedicated body to run it, and require it to obtain agreements to its plans, produce information, and have its performance assessed by inspection and presented to the public in league tables.

The Delivery Unit, in the 2<sup>nd</sup> term, has brought greater emphasis to this system of performance management. Working with the Treasury, it has established a central system for departments to report to the PM and SoS, their performance against targets on a quarterly basis.

There is some evidence that this approach works; and now ministers who feel personally accountable for targets to the PM and HMT have tended to adopt this style. However, it has also led to criticism of 'command and control', which has led to a greater emphasis on bottom up approaches, which rely on the right incentives, mixed supply and more customer choice.

### **New structures and technologies**

In the UK, Departments are traditionally autonomous bodies, accountable to their Secretary of State, who represents their interests and relays their advice to Cabinet. But social and political imperatives are demanding more interdepartmental working – to tackle social exclusion, anti-social behaviour or economic competitiveness. Delivery on these policies requires flexible partnerships across departments and with local services directly. Here we see the Social Exclusion Unit, Neighbourhood Renewal Strategy and unit, the National Drugs strategy, and the new Children's Directorate.

In some cases, it is resulting in new departmental structures – such as the Dept for work and pensions ( focussing on people of working age, and

bringing together income support with job placement and training), and the Dept of Constitutional Affairs. (replacing the Lord Chancellors dept).

E-Government is making major change in how businesses is conducted. In the NHS over £2b is being invested in electronic service delivery. With the electronic patient record being the cornerstone for reforms to improve clinical care and expand choice. Similarly a major investment is being made to introduce electronic record handling across the different elements of the Criminal Justice system. The new Job centre Plus (the 'shop window' of the Dept for Work and Pensions) are being totally re-engineered using modern IT , integrated systems and investment in a fewer number of higher quality branches.

And fast government?

Politicians and the public want to see government responding more rapidly to their concerns, and with greater effect, as Faroux argues. That is what drives the UK's overriding concern with delivery; and it makes passing legislation and publishing white papers appear vaguely irrelevant. At times, the government has seen fit to directly tackle issues of public concern.

Blair's most visible initiatives have been to tackle a specific issue, through harnessing all the different elements of the public service under his personal leadership. These drives learned from the experience of genuine crisis – such as the petrol crisis, and foot and mouth – where government learned what it takes to mobilise itself for a domestic crisis. This has been applied to issues such as the street crime initiative, where weekly cabinet meetings were held in the war room of the Cabinet office, bringing together everyone in the 17 local areas which accounted for the majority of street crime in the country.

These initiatives are controversial. Commentators are sometimes critical that they distort local priorities, pervert incentives and have unintended consequences. It isn't entirely clear that they do. No one would argue they are a systematic way of governing, or a sustainable method of service delivery, but they do demonstrate what can be done.

### A 'modern civil service'

Modern public organisations have to become far more performance orientated, focused on key results, in “real time” using measurement to monitor, and developing relationships and networks to deliver. It's a big shift from a traditional civil service which is also undergoing reform.

The civil service is externally recruiting, developing new performance systems, tied to pay, and acquiring commercial skills of procurement and programme management. Large building programmes (for schools, hospitals, GP premises, housing, transport), and complex IT systems (electronic patient records in the NHS, electronic case management in the Criminal Justice System) – many the product of PFI and PPP arrangements – are where much of the investment is allocated. Successful reform depends on these practical programmes, with their risks and challenges, being finished to tight time scales.

It is a departure from the dispassionate role of policy advice associated with the pinnacles of the traditional British civil service. Of course it has been part of a longer standing process of modernisation and reform, but there is no doubt that public service reform – delivering standards, devolution, flexibility and choice – for the customer and the nation - is increasing the pace and urgency.

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