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## About the commission on 2020 Public Services

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 the Commission on 2020 Public Services – a major inquiry into how our public services can respond to the significant challenges of the next decade. In a period when resources will be severely constrained, the demands on public services will rise driven by economic, demographic, social and other trends, often global in nature. Exacerbating the dilemmas for policy makers, many of the trends are also constraining the ability of the State to respond.

Chaired by Sir Andrew Foster, the goal of the Commission was to develop a practical but compelling vision for public services in 2020. It brought to the task a breadth of perspectives and a wealth of experience. Commissioners were drawn from across the political spectrum, academia, and from the public, private and voluntary sectors. The Commission published an Interim Report *Beyond Beveridge: Principles for 2020 Public Services* in March 2010. This is the Commission's Final Report.

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For more information on the Trust and the Commission, please visit [www.2020pst.org](http://www.2020pst.org).

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## Foreword by Sir Andrew Foster



This is the final report of the Commission on 2020 Public Services. The group is experienced, passionate and diverse. Members come from across the professional and political spectrum, but are united by a commitment to the importance of public services, and a conviction in the need to begin re-shaping them for a new age.

The Commission has used the last eighteen months to take a long, hard look at the challenges facing public services. We have engaged with citizens and professionals, with politicians and bureaucrats, and with others who are thinking creatively and changing public services on the ground. We have avoided snap judgements and political points-scoring. We have not always agreed, but have sought to analyse, to understand, and to find practical and consensual approaches to complex problems.

Our different views reflect many of the streams of thinking within public debates that any new settlement must take account of if it is to endure. I believe our work is strengthened by the robustness of our internal debates, as well as our level of engagement with those beyond our group.

Our starting point has been a conviction that our current public services settlement is unsustainable in the face of huge demand and behavioural challenges. We have sought to get beyond narrow arguments about how existing public institutions should be tweaked or reformed – and think again from first principles.

We have argued that the purpose of public services should begin with the perspective of citizens today – the lives we lead, the places we live, and the role that public action can play in improving our lives, the lives of others, and the society we live in.

We asked: what kind of needs, values, expectations and aspirations do citizens today have? How can public action support these better, and where is it getting in the way? We analysed the challenges ahead, asking: what will be the new demands, new constraints and emerging opportunities public services will encounter? How can we navigate this terrain and achieve the things that citizens care about?

This report shows how we went about examining, debating, and ultimately starting to answer some of these questions. It shows how we built an evidence base with a substantial programme of research; how we engaged with citizens in deliberative forums across the country; how we have worked with and listened to a diverse range of organisations, authorities and individuals during our policy seminars. It shows how we developed a framework of ideas for change; and how we sought to understand the practical application of this framework within some existing areas of public services.

As the challenges ahead became swallowed up by the fiscal crisis today, we asked: what kind of public services do we want to see emerging from the crisis? How can we make decisions today with our eyes open and a long-term, strategic perspective? How can this crisis be the spur for a new kind of debate on public services, and how can we start to shape it?

In trying to answer these questions, we have been supported by an able secretariat and a number of partners, funders, research associates and experts. My thanks to all of our partners, to others taking an active interest in our work, and to those who have participated in our policy workshops and deliberative events.

I see this Commission as a beginning, not an end point. As citizens needs, capabilities and aspirations change, so must the design and delivery of public services. As the risks and opportunities facing citizens evolve, so must the role of the state. There will be a continuing need to hold public services to account for their long-term sustainability and relevance. I hope that we and others can continue to take on this task, and develop the platform we have created into a coalition for real change.

*Andrew Foster*

**Andrew Foster**

Chair, Commission on 2020 Public Services

## Executive summary

As fiscal constraints begin to bite, politicians and the media are speculating over where cuts will fall. But the challenges facing public services are not only fiscal, and not only short term. Social outcomes from a sustained period of public spending have been patchy and the scale of future demand is huge. Our existing Whitehall model – based on service ‘silos’ and top-down delivery and accountability – is ripe for change.

We have reached a moment of discontinuity.

- Estimates suggest that meeting the costs of our ageing society and abolishing child poverty would alone require an extra 4 to 6 per cent of GDP to be spent on public services over the next two decades.
- Rising inequality in the past quarter century presents major challenges which our current public service settlement has been unable to tackle.
- And whilst public services have improved over the last decade, many social outcomes are still disappointing – health inequalities remain unacceptably large, educational attainment still fails to equip our youth with the skills needed for a dynamic economy and criminal re-offending rates are shockingly high.

Meanwhile, between 1997 and 2008 public sector productivity fell by an average of 0.3 per cent a year.

The Beveridge model has served Britain well, but 60 years on it is time for a fundamental reassessment of public services. It is not salami sliced cuts we need but a re-think from the bottom up, reflecting the needs, capabilities and aspirations of 21st century citizens.

Public services are the measure of a decent society. They must help us to achieve the lives we choose. So they must respond to the citizens we have become – with 24/7 self-service online access, a greater focus on the quality of service relationships, and shared responsibility for achieving better outcomes. What we call for is a shift: from public services as deliverer of social security, to a new culture of social productivity.

### Social productivity and public services

We need a new deal between citizen, society and the state. This rejects both old statist models of universal service delivery and the new public management models of consumerism. Instead a new settlement for public services should be based on the principle of social citizenship. As citizens we should have a duty to contribute as well as a right to receive support – responsibility and reciprocity are essential characteristics of a more resilient society.

Our approach is bottom-up. The means of achieving it we call social productivity. Public services should be judged by the extent to which they help citizens, families and communities to achieve the social outcomes they desire. At a time when state resources are squeezed it is vital to mobilise the ‘hidden wealth’ of citizens. Instead of top down targets the new tests should be about how public services can:

- Help create social value for citizens and communities.
- Enhance citizen autonomy, capability and resilience.
- Unlock citizen resource.
- Support existing social networks and build collective community capacity.

Social productivity is already happening across different services and within different localities. This bottom-up change needs to be encouraged and spread.

### Three shifts for 2020 public services

We believe that three profound shifts are needed in public services to enable a new focus on social productivity to succeed.

#### 1. A shift in culture

Public services must engage and enrol citizens, families, communities, enterprises and wider society in creating better outcomes as partners. The state, market or society alone cannot achieve this. So our goal must be a new culture of democratic participation and social responsibility.

- Rather than allow cash strapped public realm services such as libraries, parks and leisure centres to close, wherever possible these should be run as mutuals by local people.
- Parents and local communities should be free to agree educational outcomes and co-develop curriculums with local schools; ‘free schools’ should not be the only new way in which parents can be involved in local education.
- New lifecycle social accounts should track tax, benefits and service use, and allow social contributions to be recorded and valued.

#### 2. A shift in power

Our Whitehall model cannot deliver the integrated and personalised public services that citizens need. We need to invert the power structure, so that services start with citizens.

- Citizens should control more of the money spent on services such as long-term care, health and skills, backed up by choice advisers or mentors.
- Neighbourhoods should be able to commission their own integrated services.
- Welfare services should be locally controlled; with city regions and large counties setting their own living wage.
- A new deal should be brokered for cities and counties, in which they take over primary responsibility for strategic commissioning of most public services.

### 3. A shift in finance

Public services must be more open, transparent and understandable to citizens. Contributions and benefits across the life cycle must be clearer, allowing citizens to use public services responsibly. The way we finance public services must reflect the purposes they are intended to achieve.

- Citizens should receive annual online statement from their social account of contributions made and benefits received.
- Co-payment and partnership funding models should be used where services generate personal as well as public benefits, such as higher education, and long-term care.
- Payment by results should become the norm in as many areas of service delivery as possible.
- Social impact bonds should be extended, to enable local investment in prevention and early intervention.

#### Managing change

The coalition government is enacting a programme of change in public services, based on spending retrenchment and the stimulation of the 'Big Society'. We believe that lasting reform can only be achieved with a set of clear and consistent change principles:

- Open and honest engagement with citizens and the workforce about the scale of the challenge facing public services, and how to respond to this. This dialogue must be substantive and deliberative, focused on real choices. So far some 58 per cent say they accept the need for cuts, but there is still a vacuum where there should be a public debate about what this would mean for a future settlement.
- Building social capacity – especially in areas which have experienced multiple deprivation – will require more initial investment from the state, particularly in early intervention and around joined up neighbourhood services.
- Local accountability should be encouraged so that reform has genuine local ownership and control, and so that responsibility isn't simply passed up to ministers when the going gets tough. If this doesn't happen then we will remain stuck with the contradiction that whilst people support greater local control, at the same time the vast majority (81 per cent) want services like the NHS to be the same everywhere.

Without these principles fiscally driven changes and new policy developments – such as GP practice-based commissioning – could unwittingly entrench existing service silos and undermine efforts to integrate and streamline public services. Without a framework for local decision making, decentralisation could paradoxically strengthen the centre and further emphasise the professional domination of the public service relationship.

#### Making it real – the 2020 Locality

The new risks and opportunities we face impact most fundamentally on us as citizens, families, and communities, and in the towns, cities and villages where we live. It is at local level where the consequence of the fiscal crisis and social change will be most acutely felt. This provides an opportunity to break with our grossly overcentralised political culture and to meet the imperative to cut with a very different approach to local participation, decision making and control.

Policy makers should not be cowed by the media distress over 'postcode lotteries'. Even under our current universalist system social outcomes are already unequal across the country. Far better to have minimum national standards and allow localities to develop their own approaches to improving social outcomes.

We believe that a model for 2020 requires a new type of deal between citizens, local governance and Whitehall, based on a principle of negotiated autonomy.

- Citizen engagement in determining local priorities and shaping service solutions, with neighbourhood integration and commissioning.
- Visible and accountable local governance, with city and county mayors acting as catalyst, funder and regulator of public services.
- A 'more for less' deal with Whitehall, based on less money and more control for localities negotiating autonomy and service integration at different speeds.

Long-term success will depend on a smaller Whitehall – with fewer ministers, fewer departments, and less funding centrally controlled.

#### Measuring progress towards 2020 public services

Citizens must be able to see for themselves how well public services are using resources and meeting their goals. There is widespread interest in broader measures of social value. We would welcome introduction of a measurement framework that captures this as a catalyst for social productivity. It would provide incentives for doing things very differently at the local and national level.

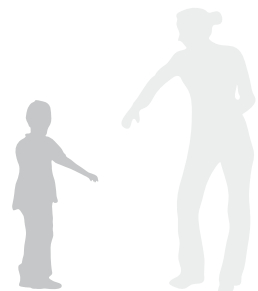
As a Commission we will continue to meet annually, to monitor the progress of public services towards the goals we have set out. Our partner organisations – such as the RSA, Institute for Government and NESTA – are taking up the challenge of developing further the ideas we have set out. They will maintain a commitment to policy solutions from the citizen perspective – a bottom-up approach that puts citizens in control of their own lives, and encourages social responsibility. No institution, agency or government can achieve this on its own. We must all play a part in delivering sustainable and progressive change for 2020.

This is the final report of the Commission on 2020 Public Services. We are a diverse and experienced group, drawn from across the professional and political spectrum. What unites us is a deep commitment to the importance of public services, and the need to do better for the people that rely on them the most. The challenges for public services are not only fiscal, and not only short term. Meeting these long-term challenges and taking advantage of new opportunities for public services requires a fundamentally different approach.

Our vision is of public services turned upside down – starting from the citizen perspective, focusing on how socially valuable and fair outcomes are achieved. The approach is **bottom up**. The means of achieving it we call **social productivity**.

There are already many good, but isolated, examples of public services operating along these lines. But they are the exception not the rule. Changing this requires a fundamental change in the parameters in which public services operate. We propose three shifts – in culture, power and finance – to create the space necessary for more widespread change.

This introduction summarises the challenges for public services we have taken into account and our reading of the current political context. It then sets out our vision for 2020 Public Services. It concludes with a summary of the work we have done to give life to our ideas.



### Drivers of change

The Commission's interim report, *Beyond Beveridge: Principles for 2020 Public Services*, we acknowledged how well the post war 'Beveridge' settlement had served us for more than six decades. But we argued that the need for a re-calibration of our public services around 21<sup>st</sup> century lives and needs is palpable. The fiscal crisis has forced this debate into the mainstream, and the opportunity for change is with us now.

Our research and analysis tells us that public services face a triple crisis – of social demand, fiscal constraint and inadequate productivity.

- Current patterns of social demand could see public spending rise to over 50 per cent of GDP by 2030. Estimates suggest that meeting the costs of our ageing society and abolishing child poverty would alone require an extra four to six per cent of GDP to be spent on public services over the next two decades.<sup>1</sup>
- Household income inequality is high in comparative and historical terms, mostly because incomes have risen at the top end of the scale. The household wealth of the top 10 per cent of society is now more than 100 times the wealth of the poorest 10 per cent.<sup>2</sup>
- Public services have improved over the last decade, but some social outcomes are still disappointing. Health inequalities in England cost us £20-32 billion per year in lost taxes and higher welfare payments<sup>3</sup>; and we see a 61 per cent rate of re-offending after 12 months of prison.<sup>4</sup> Meanwhile, productivity data from the ONS suggests that the level of output from public services has failed to keep pace with the rate of spending increases, particularly since 2002.<sup>5</sup>

### WHAT WE MEAN BY 'PUBLIC SERVICES'

In developing our ideas for 2020 we have tried to get beyond thinking about public services as they are, and avoid narrow arguments about how existing public service institutions should be reformed and tweaked. Public goals can be achieved through many different types of public action: from services to income transfers to regulation. In many cases, the distinction between these approaches is losing its meaning. For example, individual budgets in social care or tax credits for childcare put the money directly in the hands of individuals to purchase the public services that they need.

Instead, we have tried to think about public services as they might be. In doing so, we have defined 'public services' broadly, to encompass the full range of public actions to achieve public goals. As such, public services are the things that we do together to achieve – for ourselves and each other – those things that we value together and cannot achieve on our own.

This triple crisis makes the case for change urgent. The question is in what direction this change should be. Other forces that are reshaping our lives offer new opportunities and resources for 2020 public services:

- The power of information.
- Online service delivery.
- New forms of citizen–public service engagement.
- Better understandings about how value is created in public services.
- New behavioural insights.

We know that continuing to work in the same ways will push public spending to unsustainably high levels. So for 2020, we must use these new opportunities and insights, and do things quite differently.

### The new politics

Our new coalition government is already beginning to recast the relationship between the public and its public services. Long-term spending trends are being revised downwards, opaque departmental decision making is being opened up, and citizens are being asked to do more to help create the 'Big Society' that the government would like to see emerge.

<sup>1</sup> Ernst & Young and 2020 PST, *The Deficit: A Longer Term View* (2020 PST: 2010)

<sup>2</sup> Ibid

<sup>3</sup> Marmot, M, *Fair Society, Healthy Lives* (Marmot Review, 2010). See [http://www.bmj.com/cgi/content/full/341/jul22\\_1/c3639](http://www.bmj.com/cgi/content/full/341/jul22_1/c3639)

<sup>4</sup> Response to Parliamentary Questions to Secretary of State for Justice, 20th July 2010. See <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100720/debtext/100720-0001.htm>

<sup>5</sup> Office for National Statistics (2010). See <http://www.statistics.gov.uk/articles/nojournals/tpsopjuly2010.pdf>.

Many of these developments will have material and lasting consequences for our public services. The introduction of ‘free schools’ and practice-based commissioning of healthcare services will change the way that services are funded, delivered, experienced by citizens, and held to account – sometimes with consequences that are difficult to anticipate.

Our focus has been on the medium term – on 2020 and beyond. But, in looking to the future, our process of deliberation, research and engagement has revealed important lessons for reformers today. Several members of our Commission speak from their own experience, having been part of previous attempts at transformative change in public services.

- **Short term reforms are easy to do, but frequently unravel.**
  - Governments in the past have rushed to enact change, only to regret it later and return to previous strategies.
  - Governments have often been quick to deregulate service provision and accountability, only to tighten strings again when things go wrong.
  - Governments regularly over-promise and under-deliver. This erodes trust between citizens and politicians, undermining engagement in key processes of reform.
  - Governments regularly promise serious reform, but with very little consideration of the longer term risks, or the details of execution.

- **Engagement with citizens and those working within public services is vital.** Without substantively engaging citizens and those working to deliver public services in debates about their future, good ideas can easily be frustrated by fears of change, vested interests, and institutional inertia.
- **A sustainable strategy for public services requires policy coherence.** Without a coherent, principled and long-term approach that embraces all of our public services, attempts at fundamental change in one area of policy can risk being derailed by countervailing forces elsewhere. This does not mean that one size must fit all. But it does mean that reforms must be considered, systematic and mutually reinforcing.

#### Our critique

A coherent framework for the future of public services must be grounded in a clear understanding of the problems with public services as they are. The Beveridge blueprint sought to achieve its social goals by mobilising the power of the state. The result: control, ideas and resources have flowed from the centre. Accountability in public services has predominantly been upwards. Beveridge’s model has undoubtedly served us well, but new times, new problems and new understandings need a new approach.

In our interim report, *Beyond Beveridge* we argued that the limited effectiveness of existing public services stems from the core characteristics of the model they reflect. These are summarised in the box on the next page.

We must take a quite different approach, one that starts from the citizen’s perspective. We must focus on how socially valuable and fair outcomes are achieved, not just on how entitlements to services are distributed.

#### Our vision for 2020 Public Services

The Commission’s vision for 2020 is for sustainable public services that put citizens in control of their own lives. Such services enable us to manage the challenges we face and take advantage of opportunities. They make us more secure today, more confident about the future, and enable us to take responsibility for ourselves and others. They help us to become the people that we want to be, in a society we want to be a part of.

To achieve this we must lay down the tools, prescription and control mechanisms of top down public services. Achieving this means:

- Changing our approach to public services. We must ask what the goals should be – and how we might achieve them – if we approached the issues from the citizen’s perspective.
- Getting beyond a ‘delivery’ mindset, and focusing instead on the valuable ends that we want to achieve, with citizen participation at the core.
- Taking a much more expansive view of how we might achieve these ends:
  - Being much less prescriptive about means, and focusing instead on establishing the conditions in which social value is created.
  - Encouraging the use of a far broader set of social resources as well as fiscal ones.
  - Actively engaging citizens and fostering a new spirit of social citizenship characterised by social responsibility, reciprocity and resilience.

#### 2010 PUBLIC SERVICES

- **Too centralised** – with limited capacity to adapt to local variations in need and to local information and innovation, with accountability mostly upwards.
- **Too prescriptive** – missing out citizen insights and too often stifling innovation.
- **Too narrow** – silo-based, service-focused, missing out a whole range of non-fiscal resources, and viewing fairness mostly in terms of access to services rather than outcomes.
- **Too passive** – suspicious of the agency and resources of citizens.
- **Too static** – dealing with needs as they arise, rather than getting to their causes and consequences.
- **Too opaque** – insufficiently transparent about how money is raised and spent, with the method of financing generally an afterthought rather than a central component of service effectiveness.
- **Too patchy** – achieving inconsistent and inadequate outcomes: solving many problems but entrenching others.

#### 2020 PUBLIC SERVICES

- **Are citizen shaped:** overall goals are actively shaped by citizens, while services reflect contemporary risks and opportunities, focusing on the outcomes that most need to change.
- **Allow individuals space to manoeuvre:** within these broad goals, individuals have sufficient freedom to choose and shape their own destinies.
- **Allow diverse solutions for diverse problems:** the focus in on goals, being flexible over the means to get there, cutting across traditional service barriers, and encouraging innovation.
- **Mobilise all relevant resources:** all types of resources – including public, private, collective, family, formal, informal, and even virtual resources – are used to solve public problems.
- **Are dynamic:** they focus on their impacts over time, and don’t confuse symptoms with causes. They prioritise prevention. They seek to expand individual and collective capabilities, increase resilience and enable citizens to work together to solve shared problems. In doing so, they decrease unhealthy dependence on state help.
- **Are responsive:** to changing patterns of need and are open to new types of solutions. They reflect the sum of many small decisions made by citizens instead of a small numbers of big political decisions.
- **Make themselves accountable to citizens:** lines of accountability are citizen-focused, short and transparent.



The approach is **bottom up**. The means of achieving it we call **social productivity**.

There are examples of public services that meet this description, but they remain sporadic. Often they exist in spite of – not because of – the system. The challenge is to move from small-scale success stories to a system where services like these are the norm. What sort of system would nurture and nourish these kinds of innovations?

### Principles for 2020 Public Services

Our principles centre on three mutually reinforcing shifts – in culture, power and finance. Together, these shifts will open up space for new, bottom-up approaches to solving public problems.

This does not mean that the state should withdraw into a passive role. Shifts in culture, power and finance suggest a very different, but still active role for the state: a state that is active in stimulating social productivity, building citizen capabilities and fostering social resilience; strong in resolving distributional conflicts and tackling inequalities; and strategic in its decision making.

#### Shift in culture: from social security to social productivity

Public services must engage and enrol citizens, families, communities, enterprises and the wider society as partners in creating better social and economic outcomes. The state, market or society alone cannot achieve this. So our goal must be a culture of participation based on the joint-creation of social value.

Socially productive public services:

- Engage with us as citizens.
- Facilitate, rather than prescribe.
- Create value together.
- Mobilise ‘hidden wealth’ – broader social resources.
- Invest for efficiency and fairness.

#### CONDITIONS FOR SOCIAL PRODUCTIVITY

In traditional ideas about economic productivity, a primary goal of policy is to deliver macro-economic stability – a predictable environment within which investors, entrepreneurs and businesses can take risks, limit risks, plan, collaborate and innovate. Multiple actors, acting independently, collectively create economic value. Policy also acts on the supply side to improve economic performance.

The shift in culture towards social productivity requires creating equivalent conditions in which social value can be created. Government, investors, entrepreneurs, social, private and voluntary organisations, individuals and communities can take risks, limit risks, plan, collaborate and innovate. In addition, policy should also focus on specific actions and investments to boost social productivity and ensure equity.

#### Shift in power: from the centre to the citizen

Public services must be more closely shaped around people – as citizens, not only consumers or recipients – and the places they live. The commissioning of services, and the way we design and account for them, has to reflect this. In place of departmental silos we must see decision making and commissioning brought much closer to citizens and communities, with political institutions and accountability reshaped to support this.

The key characteristics of the shift in power are:

- It starts with people and places, not service silos.
- Democratised decision making and service commissioning become the norm.
- There is (negotiated) autonomy for local government, with the role of central government becoming more strategic.

#### Shift in finance: reconnecting finance with purpose

A shift in finance is about the financial architecture needed to achieve the Commission’s vision. How money is raised and spent should reinforce the purposes of public services, and do so transparently. It is time to reconnect the financing of public services to their purposes, leveraging existing and new resources to improve the outcomes that they achieve.

The key characteristics of the shift in finance are:

- Greater transparency.
- Improved allocative efficiency, with a focus on outcomes.
- Partnership models of financing are applied more frequently and systematically.
- New financial instruments provide new sources of money and increase effectiveness.

The shifts in culture, power and finance are distinct but mutually reinforcing. They are both a framework for reform and an evaluative tool with which progress towards better outcomes can be measured. How will we know that progress is being made? By the extent to which public actions:

- Are effective in creating valuable outcomes for citizens and communities.
- Draw from, nurture and build on the resources of citizens and communities.
- Enhance the autonomy, capability and resilience of citizens and communities.

#### Enduring problems, new solutions

Beneath the new challenges for public services lie many familiar dilemmas – enduring problems and tensions inherent in working together for the common good. These include issues of strategic coordination, legitimacy and fairness, equalities, service co-ordination, and different expectations about the meaning of citizenship. These do not disappear by adopting a different starting point. Indeed, some of them are intensified. In Chapter 4 we consider how these challenges might be addressed from the bottom up.

#### Bringing it all together: The 2020 Locality

Since the publication of *Beyond Beveridge*, the Commission has been concerned with how to ‘make real’ our vision for 2020 public services. We have looked, in particular, at their application to health, welfare, education and public safety.<sup>6</sup> Our engagement and consultation has thrown up very different perspectives on how bottom-up public services could be brought to life. But common to all is a conviction in the need to rebalance current governance arrangements, which are currently far too centralised and silo-based.

In Chapter 5 we set out a new type of deal – between citizens, public service workers, local governance and Whitehall. This would be based on a principle of negotiated autonomy in which citizens are engaged in determining priorities and shaping service solutions, there is visible and accountable local governance, with city and county mayors acting as catalyst, funder and regulator of public services, and a ‘more for less’ deal is negotiated with Whitehall, based on less money and more control for localities.

With a different political starting point, shifts in culture, power and finance could lead to quite different policy agendas – each with its own implications, opportunities and dangers.

<sup>6</sup> See Buddery, P. ‘2020 Public Safety: Opportunities for reform’ (London, 2020 PST: 2010), Alldritt, C. ‘2020 Welfare: Life, Work, Locality’ (London, 2020 PST: 2010),

Parston, G. and Kippin, H. ‘Improving Health Outcomes: A Guide For Action’ (London, 2020 PST: 2010) and Cumming, L. ‘Shifts in Culture, Power and Finance: a way forward for education?’ (London, 2020 PST: 2010).



## CHAPTER TWO

### The context for change

Our lives are changing faster than many of the institutions on which we depend. Shifting global economic and social patterns have altered the nature of the risks we face, while new technologies have unlocked new opportunities. We are more diverse, but also more unequal. We are more assertive and confident, but less socially connected. Our notions of what it means to be a citizen have changed and will continue to do so.

What implications do these changes have for public services, and how should they respond?

Public services are at a moment of discontinuity. Short term decisions are being made to meet stringent new fiscal constraints. Yet the crisis we find ourselves in is not only fiscal, and not only short term. Only by understanding the broad nature of the challenges and opportunities facing policy makers can we develop a sustainable and robust model for public services. Only this will allow us to use the crisis as a catalyst for producing something better.

In this chapter we set out the challenges for public services – the triple crisis of fiscal constraint, growing demands on public services and falling public sector productivity – within a context of broader changes within society. Then we look at some of the opportunities for change and how we might find new ways of solving public problems and achieving valuable outcomes for citizens.

#### The triple crisis for public services

##### 1. Fiscal constraint

National debate about public services in 2010 is dominated by the economic and fiscal climate. The immediate challenge for government is how to fund public services and welfare spending given that:

- The gap between government revenue and expenditure in 2010/11 is thought to be £148 billion.<sup>7</sup>
- The stock level of public sector net debt is likely to peak at 76 per cent GDP in 2014-15, up from approximately 45 per cent in 2007.<sup>8</sup> It is not expected to fall back to the (albeit abandoned) Sustainable Rule Level of 40 per cent of GDP until 2030.<sup>9</sup>
- The UK has just endured the deepest recession since the Second World War – with GDP contracting by nearly six per cent by the second quarter of 2009 and unemployment expected to peak at 8.1 per cent in 2010.<sup>10</sup>

<sup>7</sup> HM Treasury, 'Budget 2010' (London, The Stationary Office: June 2010)

<sup>8</sup> Office for Budget Responsibility, 'Budget Forecast; June 2010' (London, Office for Budget Responsibility: 2010)

<sup>9</sup> Chote, R. et al, 'Filling the Hole: How do the Three Main UK Parties Plan to Repair the Public Finances' Institute for Fiscal Studies 2010 Election Briefing Note No.12 (London, Institute for Fiscal Studies: 2010)

<sup>10</sup> Office of National Statistics, accessed 2 September 2010, See <http://www.statistics.gov.uk/cci/nugget.asp?id=192>.

<sup>11</sup> HM Treasury, 'Budget 2010' (London, The Stationary Office: June 2010)

<sup>12</sup> See also Cabinet Office, 'Future Strategic Challenges for Britain' (London, Cabinet Office: 2008)

<sup>13</sup> It is expected that at least one-third of adults, one fifth of boys and one-third of girls will be obese by 2020, according to the Royal College of Physicians the Faculty of Public Health, and the Royal College of Paediatrics and Child Health 'Storing Up Problems: The medical case for a slimmer nation' (Salisbury, Royal College of Physicians, 2004).

<sup>14</sup> Diabetes UK estimates that the number of people with diabetes by 2025 will increase by 46 per cent (Diabetes UK, 2008).

<sup>15</sup> See also Department for Energy and Climate Change, 'Explanatory Memorandum to The Climate Change Act 2008 (2020 Target, Credit Limit and Definitions) Order' (London, DECC: 2009).

<sup>16</sup> Thomas, R., Dorling, D. and Davey Smith, G. 'Inequalities in premature mortality in Britain: observational study from 1921 to 2007' (BMJ 2010; 341:c3639)

<sup>17</sup> Brewer, M., Browne, J., Joyce, R. and Sutherland, H. 'Micro-simulating child poverty in 2010 and 2020' (London, Institute for Fiscal Studies: 2009)

<sup>18</sup> UK Commission for Employment and Skills, 'Ambition 2020: World Class Skills and Jobs for the UK' (UK Commission for Employment and Skills, 2009)

<sup>19</sup> Glennerster, H. 'Financing the United Kingdom's Welfare States' (London, 2020 PST: 2010)

<sup>20</sup> 'The Deficit: A Longer Term View' (London, 2020 PST: 2010)

Most economists and politicians agree that the fiscal climate will be constrained for some time to come and that the scale of the UK's deficit should be addressed through a combination of public expenditure cuts, tax increases and attempts to encourage output growth. The 2010 Emergency Budget announced future spending reductions of between 25 per cent and 33 per cent in real terms by 2014-15 for most non-protected areas (all but the NHS and foreign aid). In the short run at least, this is likely to pose difficult choices each involving different short and long term trade-offs and with very different distributional consequences.

##### 2. Social demand on public services

Public spending is at a 29 year high (45.2 per cent GDP<sup>11</sup>). Even without recent fiscal pressures, the changing nature of our society is adding to the longer-term demands on public services.

- **Ageing society:** the number of people over 85 is expected to grow by 50 per cent by 2020, putting pressure on pensions, health, social care and other services.<sup>12</sup>
- **Chronic diseases:** a large increase in diseases such as diabetes and in obesity, for example, will likewise continue to stretch health and other services.<sup>13/14</sup>
- **Climate change:** the UK is committed to reducing carbon emissions by 29 per cent by 2020 and all greenhouse gases by 80 per cent over the next 40 years,<sup>15</sup> and this will require considerable investment.
- **Social polarization:** recent research has shown the gap between life expectancy of the rich and poor is the widest it has been since at least 1921.<sup>16</sup> The cost of meeting the Government's target of abolishing child poverty by 2020 could be as much as £30 billion.<sup>17</sup>

- **Global competitiveness:** currently the UK is projected to rank 23rd and 21st in the world in terms of low and intermediate level skills by 2020. While we are expected to reach 10th position in terms of high skills, to be truly competitive we need to be in the top eight countries at every skill level.<sup>18</sup>

Research for the Commission by Professor Howard Glennerster estimates that an additional six per cent of GDP will be needed by 2030 to meet the social costs of ageing while meeting existing cross-party commitments (such as reducing child poverty). Alongside HM Treasury forecasts, this would increase the share of national income spent by government to over 45 per cent by 2020, and nearer 47 or 48 per cent by 2030.<sup>19</sup>

Work by Ernst & Young for the Commission supports these conclusions. Assuming the current relationship between inputs and outputs continues, then – based on fairly cautious assumptions – they suggest that public spending in the UK would need to rise above 50 per cent of GDP by 2028.<sup>20</sup> Tax receipts have never risen above 40 per cent and it is hard to see a consensus emerging for them to do so.

'The British public want Scandinavian level public services with US level taxes.'  
2020 Commissioner Ben Page

If as a society we do not want substantially higher rates of tax, then some fundamental decisions lie ahead, especially given that these cost pressures are greater than those we are currently facing. Our argument is that this should be done not through blind cutting or uniform retrenchment; but through a refocusing and restructuring of public services around the needs, capabilities and resources of citizens today.

### 3. Falling public sector productivity

Attempts to tackle inadequate outcomes from public services during the New Labour administration saw significant increases in spending. The difficulties of precise measurements of productivity in public services are widely acknowledged. However, data from the ONS suggests that the level of outputs has failed to keep pace with the rate of spending increases, particularly since 2002. Between 1997 and 2008, public sector productivity declined every year (except for 2006) and experienced an average annual fall of 0.3 per cent.<sup>21</sup>

#### The Persistence of damaging inequalities

The Beveridge blueprint for the postwar welfare state was framed by the social evils, or Giants, of the 1940s: Want, Disease, Ignorance, Squalor and Idleness.

Today society is richer as a whole. We have used the proceeds of economic growth to expand the range and level of public services available to citizens. But even as public services have helped mitigate some risks, others have emerged. Damaging inequalities still persist, and increased spending on services has not always translated into greater productivity or better outcomes.

'Disability, social exclusion, low capability and dependency – all of these could be new Giants for 2020.'

Nick Bosanquet, 2020 Commissioner

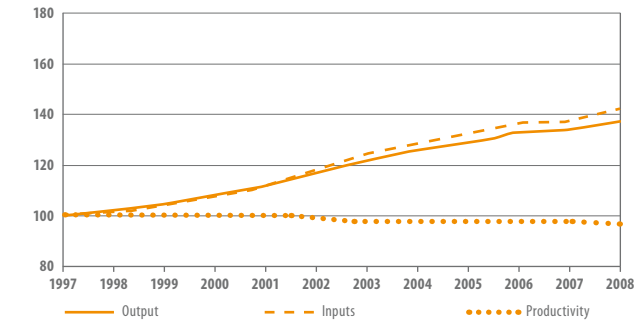
The National Equality Panel Report shows household income inequality is high in comparative and historical terms, driven mostly by incomes rising at the top end of the distribution. Much of the growth in inequality occurred in the late 1970s and particularly the 1980s, with the ratio largely unchanged since the early 1990s.<sup>22</sup>

UK wage differentials between the 10th and 90th percentile earners are also high compared with other similar nations. The impact of our tax and benefits system has been to reduce inequality substantially – but still less than in many other countries.

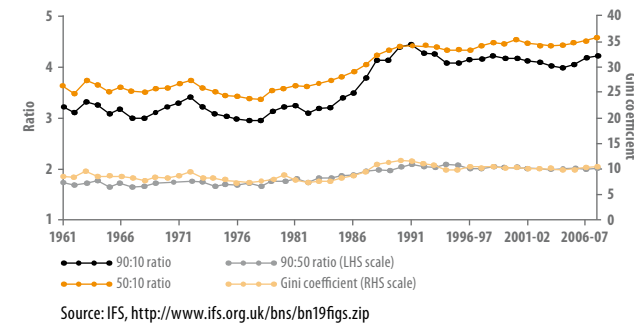
The Office for National Statistics (ONS) shows that taxes and benefits reduce income inequality between the top and bottom deciles from 25-to-10 to 5-to-1. Work by Volterra for the Commission shows that redistribution by taxes, benefits and all other public spending narrows the gap to 3-to-1.<sup>23</sup>

Nevertheless, relative poverty (especially amongst children and pensioners) remains high. Wealth inequalities are much larger than wage or household income inequalities, although this pattern is similar across countries.

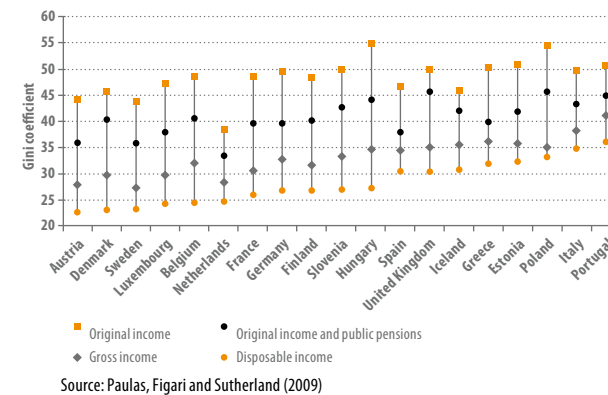
TOTAL PUBLIC SERVICE OUTPUT, INPUTS AND PRODUCTIVITY ESTIMATES, UK  
INDEX NUMBERS 1997=100



CHANGES IN OVERALL INCOME INEQUALITY MEASURES (HBAI DEFINITION), 1961 TO 2007-08, UK



INCOME INEQUALITY (GINI COEFFICIENT) BEFORE AND AFTER TAXES AND BENEFITS, 2001-05



<sup>21</sup> Phelps, M., Kamarudeen, S., Mills, K. and Wild, R. 'UK Centre for the Measurement of Government Activity: Total Public Service Output, Inputs and Productivity' (Office for National Statistics, 2010). See <http://www.statistics.gov.uk/articles/nojournal/tpsopjuly2010.pdf>.

<sup>22</sup> National Equality Panel, 'An Anatomy of Economic Inequality in the UK' (London, Government Equalities Office: 2010)

<sup>23</sup> Volterra Consulting, 'The Fiscal Landscape: Understanding Contributions and Benefits' (London, 2020 PST: 2010)

<sup>24</sup> Smithers, A. and Robinson, P. 'Worlds Apart – Social Variation Among Schools,' Centre for Education and Employment Research, University of Buckingham (London, Sutton Trust: 2010).

<sup>25</sup> Rashid, S. and Brooks, G. 'The levels of attainment in literacy and numeracy of 13- to 19-year-olds in England, 1948–2009' (London, University of Sheffield: 2010:6)

<sup>26</sup> Ibid, p6

<sup>27</sup> Panel on Fair Access to the Professions, 'Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions' (London, Cabinet Office: 2009)

<sup>28</sup> Marmot, M. 'Fair Society, Healthy Lives' Strategic Review of Health Inequalities in England Post-2010 (London, Marmot Review: 2010)

Persistent inequalities also exist in health and education. Work by the Sutton Trust, for example, shows that only three per cent of children eligible for free school meals attend the highest performing schools.<sup>23</sup> In reviewing the literacy and numeracy of young people aged 13 to 19 years in England from 1948 to 2009, Sammy Rashid and Greg Brooks from the University of Sheffield found that 'attainments of this age group at the top end are among the best in the world.'<sup>25</sup> However, 'about 17 per cent of young people aged 16–19 have poorer literacy, and about 22 per cent have poorer numeracy, than is needed for full participation in today's society.'<sup>26</sup> This persistent inequality contributes to other social inequalities. One indicator of social inequality is how far people's life chances are limited by their background. The 2009 Commission on Access to the Professions describes a Britain in which there are deep cultural and systemic barriers preventing such social mobility.<sup>27</sup>

Sir Michael Marmot has recently highlighted a 'social gradient' in health: the 'lower a person's social position, the worse his or her health'. This is not only a social, but an economic risk. The Marmot review estimates that the economic cost of inequality in illness 'accounts for productivity losses of £31-33 billion per year, and additional NHS healthcare costs associated with inequality are well in excess of £5.5 billion per year.'

Whilst life expectancy is higher now for all, recent evidence shows that the gap between the richest and poorest is greater than it was in the 1920s and 1930s.<sup>28</sup>

### Opportunities for change in public services

We have argued that a combination of long-term demand, fiscal constraint and outcome failures have brought public services to a critical moment. But, just as society has changed, so have the means that can be used to create value for citizens through public services. Many of these are driven by how technology enhances our lives.

- **The power of information**

We can now tap into multiple media channels, interact easily with each other across huge distances and quickly access previously hidden data. Government is less able to control the prevailing political discourse from the centre. Information has become democratised. And this new, freer access will continue to re-shape the nature of representative democracy in the UK.

- **Online service delivery**

The internet also allows government and public service providers to engage people more directly than ever. For example, using their home computers – and increasingly using mobile internet technology – citizens can carry out transactions, report crimes or diagnose and find treatments for their illnesses.

- **New forms of engagement**

Online feedback websites (such as Patient Opinion or NHS Choices) provide a complementary accountability mechanism for public services, and a channel through which users can influence the design and implementation of policy. Peer-to-peer advice and support social networking communities (such as [www.justparents.co.uk](http://www.justparents.co.uk) or [www.diabetes.co.uk](http://www.diabetes.co.uk)) provide an invaluable online resource.

The future of public services will also be shaped through new understandings about how citizens and services can work together more effectively.

- **New understandings about value in services**

Our understanding of how value is created from services has matured. Rather than viewing public services as though they were goods – complete ‘things’ that are presented to service users – services might better be seen as ‘value propositions’, where actual value is co-created in the relationship between provider and user.<sup>29</sup>

- **New understandings about behaviour**

The way we look at the behaviour and decision making that underpins our policy models is constantly changing. Richard Thaler and Cass Sunstein have sketched out influential policies in savings and pensions, based on behavioural insights.<sup>30</sup> George Akerlof and Robert Shiller have discussed how our ‘animal spirits’ (e.g. confidence, fear, bad faith, corruption, a concern for fairness) influence our behaviour as economic actors.<sup>31</sup> In the UK, the Institute for Government and Cabinet Office<sup>32</sup> has outlined how behaviour change theory can help meet challenges such as reducing crime, tackling obesity and securing environmental sustainability.

- **New understandings about place**

One paradox of increased global mobility is the growing importance of place – the particular locations where people choose to live their lives. A strong current of decentralisation is evident across the political parties who are re-thinking local government and the role of regional bodies, and advocating a multi-area approach to budgeting and service allocation.

<sup>29</sup> See, for example, Vargo, S. and Lusch, F. ‘Evolving to a New Dominant Logic for Marketing’ (Journal of Marketing, Vol. 68 (January 2004), 1–17) and Vargo, S. and Lusch, F. ‘Service-dominant logic: continuing the evolution’ (J. of the Acad. Mark. Sci. (2008) 36:1–10).

<sup>30</sup> Thaler, R. and Sunstein, C. ‘Nudge: Improving Decisions About Health, Wealth, and Happiness’ (New Haven/London, Yale University Press: 2008)

<sup>31</sup> Akerlof, G. & Shiller, R. ‘Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism’ (Princeton/Oxford, Princeton University Press: 2009)

<sup>32</sup> Dolan, P., Hallsworth, M., Halpern, D., King, D. and Vlaev, I. ‘MindSpace: Influencing behaviour through public policy’ (Institute for Government and Cabinet Office: 2010)

### Changing ideas about citizenship

As the context changes, so do ideas about citizenship. The Commission gathered insights from citizens on this subject, commissioning qualitative and quantitative research from Ipsos MORI.<sup>33</sup> We were also assisted by three papers from leading academics.<sup>34</sup>

We asked Ipsos MORI to find out what citizens today want, need, and expect from public services. Three main themes emerged.

#### 1. Security is at the core of what people value in public services – flexible, personalised services are desirable, but not at the expense of their primary role as a safety net.

- People are nervous about risking reforms to public services they view as core, unless there is clear evidence that these will work and bring clear personal benefits.
- When evaluating new policy ideas people focus on the present and the short term – unless there is immediate relevance to their lives people are averse to taking the risk of future gain.
- People have an empirical streak – citizens are keen to see the evidence that new policy ideas have worked elsewhere, and are more willing to make trade-offs if the benefits are clear and personally relevant.

‘When unexpected things come up, something that’s out of your hands, you need help. You need to know that the support, the guidance, the help is there when you need it most.’  
Male, 25-39, Oxford

‘Public services are a safety net... you cannot get too comfortable if you don’t have a safety net.’  
Male, 65+, Oxford

#### 2. Fairness is very important – public services must be delivered fairly and provided to the ‘right’ people.

- Participants expressed different ideas about fairness and these are sometimes in tension: some saw fairness as ‘universalism’; others as being locally responsive to need. Some were concerned about ‘postcode lotteries’: arbitrary differences in levels of services depending on where a person lives.
- User charging was one of the most contentious policy ideas discussed and most people oppose the idea on the grounds of fairness and concern for the less well-off.

‘Public services are for people who are less fortunate... to help them.’  
Female, 18-30, Asian, Birmingham

‘Why can’t they just make all schools the same? It doesn’t matter what area you come from or what background your child has got... that way, parents wouldn’t mind where they send their children.’  
Female, 18-30, Afro-Caribbean, Birmingham

<sup>33</sup> Ipsos MORI conducted a literature review of what is already known about the British public’s views on public services, primarily drawn from their own quantitative data. This review was published in partnership with RSA Projects in ‘What do people want, need and expect from public services?’ (March 2010). Qualitative work was carried out during January and February 2010 across 10 extended (two-hour) discussion groups

and three mini-groups for harder to reach audiences. Participants were recruited from a range of ages, social grades and ethnic backgrounds across the country and the deliberative sessions were held in Ashford, Kent; Stockport, Oxford, Birmingham and London. This work was published in Ipsos MORI, ‘Citizen Engagement: testing policy ideas for public service reform’ (London, Ipsos MORI & 2020 Public Services Trust: 2010),

from which all citizen quotes in this section are taken. This work was supported by the Department for Communities and Local Government Empowerment Fund.

<sup>34</sup> These papers were commissioned in partnership with the Economic and Social Research Council (ESRC).

### 3. Quality of experience should be a focal point for service providers – services should be responsive to the needs and aspirations of citizens.

- People feel more satisfied if they are well informed. They appreciate having the opportunity to express dissatisfaction.
- Most participants wanted to be able to exercise the power of veto (as opposed to actively making decisions) in holding service providers to account for the quality of services.
- People generally liked the idea of personal, one-to-one advice and guidance on their individual entitlements.

'Personally, I would like to be able to say 'well, I'm not really happy or comfortable with that' as a suggestion, but I'm quite happy that [running the service] is not my responsibility.'

Female, 25-30, Oxford

Despite expressing some dissatisfaction with public services (particularly when considered at a national, rather than local level), the public are very attached to 'our' public services. There is often a sense of pride, particularly around core services such as schools, emergency services and the NHS.

'It's like the Union Jack and the NHS, they're the same thing.'

Female, 25-39, Kent

### Social citizenship and public services

In a paper for the Commission Professor Michael Kenny argued that New Public Management driven reforms of public services since the 1980s have relied too heavily upon a narrow conceptualisation of citizens as rational actors able to choose between providers, assert their rights and voice their dissatisfaction.<sup>35</sup>

Professor Gerry Stoker and Alice Moseley also challenge this narrow assumption in their analysis of individual motivation and response to public policy.<sup>36</sup> In a paper written to inform the Commission they draw on a long history of evidence to show that we are, in fact, influenced by a complex mix of other social, cultural and cognitive factors. They cite evidence to show that we are, for example, more averse to loss than motivated by the prospect of gain.<sup>37</sup> Limited by time, intellectual energy and resources, most of us prefer not to change our habits unless we really have to.<sup>38</sup> We are influenced by our immediate social networks and corresponding norms of reciprocity and mutuality.<sup>39</sup> When confronted with an ambiguous situation, we also look to other people for cues on how to behave<sup>40</sup> especially those within groups with which we identify.<sup>41</sup> And we place too great a value on short term consumption while discounting the greater long-term gains that could be made from delaying consumption.<sup>42</sup>

There is also evidence that we are intrinsically or culturally driven to reciprocate and we can, even without state institutions, co-operate willingly and effectively.<sup>43</sup> Stoker and Moseley argue that government intervention should seek to create space for this co-operation.

In another paper for the Commission, Professor Hartley Dean explores the relationship between social citizenship and public services.<sup>44</sup> Social citizenship – as conceived by TH Marshall – is founded on the principle of 'social rights' (in addition to political and civil rights), which are undermined when the relationship between citizen and the state is contrived as a simple market transaction. Hartley Dean calls for a new approach, in which a society values not just how far economic needs are met, but how its members care for one another. To support this 'collective caring' ethos, the paper proposes a network of local social rights councils through which people might identify and uphold their social rights.

The challenges for public services we have set out in this chapter raise the demands on public services, but also offer opportunities to find new ways of achieving valuable outcomes. Together these are changing our understanding of citizenship and its relationship with public services. In the next chapter we explain how our new model of public services responds to the challenges.

### FUTURE TRENDS – CHALLENGES AND OPPORTUNITIES FOR PUBLIC SERVICES

- **Demographic driven demand** – increased demand for public services because of ageing and, potentially, a larger than expected number of young families in the population.
- **Shifting identities** – individuals are geographically more mobile and single person households much more common, creating new identities and communities across neighbourhood, local and national levels.
- **Meeting diverse demands** – increasingly diverse demands make it difficult to find consensus on some policy areas, especially where there are fundamental differences in value and priorities between sections of society. A 'one size fits all' approach will not suffice.
- **Rising citizen expectations** – we will expect more from public services, demanding service standards that meet the best that the private sector can offer.
- **Technology** – a driver of change (as a solution and as a problem), technology is changing the way we live, work and interact with each other in fundamental ways. This has implications both for the types of public services that will be needed and the ways that they are delivered.

Ref: Trajectory, 'Drivers for Change: citizen demand in 2020' (London, 2020 PST: 2009)

<sup>35</sup> See Kenny, M. 'Developing a Civic Approach to Public Services; Time to take pluralism seriously' (2020 PST, 2010)

<sup>36</sup> See Stoker, G. and Moseley, A. 'Motivation, Behaviour and the Microfoundations of Public Services' (2020 PST, 2010)

<sup>37</sup> Kahneman, D. and Tversky, A. (1979) 'Prospect theory: An analysis of decisions under risk', *Econometrica*, 47, pp.313–327

<sup>38</sup> Samuelson, W. and Zeckhauser, R. 'Status Quo Bias in Decision Making' *Journal of Risk and Uncertainty*, March 1988, 1 (1), pp.7–59

<sup>39</sup> House, J.S. 'Work, stress and social support' (Reading Mass, US, Addison-Wesley: 1981)

<sup>40</sup> Cialdini, R.B. 'Influence: The Psychology of Persuasion' (Collins Business, 2007)

<sup>41</sup> Tajfel, H. and Turner, J. 'The social identity theory of inter-group behavior' in S. Worchel and L. W. Austin (eds) *Psychology of Intergroup Relations* (Chicago, Nelson-Hall:1986)

<sup>42</sup> Laibson, D. (1997) 'Golden Eggs and Hyperbolic Discounting', *Quarterly Journal of Economics*, vol. 112, pp. 443-477

<sup>43</sup> Ostrom, E. (1998) 'A Behavioural Approach to the Rational Choice Theory of Collective Action', *The American Political Science Review*, vol 92, no 1, pp.1-22

<sup>44</sup> See Dean, H. 'Restoring Social Citizenship in an Age of New Risks' (London, 2020 PST, 2010)



The previous chapters have set out our analysis of the ‘triple crisis’ facing public services, and the opportunities to achieve public goals in different ways. We have set out our proposed new approach – public services grounded in the lives of citizens today, and animated by the principle of social productivity.

In this chapter we explain in greater detail what our three proposed shifts – in **culture**, **power** and **finance** – would look like in practice, demonstrating how they open up the space for fresh ideas and new solutions. We give examples of the ‘fragments of the future’ we have already seen – services that are already demonstrating the kinds of approaches that we wish to see much more of.

Much of our time as a Commission has been spent generating consensus over a coherent framework for 2020 public services that answers to shared principles. Our group is diverse, and in this sense is a microcosm of the same deliberation and debate taking place within the public realm. We have listened and learned. We have consulted widely and taken the views of citizens seriously. Our research programme has generated a bedrock of new evidence, and heightened awareness of the many innovations and research that are already happening.

Our principles describe a new type of settlement for public services, which rejects the existing top-down, service delivery-focused model and builds instead from the citizen up. Our motivation is *social productivity* – active engagement with citizens to foster improved social outcomes together, through a variety of means. Three mutually reinforcing shifts – in culture, power and finance – open up space for new, bottom-up approaches to solving public problems so that policy makers are not drawn back towards the old solutions.

Rejecting top-down solutions to public problems does not mean that the problems dissolve or that the state becomes passive. Our shifts in culture, power and finance imply a very different, but still active role for the state, both locally and nationally. It must be active in stimulating social productivity, building citizen capabilities and fostering social resilience. It must be strong in resolving distributional conflicts, tackling inequalities and taking strategic decisions. In chapter 4 we will explore how a bottom-up set of tools could be used to address these ongoing challenges to public policy.

Several thinkers have proposed the idea of a ‘smarter’, ‘agile’ or ‘adaptive’ state that acts as social catalyst, investor, facilitator and funder of public services. We support this broad direction, and believe that our principles for 2020 public services are the keys that unlock progress towards it. The following sections describe in detail how they can achieve this. Taking culture, power and finance in turn, we describe the characteristics of each shift and offer examples that show how these are practical propositions that go with the grain of some of the best practice nationally and internationally.

### 1. A shift in culture – from social security to social productivity

In top-down, delivery focused models of public services the state defines the problem to be solved. It develops a service solution to the problem and allocates the resources to pay for it.

The state presents this new service entitlement to the largely passive service user, and then monitors performance.

In reality, however, the tidiness of service uniformity runs into conflict with the messiness of real life. By reducing citizens largely to the role of consumers, this approach offers few opportunities for engagement about how problems should be understood and resolved. By viewing problems from the top down through a service lens, the approach ignores the knowledge, resources and collaborative potential of citizens. By viewing public services as entitlements that are presented to citizens, it underplays the importance of the citizen’s response in getting the most from those services. Crucially, it also neglects the reciprocal social responsibilities that public services express, imply and require.

The shift to social productivity is a rejection of that mindset. It is an approach that:

- Puts citizenship at its core.
- Facilitates, rather than prescribes.
- Creates value together.
- Mobilises ‘hidden wealth’ – social resources.
- Invests for efficiency and fairness.

### a) Social productivity puts citizenship at its core

We are not just consumers of public services. Public services reflect our values as a society as well as meeting our individual needs. They require a rich, meaningful and ongoing, democratic conversation.

Being able to have real influence over decisions that affect our lives, our communities and the society we live in is part of the essence of citizenship. The challenge is to make this meaningful: to create appropriate forums where people can really influence national and local decision making, to encourage wide participation, to ensure that the views of the quiet count as well as those of the noisy, and to ensure that rights of individuals are not overwhelmed by the majority.

Deliberation and citizen engagement are central to the Commission’s approach. This has most meaning at the local level, where we believe that there needs to be genuine deliberation about priorities. The local debate should not just take place within existing service silos, but across the whole spectrum of local public services. In this way, real prioritisation can take place, based on understanding the overlaps, synergies and tradeoffs.

Several potential models already exist for public deliberation, including deliberative research, citizens juries and online engagement methods, all of which deserve to be explored for public services. But whatever methodology, or combination of methodologies is used, they should begin with values and priorities of local citizens, and develop policy choices from this point upwards. Whatever models are used, open data and transparency are essential. These are the prerequisites to responsible decision making, giving citizens the tools to hold services to account and make meaningful comparisons between providers.

‘Informed citizens and professionals are amongst the most valuable assets the public sector has to help it become more effective and efficient.’

Tim Kelsey, 2020 Commissioner

#### b) Social productivity facilitates, rather than prescribes

A socially productive approach to public services creates the conditions in which multiple actors can develop solutions to public problems. These solutions may differ from place to place and person to person. The focus of policy should be on facilitating the creation of social value by all suitable means, including encouraging active collaboration between citizens.

Social productivity begins from the perspective that there is frequently more than one good answer to many public problems. Furthermore problems change and new solutions may emerge. Rather than seeking to ‘pick winners’ and risk getting locked into obsolete patterns of provision, public services should be responsive to changes in circumstances and open to new solutions.

#### DELIBERATIVE DECISION MAKING IN NEWCASTLE

Newcastle’s UDecide initiative has been running participatory budgeting events for young people in the city since 2007. The scheme gives people the power to take decisions on budget allocation within their communities, and has included decision making on children and young people’s services, crime and community safety, and environmental projects. According to one children’s service manager, ‘98% of (participants) want to do it again. We need to listen to that’.

Ref: UDecide, [www.participatorybudgeting.org.uk/case-studies/the-childrens-fundnewcastle/](http://www.participatorybudgeting.org.uk/case-studies/the-childrens-fundnewcastle/)

#### 2020 EDUCATION

In June this year the Commission held a deliberative event with students, parents, teachers, employers and other stakeholders in Peterborough, asking how the Commission’s vision could improve education in their locality.

Participants believed that education’s value comes from strong relationships between students, teachers and parents. In their view, our current system can get in the way of these relationships, rather than rewarding a rich interaction; the curriculum felt too narrow to develop students’ individual strengths; the inspection system encouraged schools to think defensively; and the financial flows do little to empower individual students and parents.

Participants welcomed many of the Commission’s ideas and approach. In particular, they were interested in flexible learning accounts to give students and parents more control over where to access different elements of their education, as well as a greater focus on engaging parents – particularly those who themselves had bad experiences of education as students.

*“Pupils should be involved in their own learning and making decisions about what they’re doing.”*

*“Parents seem to be, almost the crux of the problem, as it were, fighting us. If they’ve got that incentive, maybe that’s going to improve their working with us.”*

Ref: Cumming, L., *Shifts in Culture, Power and Finance: A Way Forward for Education* (London: 2020 PST: 2010)

#### THE CASE OF NICE

In *Democracy, Deliberation and Public Service Reform: the case of NICE*, written to inform the Commission, Dr Annabelle Lever shows how lay deliberation has improved the decisions made by the National Institute for Health and Clinical Excellence (NICE) in terms of cost and clinical effectiveness. A Citizens’ Council scrutinises NICE’s decision making. Where the advice of the Citizens’ Council is not taken the reasons are publicly recorded.

Ref: *Democracy, Deliberation and Public Service Reform* (2010)

Creating the conditions for social productivity implies a very different role for the state, one in which it invests in and nurtures social capacity. In many cases, public services exist because ‘social goods’ – things that are viewed as necessary for citizenship – are beyond the reach of some citizens. The role of the state might be to create new markets for these for social goods – putting real buying power in the hands of citizens. A good example is childcare, where parents get money to purchase services, at different levels of subsidy according to their means. Public, private and voluntary organisations provide the services, while government regulates quality and, at a local level, manages the market to ensure provision.

Engaging professionals in public service transformation will also be vital. Those working in public services must be given the opportunity to help define and evaluate the outcomes that drive their performance, and allowed greater control over how it might be achieved. New models of ownership will be a critical part of this change.

#### WHOLE EDUCATION

Whole Education is a collaboration between non-profit organisations that share a common set of educational beliefs. It works with and beyond educational institutions, spreading a different approach to learning throughout the community and throughout people’s lives.

An example is (Clacton Coastal Community and the Human Scale Project, which aims to combine the best of both worlds: large schools offering choice and diversity, coupled with human scale structures which enable young people to feel valued, respected and cared for, and where they can learn well.

The headteacher believes that project represents the renewal of a true vision of education. ‘Our aim is to personalise and individualise learning as much as is practical through our learning pathways ... We aim to create lifelong learners who continue to grow and develop knowledge and skills throughout their lives.’

Ref: [www.wholeeducation.org](http://www.wholeeducation.org)

#### PUBLIC SERVICES BASED ON NEW MODELS OF OWNERSHIP

Politicians on all sides have become increasingly interested in the potential of public service mutuals to provide new workforce incentives, release innovation and establish a more reciprocal relationship between those who supply services and those who use them.

The Coalition came to power with a commitment to ‘give communities the right to bid to take over local state-run services’, and by August 2010 had announced Mutual Pathfinder Pilots, ranging from a social enterprise to provide housing support services to vulnerable people in Mansfield to the co-production of rehabilitation services with people with physical impairments in Lambeth. The Minister for the Cabinet Office, Frances Maude has called this ‘a big society approach, decentralising power so people can deal with issues that concern them.’

Lambeth is putting mutualisation at the heart of its plan to become the first ‘John Lewis’ council. Facing the impending reality of 20% budget cuts, Council Leader Steve Reed has stated that ‘we are proposing an alternative where we can give people the tools to do the job or mutualising where we can set up something then hand it over to the people who will use it, to run it’.

Central Surrey Health is a public service mutual established in 2006 to provide community nursing and therapy services on behalf of the NHS Surrey and other partners. It employs around 770 co-owners, each of whom has a single share. As co-owners, they are responsible for delivering patient services and shaping the company’s future. The principle of common ownership applies: the assets are held indivisibly, rather than in the names of the individuals; members are held to be trustees of the enterprise and its assets for future generations.<sup>45</sup>

If taken forward on a large scale, these changes could constitute a radical, positive move towards citizen and professional ownership in the services they deliver and consume.

<sup>45</sup> For more information, see [www.centalsurreyhealth.nhs.uk](http://www.centalsurreyhealth.nhs.uk)

### c) Social productivity creates value together

The effectiveness of services in achieving social objectives depends as much on the response of the citizen to the service as on the quality of the service itself. The focus should be on this interaction.

The social productivity approach takes as axiomatic that value in public services is created at the point of interaction between the service and service user. This focuses attention on the relationship between the service and the service user – and the active role that each must play. The nature of this relationship might differ from service to service. Whether merely transactional, or much more involved and rich, it is in these interactions that the value of the service is realised.

Where public services are being delivered through explicit partnership with citizens – commonly called ‘co-production’ – there is evidence to suggest better outcomes and cash savings. One example is nurse-family partnerships, which US evidence suggests show ‘a *payback to the public purse of four times [their] cost*’.<sup>46</sup>

#### NESTA – WHAT IS CO-PRODUCTION?

- The central idea in co-production is that people who use services are hidden resources, not drains on the system. No service that ignores this resource can be efficient.
- Co-production shifts the balance of power, responsibility and resources from professionals more to individuals, by involving people in the delivery of their own services.
- Co-production seeks to stimulate innovation in the design and delivery of services by expecting professionals to work alongside their clients.
- By working alongside the people they are supporting, public services can dramatically increase their resource base, extend their reach, radically transform the way they operate, and be much more effective.

Ref: <http://www.nesta.org.uk/library/documents/Co-production-report.pdf>

#### WORKING WITH LOCAL FAMILIES

In 2009, Swindon Borough Council, Participle and several local families developed a framework to support families in crisis to build new lives. The LIFE Programme works with ‘chaotic’ families experiencing a wide range of complex and inter-generational issues. The early results in terms of social outcomes and cost savings have been significant. By starting with families, the concept has much wider application – a new relationship between families and council workers that actively supports people to build the lives they want to lead.

Barnet Council have been prototyping a life-coach initiative, to help people navigate complex service needs through a relationship with a paid or voluntary advisor. The aim is for life coaches to provide ‘tailored support’ through a ‘personalised development process’.

The Commission’s work with Ipsos MORI also found that citizens want choice in public services to be supported. One woman told us, ‘*Sometimes as people we don’t know what we’re entitled to. They’re not going to come running to tell you. So I think having an advisor who knows all the stuff and can answer any questions... I like that idea.*’

Ref: [www.participle.net/projects/view/3/102](http://www.participle.net/projects/view/3/102) and <http://www.barnet.gov.uk/barnet-idea-presentation.pdf> and <http://www.ipsos-mori.com/researchpublications/publications/publication.aspx?oltemid=1362>

#### REDEFINING THE CITIZEN/PUBLIC SERVICE INTERFACE

Transforming the citizen-public services interface requires better data management, less fragmented service models, and more integrated assessment and commissioning.

In a recent paper for the Commission, Professor Patrick Dunleavy argues for rearranging public services around three principles:

- **‘Reintegration’** – re-integrating some of the governmental functions pulled apart by New Public Management (NPM), and integrating services at the locality level.
- **‘Needs-Based Holism’** – a ‘tell-us-once’ approach, and personalised service plans built around the needs of individuals.
- **‘Digitalisation’** – a major shift to transacting with government online. The paper notes that in 2009-10 ‘HMRC received 74% of tax self-assessment forms online’, but in 2008 ‘only one per cent of DWP’s customer contacts took place online’.

In *On Line or In Line*, the 2020PST argued that the default assumption for public services in 2020 should be that ‘personalised, convenient and cost-effective public services should be delivered online’. This would allow more resources to be diverted to the most disadvantaged and those who need traditional face-to-face services.

Kent County Council is transforming its interaction with citizens through its network of one-stop ‘Kent Gateway’ centres (outlined further in section 2, below). It is also enabling citizens to commission and pay for services directly through the ‘Kent Card’ – a Visa purchasing card accepted by local public, private and voluntary sector health and social care providers, as well as, for example, local taxi companies and firms providing home delivered meals. Kent Card users can spend the money they are granted by Kent Council and can ‘top up’ the card from their own personal funds, and get a monthly statement of recent transactions.

The Commission’s research programme has highlighted how a more creative use of digital technology could enable citizens to ‘construct’ more personalised services (see box below). Self-service transactions could include greater use of e-learning and video conferencing for education and training, online benefits assessment tools that automatically submit claims to the relevant agency, or an online health diagnostic and prescription service. Online services will divert demand from traditional channels, freeing up resources to allow traditional face-to-face services to target the most disadvantaged and invest more in digital outreach, so that no-one is left behind.

### d) Social productivity mobilises ‘hidden wealth’

Public services should be judged by the extent to which they mobilise, develop and nurture citizen resources.

Public services must broaden their resource base – both in terms of the resources used to fund services, and the range of resources that are engaged in their design and delivery. Citizens who work together become more resourceful and resilient, reducing unnecessary dependence on the state. At a time of fiscal austerity, the case for calling on a much broader range of non-fiscal resources becomes even more compelling.

David Halpern has called these resources the ‘hidden wealth of nations’.<sup>47</sup> It is the resource that the coalition government seeks to liberate through the ‘Big Society’.

A shift in culture is about nurturing and mobilising the capacities and resources of citizens more actively and imaginatively. This is a two-way process. As well as engaged citizens, it will take an ‘enabling’ state, rooted in a deeper commitment to partnership between local citizens, civic groups, businesses and government agencies to grow this resource.

#### UNDERSTANDING ‘HIDDEN WEALTH’ – CONNECTED COMMUNITIES

Social network analysis enables researchers to map the relationship that exist within communities. These maps can help to design to more resilient networks or to use existing social networks, for example to spread positive social behaviours.

The very process of mapping social networks itself has benefits, since it encourages those who take part to reflect on their responsibility to use, sustain and develop their networks. In this way it offers the promise of an approach to public policy which is both empowering and capable of making major impacts from small interventions.

Ref: <http://www.thersa.org/projects/connected-communities>

<sup>46</sup> Cabinet Office, ‘Co-Production in Public Services’ (London, Cabinet Office: 2009:40)

<sup>47</sup> See Halpern, D. ‘The Hidden Wealth of Nations’ (Cambridge/Malden, Polity Press: 2010). We already know something of the value of informal citizens’ resources.

The value of informal social care has been estimated at around £87 million a year. Source: Glendenning & Arksey (2008) ‘Informal Care’ in Alcock, P. et al, ‘The Student’s Companion to Social Policy’ (Singapore, Blackwell Publishing, 2009: 219).



**SOCIAL RETURN ON INVESTMENT**

Social Return on Investment (SROI) is an analytic tool for measuring and accounting for a much broader concept of value. It incorporates social, environmental and economic costs and benefits into decision making, providing a fuller picture of how value is created or destroyed.

SROI is able to assign a monetary figure to social and environmental value which is created. For example, NEF research on the value created by a training programme for ex-offenders revealed that for every £1 invested, £10.50 of social value was created.

Making visible and valuing hidden costs and benefits through measuring social value can lead to more informed policy-making. For instance, valuing the improved well-being of children in care – rather than focusing on the unit cost of delivering that care – could ensure more appropriate placement decisions are made.

Ref: New Economics Foundation <http://www.neweconomics.org/publications/guide-social-return-investment>

**NETHERLANDS – E-CITIZEN CHARTER AND E-PORTFOLIOS**

The e-citizen charter is designed to promote better interaction and information exchange between citizens and government – in the form of a contract detailing rights and responsibilities. Citizens can hold government to account for their performance, and participate in the design of new policies, laws and accountability mechanisms. E-Portfolios are personal, standardised, lifelong digital accounts containing information about individuals' education and employment history. They are intended to help people find employment by using the portfolios to match individuals to suitable jobs through an electronic database search and can also highlight extra training or the skills they may need.

Ref: [http://www.burger.overheid.nl/service\\_menu/english](http://www.burger.overheid.nl/service_menu/english) and <http://e-portfolio.kennisnet.nl/english>

The challenge is how best to encourage, enable and harness resources for the common good that are often not as tangible as a block grant or unit of capital input. Policy makers must ask: How can responsible civic behaviour be encouraged? How can new, more collaborative social norms be created?

In some cases, this might require the state stepping back to allow citizens to work together. For example, local neighbourhood associations might take over the running of services such as parks, libraries and leisure centres which would otherwise face closure. 'Care credits' or 'time banking' offers an approach that brings people together and calls upon their broader set of resources such as time, goodwill and reciprocity. In describing our citizen social welfare accounts, *2020 Welfare: Life, Work, Locality* noted that they allow for the encouragement, measurement and reward of social contributions towards to the delivery of public services.

Where it is helpful in stimulating social productivity Government should consider how partnerships between citizens and public services could be formalised, for example, through agreeing a local curriculum and outcome agreements. These agreements should be based on information on existing assets, deficits and life patterns of communities, perhaps gathered from social network analysis. They would recognise citizens as active and capable shapers of their own lives.

Underpinning all government action to mobilise 'hidden wealth' must be a commitment to open information. Citizens can only engage in active dialogue with local government and public sector organisations, make informed choices and improve services if they have readily available and comparable data. In *Online or In-line: The future of information and communication technology in public services* we called for public data to be available online in a raw, anonymised and standardised format. This newly created market for information would allow for ready comparison of performance between different public services.

**e) Social productivity invests for efficiency and fairness**

Public services should seek to put us in control of our own lives, reducing unnecessary dependence on state help. Given our different starting points in life, this might require very different types and levels of support. The focus should be on developing individual and collective capabilities and resilience, implying a much greater focus on prevention. Interventions that develop individual and collective capabilities and promote self-reliance and resilience will generate fairer outcomes and save money over the long term, allowing us to move from the current 'fire fighting', remedial approach.

The case for early intervention has been made repeatedly, but has struggled against today's system constraints. The Coalition Government has asked Labour MP, Graham Allen, to lead a review into early intervention, looking at support for families with young children locked into cycles of deprivation. It will recommend the best models of support, advising how they could be promoted nationally and funded through innovative models.

Preventive services support efficiency as well as fairness by using resources when they can deliver most value, rather than when problems have become critical or entrenched. *Improving Health Outcomes* – a report considering how Commission ideas might have practical application in health – discussed how shifting investment towards prevention and away from acute interventions would improve outcomes while reducing costs. It proposed the co-delivery of care, and conducting public health campaigns through peer-to-peer networks and community hubs. We have seen similar principles applied in Participle's work in Swindon with families and elderly people, mapping and using social networks and groups to identify sources of resilience and mutual support.

**CROYDON FAMILY JUSTICE CENTRE**

Croydon has the highest number of reported incidents of domestic violence of any London borough. Partners in the borough therefore used the successful San Diego Family Justice Centre as the model for a 'co-located' service designed to reduce violence and deaths and to support the victims of residential or domestic violence and abuse. Croydon Family Justice Centre opened in late 2005.

The Centre provides comprehensive services in one location for victims of domestic or family violence. Prevention measures include intensive monitoring and 'wrap around support', immediate case conferencing facilities, holistic family monitoring, education and outreach groups, community training and innovative information sharing.

A review in 2008 indicated that benefits had included substantial financial savings and, more importantly, a clear reduction in domestic violence incidents. Since the Centre's opening no domestic violence murders have occurred in the Borough, reducing public service costs by £3.3 million. The Centre and new emergency accommodation has led to reductions in homelessness applications saving £1,901,232 in civil proceedings and housing costs. Without including savings to health, education and criminal justice, total savings to the borough were estimated at £5,201,232.

Ref: Briefing Note: Croydon Domestic Violence and Family Violence Work: <http://www.croydon.gov.uk/contents/documents/meetings/548644/708170/2008-11-04/familyjustice.pdf>



## 2. A shift in power – from the centre to citizens

Shifting power is about an intelligent transfer of political, administrative and spending power away from the centre and departmental silos, towards citizens and communities.

We start with people and the places in which they live, and work upwards from there. Decision making and commissioning authority would be devolved to the lowest appropriate levels, with services designed with and around the lives of citizens and the needs of communities of need, interest and place. The core characteristics of this shift in power are:

- Start with people and places, not service silos.
- Decision making and service commissioning at the lowest appropriate level.
- Local (negotiated) autonomy.
- A more strategic role for central government.

### a) Start with people and places, not service silos

Problems are often interrelated and mutually reinforcing. Services that begin from the perspective of the individual are better able to understand the complexities and offer a more integrated response.

Too often, citizens feel removed from services that are inaccessible and formalistic, constructed around multiple assessments and restrictive conditions. For example, offenders released from custody who have complex needs may have to undergo over 10 separate assessments to access the support they require.<sup>48</sup> New technology offers the opportunity to create more services that are accessible at any time; and getting beyond service silos opens up the prospect of 'single door' access, to address multiple needs.

Those wishing to design public services around people and places should begin by analysing:

- The social networks, assets and resources of the community.
- The existing patterns of public service structure and delivery.
- The financial in-and-out flows of the community (such as that begun by Counting Cumbria).<sup>49</sup>

Local authorities (or other relevant governance bodies) should be mandated to conduct this analysis as part of constructing negotiated autonomy between themselves and the political centre.

<sup>48</sup> See Buddery, P. *2020 Public Safety: Opportunities for Reform* (London, 2020 PST: 2010).

<sup>49</sup> Local Government Association, *'Counting Cumbria'* (London: LGA, 2008). See: <http://www.localleadership.gov.uk/docs/Counting%20Cumbria%20.pdf>

<sup>50</sup> Cumming, L., Dick, A., Filkin, and Sturgess, G., *'Better Outcomes'* (London, 2020 PST: 2009)

### WHOLE PERSON, WHOLE PLACE APPROACHES TO WELFARE

*2020 Welfare: Life, Work, Locality* considered the application of the Commission's thinking to welfare. The report proposes three directions for policy – social welfare accounts, 'localised welfare' and greater integration of welfare policy within the local economy and labour market. Our localised approach emphasises the social context in which people live and work, proposing a regional Living Wage and drawing from other innovative practice in two localities:

- Margate Central and Cliftonville West are the two most deprived wards in Kent, with high concentrations of worklessness driven by poor housing, low skills and health inequalities. The 'Margate Taskforce' will tackle the range of ingrained social, economic and physical problems by bringing together multiple agencies within one team and pooling resources (including information, staff and finance) to redesign public services in the area.
- In Greater Manchester a determination to address its high level of worklessness and benefit dependency, and to create jobs for growth, poses the question of how to streamline funding and services to meet people's aspirations and needs. Manchester's Neighbourhood Pilots are a first attempt at 'integrated commissioning' where services are joined up across multiple agencies to achieve appropriate local outcomes while enabling citizens to exercise choice and personal responsibility.

### CITIZEN POWER PETERBOROUGH

Citizen Power, Peterborough, is a social action programme led by the RSA in partnership with Peterborough City Council and the Arts Council East. It seeks to develop new ideas for how civic activism and community action might improve networks between people, encourage local participation, and improve public services.

The two-year programme includes several projects which aim to: understand better people's capability to participate in civic action; open up a new kind of dialogue between citizens and politicians, local figures and leading thinkers; establish networks of active citizens to discuss issues of concern, design school curricula and tackle local environment issues; and support people with problems by establishing better links within the community.

Ref: [www.thersa.org/projects/citizen-power](http://www.thersa.org/projects/citizen-power)

### SERVICES SHAPED AROUND CITIZENS – THE KENT GATEWAY

Gateway centres in Kent, provide a single point of access to a range of local services. There are five across Kent, plus a mobile Gateway covering urban and rural areas in the south area of the county.

The Gateway model has improved access to services and helped people understand their entitlements. It has also considerably saved money. By bringing services together it has protected rural public services from closure and also increased access to local councillors. Using a single registration of customers' details for all services makes for a more cost effective and efficient service for both the user and Gateway public service partners.

Another important aspect of Kent's Gateway model is its emphasis upon data analysis of local people's needs, preferences and customer satisfaction with current services.

### b) Decision making and service commissioning at the lowest appropriate level

To make a shift in power, real decision making over spending power should be held at the lowest appropriate level. Start with citizens and integrate services around them.

A first step here is to understand why existing services tend to be commissioned in the ways that they are.

- Where the individual holds the best information about the services that will most effectively meet their needs and the public interest is served by ensuring access to those services, then individuals should be able to commission the services they need directly. Social care and childcare are current examples.
- Where professional expertise is needed to understand the most appropriate service, the professional acts as guide and gatekeeper.
- Where public interest in the outcome from a service is stronger than the individual service user, an outcome commissioning model might be suitable.<sup>50</sup>
- Where consumption is collective (such as environmental services) democratic decision making may be most appropriate.

THE COMMISSIONING FRAMEWORK IN 2010

	CONDITIONS				EXAMPLE	
	PUBLIC VS. PRIVATE INTEREST	INFORMATION ABOUT PROBLEM	INFORMATION ABOUT SOLUTION	SYSTEMIC RISKS		
COMMISSIONING FRAMEWORK	INDIVIDUAL BUDGETS	Strong alignment between individual and public interest in the outcomes	Individual has most relevant and sufficient information about the problem	Information gaps between individuals' needs and services can be managed or overcome by provision of information or advice	Risk of fraud or misuse of funds are low and can be managed effectively	Social care, childcare
	FUND HOLDING	Strong alignment between individual and public interest in the outcomes	Individual has relevant information about the problem, but may be incomplete	Information gaps between individuals' needs and services requires professional guidance	Risk of fraud or misuse of funds are low and can be managed effectively	Primary care
	OUTCOME COMMISSIONING	Weak, uncertain or incomplete alignment between the individuals' needs and public interest	Democratically determined – requires clear, measurable outcome	Service provider has best information about nature of required service	Active management needed to reduce risks of 'gaming' by providers	Welfare-to-work services
	DEMOCRATIC ACCOUNTABILITY	Public interest high, consumption often collective	Democratically determined	Professionally determined	Risks of poor system management where goals are unclear or/and monitoring difficult	Public safety, defence, public health

**IMPROVING OUTCOME COMMISSIONING: DEVELOPING A THEORY OF THE SERVICE**

Implementing outcome commissioning requires commissioners to establish a baseline and manage the system over time. It also requires them to develop a theory of the service – a hypothesis about how inputs are most effectively connected to outputs, and outputs to outcomes.

The theory will:

- Postulate the linkages between inputs, outcomes and outputs
- Map the variables that may affect the ability to deliver, and mitigate risks where possible
- Factor in the potential and limits of co-production
- Specify whether the service will operate within a controlled or uncontrolled environment, and describe how this will affect how effective the service is.

*Ref: Cumming, L., Dick, A., Filkin, G., and Sturgess, G., 'Better Outcomes' (London, 2020 PST: 2009)*



The challenge is to get beyond the service-by-service mentality. The growth of personal budgets has been particularly important in exposing the weaknesses of a service-centred culture of decision making in some areas of policy, and demonstrating the value of enabling citizens to take more control over their own lives.

'One of the biggest influences is the whole personal budget stuff. Once people get into that process knowing the available funds they have got...that's obviously going to influence the council's directly provided services.'

*Adult Learning and Disability Services Manager, North West England*

New, challenging models are now emerging which place greater emphasis on integration, co-ordination and citizen control, while responding appropriately to the conditions described in the table on the previous page. For example, Turning Point's Connected Care commissioning model works on the principle of integrated, bottom-up public services. At the outset, it defines commissioning through ethnographic research within neighbourhoods, employing local residents to conduct peer-to-peer assessments of individual and collective needs and capabilities. The procurement of services – cutting across social care, housing, welfare and employment – is then designed to meet a whole range of personal needs, again in an integrated way.

'Where local communities are committed to, and play a central role in, the commissioning, design and delivery of those services, this generates better health and social care outcomes for those communities. Commissioners need to focus on understanding what services the community wants, in order to deliver the best services for the people who need them.'

*Lord Victor Adebowale, 2020 Commissioner*

**c) Local (negotiated) autonomy**

Starting with people and places means a different role for central government – from inevitable funder and deliverer of services, to a more strategic, enabling state.

The Coalition has begun to shift power towards citizens and professionals. Proposals in education, health and housing policy suggest a trend towards 'hyper-localism' or 'civic markets', as Matthew Taylor has recently described it. These are designed to disperse power away from the centre, removing targets, strengthening the hands of citizens and professionals whilst embedding accountability within service delivery organisations themselves.

We welcome this impulse to shift power towards citizens, but are concerned that attempts to do so by bypassing local democratic structures may prove counterproductive. The first danger is that weakening structures that encourage integration across services could reinforce policy silos, reducing the effectiveness of services. The second is that removing a layer of political accountability could further strengthen the centre, increasing the distance between local people and the policy decisions affecting them.

Our proposal for ‘The 2020 Locality’ was first outlined in *Delivering a Localist Future*. It envisages negotiated autonomy between localities and central government, based on a ‘more for less’ deal which offers ‘more’ local autonomy for ‘less’ central government grant. It would depend on local authorities being able to demonstrate a clear commitment to citizen engagement at individual and neighbourhood level. The movement of power away from the centre and towards citizens is a process that will involve negotiation and the re-ordering of complex relationships, not a simple shedding of central authority and off-loading of responsibilities. Our proposal is developed and explained in more detail in Chapter 5.

Today, the public ‘default’ is to hold central government responsible for public service performance. The key to shifting this, and directing public expectations about accountability away from the centre, is to establish a clear and visible figurehead at local level. Polling for the New Local Government Network (NLGN) by Ipsos MORI recently ‘found that 71 per cent of the public could not name their council leader’.<sup>51</sup> But research by ippr and PwC suggests that where local leaders have enhanced powers – such as the Mayor of London – public recognition is far higher, and the public is more likely to hold them to account for service performance.<sup>52</sup>

Our negotiated autonomy model proposes a directly elected local mayor, sheriff or commissioner whom the public could hold to account. This person would have the power to make meaningful decisions, on the basis of a ‘more power for less budget’ deal for the area negotiated with HM Treasury, and a free hand to redesign services around the needs of local people – and in partnership with local people – without interference from Whitehall.

#### d) A more strategic role for central government

A shift in power from the centre does not imply a withdrawal from the central state. The state must continue to play an active role to achieve our collective goals, but be more strategic and less prescriptive. This will eventually mean fewer ministers and fewer central departments.

The negotiation of 2020 Localities with greater autonomy will change central government’s role, but it will remain no less important, allowing a clearer focus on strategic oversight and development. The centre will lead on setting and monitoring national minimum standards, and actively track progress on long-term social outcomes such as reducing health inequalities and child poverty. This would provide an appropriate balance between local priorities and operational independence, and the guarantees that form the basis of citizenship.

##### SHAPING UP: A WHITEHALL FOR THE FUTURE

Based on anonymous interviews with senior civil servants, this recent report from the Institute for Government identifies three major challenges for central government – to increase strategic capacity at the centre; to strengthen departmental governance structures for increased accountability; and to create more effective mechanisms for collaboration between departments on cross-cutting policy issues.

The report highlights how the siloed thinking that dominates Whitehall departments is replicated through the delivery chain and into the front line. Vital cross-cutting issues such as social exclusion or childhood obesity can fall through the gaps, resulting duplication of effort, missed opportunities and wasted resources. It recommends appointing secretaries of state with specific cross-cutting responsibilities and budgets, broadening the incentive structure for officials beyond departmental boundaries, and establishing more select committees that hold government to account for progress on cross-cutting priorities.

Ref: Institute for Government, [www.instituteforgovernment.org.uk](http://www.instituteforgovernment.org.uk)

In *Towards a New Model of Public Services: Capability and Rights-Based Approaches*, a paper written for the Commission, Polly Vizard outlined how those citizenship guarantees – a national entitlement framework – might be constructed.<sup>53</sup> Such a framework would evaluate public services based on Sen’s capabilities approach, and rather than starting with services, it would start with people.

The focus is on how far they are able to lead the lives they would choose (their ‘substantive freedoms’ or ‘capabilities’). Considering ten ‘domains’ of life that might be viewed as essential to leading a satisfying life and different categories of people, public services are then evaluated according to the contributions they make.<sup>54</sup> These evaluations consider the extent to which services are making a real difference to individuals’ lives (**outcomes**), treating individuals with dignity and respect, and without discrimination (**treatment**), and how far individuals can influence critical decisions that affect them, and whether they have choice and control (**autonomy**).

This capabilities based framework is already being used by the Equality and Human Rights Commission. By focusing on three important dimensions of an individual’s experience of public services – outcomes, treatment and autonomy – the framework provides a flexible and powerful model for developing and evaluating future policy and practice. It avoids prescription, values diversity, and makes sure that no one is left behind.

### 3. A shift in finance – reconnecting finance with purpose

A shift in finance outlines the financial architecture needed to achieve our vision for public services. At its core is a determination that how money is raised and spent should reinforce the purposes of public services and do so transparently. Today’s opaqueness reinforces concerns about legitimacy and inefficiency and weakens the effectiveness of public services. It is time to reconnect the financing of public services to their purposes, leveraging existing and new resources to improve the outcomes that they achieve.

The core characteristics of the shift in finance are:

- Greater transparency.
- Improved allocative efficiency, with a focus on outcomes.
- Partnership models of financing are applied more frequently and systematically.
- New financial instruments provide new sources of money and increase effectiveness.

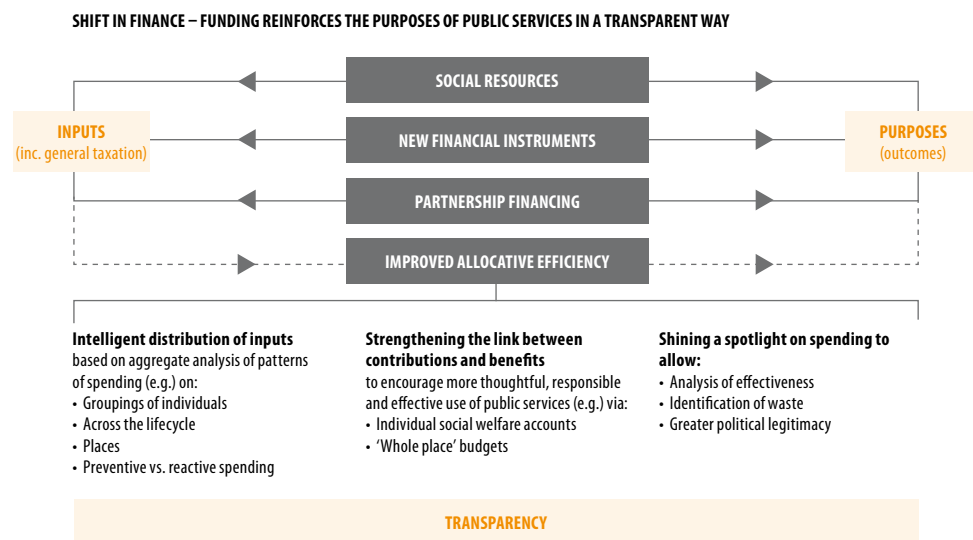
The following diagram shows how all of these characteristics work together to create the shift we seek. Using new types of resources – partnership financing, new financial instruments, and a more imaginative embrace of social resources – not only increases the resource base, but also relates directly to the achievement of policy goals.

<sup>51</sup> ippr & PricewaterhouseCoopers, ‘Who’s Accountable? The challenge of giving away power in a centralised political culture’ (London, ippr and PwC: 2010)

<sup>52</sup> Ibid.

<sup>53</sup> Vizard, P., ‘Towards a New Model of Public Services: Capability and Rights-Based Approaches’ in Buddery, P. et al, ‘Equality, Cohesion and Public Services’ (London, 2020 PST: 2010)

<sup>54</sup> The ten domains of central and valuable freedoms are: life, physical security, health, education, standard of living, productive and valued activities, participation, individual and family life, identity and legal security. The disaggregation characteristics are: age, disability, gender, transgender, ethnicity, religion and belief, sexual orientation and social class.



### a) Transparency

The glue that holds together our shift in finance is transparency – the simple ability to track resources through the system. At the most basic level, this will strengthen the legitimacy of spending on public services by shining a light on inefficiency and waste.

Transparency also opens up the possibility for a more intelligent distribution of inputs, by analysing aggregate patterns of expenditure on, for example, groupings of individuals in particular locations, or by comparing preventive and reactive spending. Creating mechanisms that can explicitly link contributions to, and benefits from, public services would encourage their more thoughtful, responsible and effective use.

Clearer lines of sight between contributions and benefits are an intrinsic good, strengthening the legitimacy of public spending, but the additional scrutiny they allow also encourages more efficient and effective expenditure. Amidst talks of 25 per cent cuts to Departmental Expenditure Limits, it is critical that we understand who pays, who gains, when and by how much.

'Research by Ipsos MORI on behalf of 2020 Public Services Trust showed that only 21 per cent of people thought that too much money is spent on public services' Ipsos MORI, *'What do people want, need and expect from public services'* (London, 2020 PST: 2010: 13)

<sup>55</sup> See Volterra, *'The Fiscal Landscape: Understanding Contributions and Benefits'* (London: 2020 PST, 2009) and Preston, I. and O'Dea, C., *'The Distributional Impact of Public Spending in the UK'* (London: 2020 PST, 2010).

<sup>56</sup> As the HM Treasury explains, 'COINS - the Combined On-line Information System - is used by the Treasury to collect financial data from across the public sector to support fiscal management, the production of Parliamentary Supply Estimates and public expenditure statistics, the preparation of Whole of Government Accounts (WGA) and to meet data requirements of the

Office for National Statistics (ONS)... The release of COINS data is just the first step in the Government's commitment to data transparency on Government spending.' For more information, see [http://www.hm-treasury.gov.uk/psr\\_coins\\_data.htm](http://www.hm-treasury.gov.uk/psr_coins_data.htm).

### UNDERSTANDING WHERE MONEY GOES: CROYDON

As part of HM Treasury's Total Place exercise, Croydon analysed the flow of public resources to children and families within the borough. It found that from conception to age seven, a total of £206m is spent each year on services for children, of which 50% is direct payment to families from Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) (£103m); 34% is Croydon Council spending (£71m); and 16% is NHS Croydon (£32m).

If the benefits/tax credits spending is taken out of the equation, 69% of the total is Council spending, and 31% is NHS Croydon. Looking at universal spending prior to the age of three and excluding the DWP/HMRC spend, the vast majority of spending sits with NHS Croydon – 84%.

Most of this is allocated on universal services which reach almost 100% of parents on specific short formal episodes – for example, pre and post natal services and health visitors. Many of the contacts and interactions with families and children are fairly narrow in their intent (prepare for childbirth, deliver a scan, give immunisations). After the age of three most of the spending flows through Croydon Council – 95% – with little link back into the health system.

Ref: NHS Croydon and Croydon Council, *'Child, Family, Place: Radical Efficiency to Improve Outcomes for Children and Young People'* (Croydon, Croydon Council: 2010).0

Entitlements and obligations for individuals, families and communities need to be clearly articulated alongside greater transparency about what citizens actually contribute and what they receive. Knowing the cost of public services (at a point in time and over the long run) could help to align citizen demand and/or change behaviour to reduce the need and cost of services.

Two studies for the Commission (Volterra, 2009; O'Dea and Preston, 2010) showed just how difficult this task is given the data available.<sup>55</sup> Although we have witnessed moves to improve transparency of public accounting in recent months (e.g. the release of COINS database<sup>56</sup>), it is still difficult for citizens to understand how public money is allocated from the single, national 'pot'.

'Cutting back public spending without understanding the impact of the present system of redistribution is like scrambling in the dark.'

Volterra, *'The Fiscal Landscape: Understanding contributions and benefits'* (London, 2020 PST: 2009: 14)

The allocation of public money redistributes it in two ways: from rich to poor (vertical redistribution), and across the lifecycle as individuals make net contributions at some points in their lives, and draw on the system at other times (horizontal redistribution). Despite these different functions, the present system makes little distinction in the way that it deals with individual contributions and benefits.

*2020 Welfare: Life, Work, Locality*, a report seeking to apply the Commission's approach to welfare, proposed the idea of a 'citizen social welfare account' to improve the efficiency of 'horizontal' redistribution. Clearer lines of sight between citizens and their contributions and benefits will enable better choices, helping to improve the quality of public service outcomes, and also improve service efficiency. A first step towards a structural reform of this kind could see citizens receiving an annual statement of their contributions to date and the benefits they have received.

### CITIZEN SOCIAL WELFARE ACCOUNTS

A proportion of citizens' taxation is held in an individual account. When an individual claims one of a range of benefits (e.g. early retirement, child benefit, student grants, parental leave benefits), their amount is debited by the amount they receive.

Entitlements can be claimed even if the individual account is in deficit. The citizen has greater control over when she or he accesses support. A positive 'balance' is used to supplement the basic state pension, whereas a balance below zero means that the individual receives only the basic state pension.

Ref: Alldritt, C., *2020 Welfare: Life, Work, Locality'* (London, 2020 PST: 2010)

### b) Improved allocative efficiency and a focus on outcomes

The understanding gained from greater transparency would allow for more intelligent spending:

- On individuals, thinking across the entire lifecycle; encouraging preventive spending; and taking a ‘whole person’ approach to spending at any point in time, rather than service-by-service.
- In particular geographical areas, considering all the streams of income together.

There should be a clear focus on outcomes at every stage of commissioning processes. *Better Outcomes*<sup>57</sup>, a report to the Commission, argued that outcome commissioning creates powerful incentives for providers to use inputs efficiently for most effective results. The Coalition Government has decided to extend the policy of payment for outcomes from welfare to work contracts to public health and criminal justice.

‘Our valued end as citizens is not to see more police, to see less prison places, or to see clearer information on the costs of particular sentences. Quite simply, our valued end is to live in safety and security.’

*‘2020 Public Safety: Opportunities for reform’* (London, 2020 PST, 2010: 4-5)

It has long been noted that while governments should be prioritising spending on prevention and services that offer long-term social and economic returns, this is often squeezed by the urgency of meeting immediate demands. While the case for long-term investment is strong and likely to enjoy public consent, engagement with citizens will need to be full, educative and sustained, or immediate needs and preferences may undercut the longer view.

‘It’s not the amount of money Government spends, but how they spend it. Skewing investment towards picking up the pieces has a devastating effect on the most vulnerable children. Governments need to invest to change people’s lives, particularly the most vulnerable.’

Dame Clare Tickell,  
2020 Commissioner

### INVESTING TO SAVE

Models of upfront investment in policy programmes designed to generate savings down the line are not new. Previously limited to smaller scale projects, this ‘invest to save’ approach was adopted at a more ambitious level in David Freud’s proposals for welfare to work.<sup>58</sup> In ‘Reducing dependency, increasing opportunity: options for the future of welfare to work’ (2007), Freud outlined how upfront investment in getting people into work could reduce the ongoing costs of welfare benefits.

The central problem of invest to save models is the uncertainty around the actual, cashable savings that will be generated. Government accounting rules reflect this, restricting the transfer of expected future savings into new programmes today. Freud’s solution was to commission outside providers and pay them on the basis of the outcomes they achieved. Providers would borrow from capital markets on the basis of anticipated success payments under the contract, transferring the risk of upfront investment away from government. The Labour government sought to implement this approach with the ‘Flexible New Deal’. The Coalition is seeking to go further, and to apply the approach to other areas of policy such as health and criminal justice.

*Ref: Freud, D. ‘Reducing dependency, increasing opportunity: options for the future of welfare to work’* (DWP, 2007) and HM Government, ‘*The Coalition: our programme for government*’ (HM Government, 2010).

### JUSTICE REINVESTMENT

The unsustainability of prison growth and reoffending rates has led states to develop justice reinvestment approaches. These redirect resources into programmes focusing on treatment of substance abuse, mental health and other social problems – focusing on those individuals and neighbourhoods at high risk of reoffending.

Connecticut was the first to use this approach for adults. In 2004, it radically streamlined the parole process for low risk offenders, cutting \$30 million from its corrections budget and investing \$13 million in neighbourhood strategies. Drops in probation revocations to prison have enabled the State to follow up with additional funds in 2007.

*Ref: Cadora, E. ‘Justice Reinvestment in the US’, in Allen, R. and Stern, V. Justice Reinvestment: A New Approach to Crime and Justice* (London, International Centre for Prison Studies: 2007).

### c) Partnership funding

Most public services generate a mixture of public and individual (personal) benefits. While this reality is acknowledged in the way that some services are funded (such as higher education and childcare), there is little consistency on this point across public services. The difference frequently owes more to history than rationality. One way of meeting the long-term challenge of rising demands on public services would be to apply ‘partnership funding’ and co-payment models more systematically, according to the balance of benefits. It would also reflect more closely differences in preferences between individuals, and strengthen the link between the service provider and the service user. This would be likely to improve outcomes from service use.



<sup>57</sup> Cumming, L., Dick, A., Filkin, and Sturgess, G., ‘*Better Outcomes*’ (London, 2020 PST: 2009)

<sup>58</sup> Freud, D. ‘*Reducing dependency, increasing opportunity: options for the future of welfare to work*’ (London, DWP: 2007)

In *Financing the United Kingdom's Welfare States*, written to inform the Commission, Howard Glennerster suggests greater use of partnership funding models. He proposes – for example – an additional National Insurance contribution after the age of 45 years to cover the cost of care later in life. He argues that younger generations should not have to continue to bear the cost of supporting older generations, who, on average, are retiring earlier. The Government has established a Commission on the Funding of Care and Support to consider how to achieve an affordable and sustainable funding system for care and support, for all adults in England.

Services which offer the greatest personal benefits – such as higher education and social care – should be the first candidates for introducing or extending partnership funding. This might mean more user charges to encourage the responsible use of services. Ipsos MORI's research for the Commission suggested that citizens' hostility to co-payment is reduced when they see that their payment will go directly towards improving the service.

One major objection is about equity, as those most in need of services might have the least ability to contribute. Sometimes the public interest will prevail: free prescriptions, student grants and childcare funding are examples. Social welfare accounts, discussed above, could help by allowing individuals to smooth consumption over their lifetime.

#### 2020 PUBLIC SERVICES AND THE SPENDING REVIEW

The Coalition government is currently preparing for a full spending review. The challenge is to align short term imperatives for deficit reduction with longer term goals. How can policy makers start to make decisions for the long term? Our thinking suggests seven places to begin:

**1. Prioritise** – How do we prioritise spending so that it is aligned to the patterns of risk and opportunity that citizens face today? The Commission argues that, wherever possible, these decisions should be taken, with citizen involvement, at a local level.

**2. Parameter shifts** – What entitlement parameters could be changed to improve the long-term fiscal sustainability of the public services settlement? The IFS and NIESR (2009) calculate that a one year increase in the State Pension Age will save between £2.2 and £10 billion (0.15 – 0.7% GDP).

**3. Partnership approaches to financing** – Where are there opportunities to share more of the costs of services between private individuals and the state? If higher education students were required to meet 75% of the cost of their studies government could save up to £11 billion (0.7% GDP).

**4. Productivity** – How can systems be designed so that they squeeze the most out of monetary and non-monetary resources? For example, what opportunities are there for more radical applications of segmentation, participation, place-based integration, and prevention? The Operational Efficiency Review Report (2010) locates savings of between £3 and £15 billion (0.21% – 1% GDP).

**5. Participation** – How can citizens and service users be encouraged and enabled to work alongside formal public service providers? NEF found that parent-run nurseries save an average 28% per place, per annum. If more widespread, this could generate total savings of £0.4 billion (0.03% GDP) per year.

**6. Place-based integration** – How can service delivery, funding and accountability mechanisms capitalise on local knowledge and resources to achieve better outcomes? A localised approach to worklessness, with services integrated around the needs of individuals, has been shown to save money. An annual five per cent reduction in the expenditure of three major localities – Manchester, Birmingham and Kent – would save nearly £6 billion over three years.

**7. Prevention** – Where can spending be shifted from reactive expenditure to preventive investment? An estimated £10 billion (0.7% GDP) could be saved through preventive investment by 2023/24.

#### d) New financial instruments

Development of social investment vehicles could provide new means of financing delivery models that 'lock in' prevention. New approaches are already emerging. Social bonds raise capital for investment through the prospect of realising returns from cost savings generated by improved social outcomes. For example, Action for Children and the New Economics Foundation recently advocated the development of a series of annual bond issues with 10 year maturities to front-load preventive services for children. The St Giles Trust is benefiting from the first of these bonds to support a re-offending partnership in Peterborough Prison.

'The Social Impact Bond has the potential to unlock an unprecedented flow of finance for social sector organisations. By focusing returns on outcomes, these organisations will be incentivised to develop innovative interventions to tackle ingrained social problems which weigh heavily on our society and our national purse.'

David Hutchison, Chief Executive,  
Social Finance

The key to developing this approach across different areas of public services will depend on how far the benefits from social investment can be quantified. Innovation in investment models should also encourage new delivery models for public services – allowing community mutuals or cooperatives to develop an asset base and solvency capital.

The shifts that have been described in this chapter are mutually supportive and in many cases interdependent. For example, a shift in culture that mobilises our 'hidden wealth' is unlikely to be fruitful unless combined with a shift in power that brings local, negotiated autonomy and a more finely grained relationship between individuals, neighbourhoods, services and governance. What the Commission is offering is not a menu of reforms from which to select, but a top-to-tail recasting of our approach to public services. Yet we are far from prescribing the future. In fact, the systemic shifts we call for can prompt diverse (and sometimes contradictory) policy ideas, depending on the values and political priorities of those involved.

Although the shifts are essential in order to arrive at a sustainable public services settlement, the consequences they unlock are more unpredictable and wider than those we have come to expect from our current centrally planned, controlled system. Given this relaxation of traditional ideas of control, the next chapter considers how well the shifts equip us to face the enduring, innate challenges of public services: strategy, legitimacy, co-ordination and integration, equalities and citizenship.



## Enduring problems, new solutions?

To meet the test of today's fiscal crisis and the demand and aspirations of 2020, services will have to be very different from those we have inherited. Yet beneath the new challenges lie many familiar dilemmas – enduring problems and tensions inherent in working together for the common good. These include issues of strategic coordination, legitimacy and fairness, equalities, service co-ordination, and a multiplicity of views about citizenship.

These challenges do not disappear by adopting a bottom-up, social productivity approach to public services, and some of them are intensified. In this chapter we consider how these challenges might be addressed from the bottom up.

The previous chapter showed how shifts in **culture, power and finance** can create the conditions for more effective public services, in tune with our lives today. Some of the ideas that emerge are new; many are developments of existing ideas and practice. Indeed, the Coalition has already promoted a number of proposals that can be seen as part of a long narrative of attempts at empowerment and citizen engagement stretching across successive administrations.<sup>59</sup> Yet the shifts drive something more radical – not an acceleration of current programmes, but a fundamental reorientation in the way we work together to solve public problems, meet citizens' needs and extend opportunities.

Once we reverse our traditional state-down, service-down ways of viewing problems and their solutions, some very radical propositions start to emerge: services built around individuals and communities; information empowering citizens; public services engaging and developing our existing capabilities and resources.

Yet we are realistic. Many of the enduring tensions and tradeoffs inherent in public policy do not go away by adopting a different starting point, and some intensify. How, for example, should individual autonomy and choice be balanced with the collective good? What should be the balance between front-line discretion and central accountability? How much variation in services at the local level is consistent with ideas of national citizenship? How can fairness be ensured when individuals and communities start with big differences in capacity and resources? How can a bottom-up approach achieve overall strategic coherence?

### What problems, what kind of solutions?

In the following chart, we identify five categories of these 'enduring problems' that a bottom-up, social productivity approach to public services will need to address – strategy, legitimacy, equalities, service co-ordination and citizenship – and pose the key questions that each raises:

- We then identify types of approaches policy makers might adopt to develop solutions and suggest the kinds of solutions that might be applicable.

STRATEGY	
<b>WHAT ARE THE KEY QUESTIONS?</b>	<ul style="list-style-type: none"> <li>• How can big picture strategic goals be achieved from disparate starting points?</li> <li>• If we must make some fundamental choices as a society about what public services we want and need, at what level should these be debated and made?</li> <li>• What is the relationship between national strategy and local flexibility?</li> <li>• How are overall frameworks for cost control and quality assurance set?</li> </ul>
<b>HOW CAN POLICY MAKERS IDENTIFY THE ISSUES, AND START FINDING SOLUTIONS?</b>	<ul style="list-style-type: none"> <li>• Public deliberation over shared local and national socio-economic risks</li> <li>• Comparative analysis of political systems and public service models</li> <li>• Data and knowledge-sharing between offices, departments and localities</li> </ul>
<b>WHAT MIGHT THOSE SOLUTIONS BE?</b>	<ul style="list-style-type: none"> <li>• Greater data availability</li> <li>• Publication of advice to ministers, showing trade offs between alternatives</li> <li>• Negotiated local outcome agreements</li> <li>• National minimum framework of minimum rights</li> </ul>
<b>HOW DO THEY FIT INTO OUR MODEL FOR 2020?</b>	<ul style="list-style-type: none"> <li>• <i>Shifts culture</i> by encouraging participation in strategic decisions</li> <li>• <i>Shifts power</i> by encouraging local autonomy within broad strategic frameworks</li> <li>• <i>Shifts finance</i> by refocusing central state activity around strategic goals</li> </ul>

LEGITIMACY	
<b>WHAT ARE THE KEY QUESTIONS?</b>	<ul style="list-style-type: none"> <li>• Will citizens view such a settlement as legitimate and fair?</li> <li>• How can a fair distribution of contributions and benefits be ensured?</li> <li>• How can public services encourage autonomous and resilient individuals, but make good collective decisions too?</li> <li>• How do issues of sustainability, efficiency and affordability become 'owned' by citizens?</li> </ul>
<b>HOW CAN POLICY MAKERS IDENTIFY THE ISSUES, AND START FINDING SOLUTIONS?</b>	<ul style="list-style-type: none"> <li>• Public deliberation – 21st century town hall meetings</li> <li>• Online and open-meeting consultation</li> <li>• Data sharing and segmentation</li> <li>• Transparency in finances</li> <li>• Holistic analysis of need at place level</li> </ul>
<b>WHAT MIGHT THOSE SOLUTIONS BE?</b>	<ul style="list-style-type: none"> <li>• Fiscal transparency and policy openness</li> <li>• Community/neighbourhood/service agreements</li> <li>• More visible local political accountability</li> </ul>
<b>HOW DO THEY FIT INTO OUR MODEL FOR 2020?</b>	<ul style="list-style-type: none"> <li>• <i>Shifts culture</i> by engaging citizens in public trade-offs and decisions</li> <li>• <i>Shifts power</i> by developing policy from communities upwards</li> <li>• <i>Shifts finance</i> by reconnecting citizens with decisions on funding and sustainability</li> </ul>

<sup>59</sup> For example, the 'Citizen Charter' under the Conservative Major government; 'double devolution' proposed by all three main parties; the theme of citizen 'empowerment' emphasised by the

Labour Government from 2007; the 'post-bureaucratic age' of David Cameron's Conservative Party and the Big Society endorsed by the Coalition Government after May 2010.



EQUALITIES	
<b>WHAT ARE THE KEY QUESTIONS?</b>	<ul style="list-style-type: none"> <li>How can a model that focuses on how socially valuable outcomes are achieved rather than how entitlements are distributed ensure that no one gets left behind?</li> <li>How can such an approach take account of differences in the capacity and resources of different individuals and communities?</li> <li>If we reject a fairness-as-access entitlements model as inadequate, what is our equality framework?</li> <li>How can we create more social value, but also ensure its fair distribution?</li> <li>What dimensions do we use to evaluate equality and damaging inequalities?</li> </ul>
<b>HOW CAN POLICY MAKERS IDENTIFY THE ISSUES, AND START FINDING SOLUTIONS?</b>	<ul style="list-style-type: none"> <li>Social networks and community assets analysis</li> <li>Analysis of open data on contributions, benefits and redistribution</li> <li>Utilising a capabilities framework for assessment (outcomes, treatment, autonomy)</li> </ul>
<b>WHAT MIGHT THOSE SOLUTIONS BE?</b>	<ul style="list-style-type: none"> <li>Early intervention and preventative investment</li> <li>Targeted redistribution through premiums or tax credits</li> <li>National capabilities framework (assessing outcomes, treatment, and autonomy)</li> <li>Strong and visible local accountability and redress</li> </ul>
<b>HOW DO THEY FIT INTO OUR MODEL FOR 2020?</b>	<ul style="list-style-type: none"> <li><i>Shifts culture</i> by engaging communities (of place and identity) in determining their own solutions, and investing in individual and social capacity</li> <li><i>Shifts power</i> through locally-determined analysis and governance frameworks</li> <li><i>Shifts finance</i> by investing intelligently within the life-cycle and other preventative interventions</li> </ul>

COORDINATION AND INTEGRATION	
<b>WHAT ARE THE KEY QUESTIONS?</b>	<ul style="list-style-type: none"> <li>How can a bottom up model achieve effective coordination within and across services?</li> <li>What can create the right incentives for working across service silos?</li> <li>How can you achieve coherent accounting mechanisms for coordinated services?</li> <li>How are potential conflicts between types of services resolved?</li> </ul>
<b>HOW CAN POLICY MAKERS IDENTIFY THE ISSUES, AND START FINDING SOLUTIONS?</b>	<ul style="list-style-type: none"> <li>An audit of public spending within a locality</li> <li>Understanding citizens' needs and potential through data sharing and effective segmentation</li> <li>Peer-to-peer neighbourhood research to establish needs</li> </ul>
<b>WHAT MIGHT THOSE SOLUTIONS BE?</b>	<ul style="list-style-type: none"> <li>Integrated assessment and regulatory functions at local levels</li> <li>Individual budgets wherever appropriate</li> <li>Single-point commissioning for certain services</li> <li>Accountability for social outcomes, not service outputs</li> </ul>
<b>HOW DO THEY FIT INTO OUR MODEL FOR 2020?</b>	<ul style="list-style-type: none"> <li><i>Shifts culture</i> through engaging citizens needs and resources within service design</li> <li><i>Shifts power</i> through building services around citizens</li> <li><i>Shifts finance</i> through removing duplication and effective, outcome focused commissioning</li> </ul>

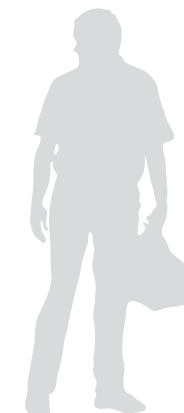
CITIZENSHIP	
<b>WHAT ARE THE KEY QUESTIONS?</b>	<ul style="list-style-type: none"> <li>How can a model based on reciprocity and social responsibility work if citizens are not willing to cooperate?</li> <li>How far should public actions try to shape citizen behaviour?</li> <li>How can policy makers encourage a shift from a consumerist to a more reciprocal model of citizenship?</li> </ul>
<b>HOW CAN POLICY MAKERS IDENTIFY THE ISSUES, AND START FINDING SOLUTIONS?</b>	<ul style="list-style-type: none"> <li>Qualitative research with families and communities</li> <li>Social network analysis – analysing local patterns of caring and activism</li> <li>Comparative international study</li> </ul>
<b>WHAT MIGHT THOSE SOLUTIONS BE?</b>	<ul style="list-style-type: none"> <li>Collaborative, mutual and cooperative service delivery models</li> <li>Citizens' contacts and area-based curricula</li> <li>Visibility over contributions and benefits – encouraging responsible consumption</li> </ul>
<b>HOW DO THEY FIT INTO OUR MODEL FOR 2020?</b>	<ul style="list-style-type: none"> <li><i>Shifts culture</i> by embedding social productivity within public services</li> <li><i>Shifts power</i> by giving citizens autonomy to shape their own public services</li> <li><i>Shifts finance</i> by utilising the latent resources and agency of citizens</li> </ul>

Approaching many of the enduring challenges of working together from a bottom-up, social productivity perspective can lead to very different types of solutions. But some lessons are clear:

- **A strategic framework is vital**, including an understanding of what should be done at different spatial, bureaucratic and political levels, and a recognition that individual rights must be balanced with those of the majority.
- Effective **public deliberation** is key to ensuring legitimacy.
- Strong **equality frameworks** are needed to balance the needs of individuals against majority needs.
- **Co-ordination and integration** have been difficult to achieve from the top down. Starting from the bottom up should make achieving these more likely, as long as money flows are from the same direction.
- The **model of citizenship** that must underpin this is currently neither universally valued nor actively fostered by public services. This must change if a new model is to be sustainable.

- The way we measure **performance** and **productivity** within this model will be absolutely key. Bottom-up means focusing first- on the outcomes people value, with public institutions and services measured according to the way they contribute to these outcomes.

Any new settlement for public services must be judged by the difference that it makes to resolving many of these enduring challenges. They must be used as a checklist from which to generate new policy, and a benchmark against which progress is measured.



### MEASURING PROGRESS AND PERFORMANCE IN PUBLIC SERVICES

How should we measure performance in public services, or account for progress in society? Our call for a shift from social security to social productivity is a rejection of the idea that traditional economic growth and productivity measures are adequate – a perspective that has been gaining traction within policy debates for some time. We discuss some of these approaches below.

#### Traditional measures of economic welfare

**National economic output:** Traditional approaches focus on the growth rate of Gross National Product (GDP). There are three main problems with this. **GDP does not consider patterns of distribution** – only ‘average’ levels of income per capita. **GDP focuses on formal economic output only** – the value of informal labour and resource is lost. **Current GDP growth does not consider sustainability over the long term** – missing out sustainability and intergenerational concerns.

**Utility/income maximisation:** Other traditional models of welfare economics have looked at the extent to which individual and social ‘utility’ is maximized. Income is often used as a proxy measure for utility, raising the question of how to redistribute it fairly, efficiently and sustainably across the population.

A focus on welfare as function of income and redistribution has helped to reduce major inequalities in our society. But at the same time, it ignores alternative resources and social objectives. Repeated studies have shown that income inequality is closely correlated to other forms of inequality across a range of social outcomes.<sup>60</sup> A more sophisticated measure would need to think more broadly.

#### Alternative welfare measurements

Many academics have considered a range of alternative measures that deal with the shortfalls of traditional measures as a proxy for welfare.

- **‘Gross National Happiness’ (GNH):** The concept of ‘Gross National Happiness’ (GNH) has the longest history. It goes beyond the narrow proxy of economic output to give a more rounded understanding of the social and psychological conditions of a country. GNH was pioneered in the Kingdom of Bhutan and takes many of its insights from Buddhist philosophy. Whilst difficult to calculate as a numerical value, policy proposals in Bhutan must pass a GNH ‘test’, which is similar to an environmental impact assessment in the UK.

This chapter has outlined some of the challenges and dilemmas that a new settlement for public services must address. Some are enduring problems and tensions of public policy. Others are the inevitable consequences of doing things in a less centralised, more citizen-centric way.

- **‘Gross Well Being’ (GWB):** Whereas GNH measures subjective ‘life satisfaction’, Gross Well Being has been used more frequently to refer to objective living conditions. As Lord Layard argues, ‘higher national income has not brought the better quality of life that many expected, and surveys... show no increase in happiness over the past 60 years...’<sup>61</sup> The Conservative Party’s vision of its ‘big society’ features a commitment to develop ‘a new measure of well-being that encapsulates the social value of state action.’<sup>62</sup>
- **Capabilities approach:** The capability-based critique of GDP has focused on the distinction between ends and means in economic analysis. Income-focused approaches concentrate on instrumentally valuable means (such as income and resources), at the expense of ends – the real freedom and opportunity people have to live lives that they value and would choose.<sup>63</sup>

The capabilities approach developed by Sen and others concentrates on the central and valuable things in life that people can do and be. It includes concerns for evaluating (1) personal advantage; (2) the efficiency and fairness of market outcomes; (3) poverty and inequality; (4) the adequacy of economic and social arrangements (including public policy and institutional frameworks); (5) trajectories of development and growth. The approach has gained significant influence in the field of international development and has been incorporated into the UNDP’s Human Development Index. It was also endorsed by the 2009 Sarkozy Commission on non-GDP measures of economic performance and social progress and has been adopted in the UK by the Equality and Human Rights Commission.

#### Is measurement of ‘well-being’ or ‘happiness’ necessary or sufficient?

In thinking about metrics for 2020 public services, we need to consider what ‘means’ and ‘ends’ we are trying to achieve. Are we striving to improve or maximize ‘well-being’ or ‘individual capabilities’? How can we understand the nature and extent of citizens’ capabilities at a societal level? Is this simply an aggregation of individual capabilities, or do we need alternative measures?

Finally, what role do public services play in delivering this objective? Are there aspects of well-being and individual capability or resilience outside of the reach of public services? Are there other outcomes that need to be included in our measure of progress that are not captured in the well-being or capabilities approaches?

We have suggested some ways in which these challenges can be understood by policy makers, and how they could be met. In the following chapter we show how these strategies can be brought together: from different ideological starting points, and within a new, more localised political context.

## CHAPTER FIVE The 2020 Locality

Since the publication of our interim report, *Beyond Beveridge: Principles for 2020 Public Services*, our Commission has been concerned with how to ‘make real’ the policies that could start to deliver our vision for 2020 Public Services. We have published a series of reports considering the application of our ideas to health, welfare, education and public safety. Having set out a range of policy ideas based on new principles, we have considered what the challenges for such a model would be – in terms of their impact upon citizens, and in terms of legislation, strategy and governance. Our engagement and consultation has thrown up very different perspectives on how bottom-up public services could be brought to life. But common to all is a conviction in the need to rebalance current governance arrangements, which are currently far too centralised and silo-based. It is this to which we turn in the following pages.

A rebalancing of power away from the centre and towards citizens is a fundamental tenet of our Commission’s work. After New Zealand – a much smaller country – the UK is the most centralised country in the world.<sup>64</sup> Without addressing this agglomeration of power in Whitehall or the entrenching of siloed service patterns, public services cannot meet the needs and aspirations of citizens today.

‘Localism has become one of the catchwords of the age. The major parties all proclaim their belief in it. Indeed, they argue not just for localism, but for a ‘new localism’, devolution not just to local government, but to the people.’  
Vernon Bogdanor, 2020  
Commissioner

As US Congressman Tip O’Neill famously said, ‘All politics is local’. The new risks and opportunities we face impact most fundamentally on us in a local context – as households, families, communities, and in the towns, cities and villages where we live. And as we enter a period of austerity the locality is where the impact of cuts and reforms to public services will be felt most acutely. As a Commission we believe that public debate must get beyond hysteria over the postcode lottery, and begin a new debate about how decisions about public services can be made closer to the people they support.

Our framework for 2020 Public Services provides principles and a model of change from which policy makers can draw. The next stage will be to consider how these principles could play out at a local level.

<sup>60</sup> See, most recently, National Equality Panel, *An Anatomy of Economic Inequality in the UK* (London, Government Equalities Office: 2010).

<sup>61</sup> Layard, R. (2010) *Measuring Subjective Well-Being* Science 29 January 2010: Vol. 327, no. 5965, pp. 534 – 535, DOI: 10.1126/science.1186315

<sup>62</sup> See [http://www.conservatives.com/Policy/Where\\_we\\_stand/Big\\_Society.aspx](http://www.conservatives.com/Policy/Where_we_stand/Big_Society.aspx)

<sup>63</sup> Although even one of the founders of welfare economics, Pigou, acknowledges that, *Economic welfare, however, does not contain all welfare arising in this connection [the earning and spending of the national dividend]. Various good and bad qualities indirectly associated with income-getting*

*and income-spending are excluded from it... economic welfare is, as it were, a part of welfare.* (Pigou 1914: 3-4; emphasis in original)

<sup>64</sup> *Radical Britain: The Unlikely Revolutionary* The Economist, August 14th 2010: 19

'I am convinced that things can be done very differently, and very much better. This will require a fresh coalition between citizens, those who work in public services and decision makers.'

Sir Andrew Foster, Chair, 2020 Commission

Our principles provide the foundation for a new type of deal – between citizens, public service workers, local governance and Whitehall – based on the idea of negotiated autonomy.

- Citizen engagement in determining priorities, and shaping service solutions, with neighbourhood based, integrated commissioning.
- Visible and accountable local governance provided by city and county mayors.
- A 'more for less' deal with Whitehall, based on 'less' money and 'more' control for localities, who could negotiate autonomy at different speeds.

The long-term success of this deal will depend upon a smaller Whitehall, with fewer ministers, fewer departments, and less funding centrally determined. The shape of the deal is what we turn to next.

**What would 2020 Public Services look like in a locality?**

The whole point about local decision making is that one locality should be free to be different from the next. From different political perspectives and with different patterns of local need and capacity, our shifts in culture, power and finance could lead to quite different policy agendas – each with its own implications, opportunities and dangers. A liberal-market approach emphasises the value of market distribution and the power of the citizen-consumer to re-shape public services.

An integrated approach values working across existing silos, assessing and evaluating public services on an outcomes basis. A social network approach emphasises the role of 'hidden wealth' in public services – building new models around existing patterns of social behaviour and tapping into the resources and knowledge of citizens.

Enacting our shifts from these three starting points would produce different types of local settlement. In the following pages we present three stylised examples showing what they might look like.

These archetypes are crude characterisations, but they illustrate how the three shifts we propose might play out, given different starting points. Policy makers across the political spectrum will inevitably draw from each at different times and, in a changing political context, many of the elements contained here are already being explored in central and local government.

The question we should be asking is: do these approaches help us reach the ends and outcomes we seek? To what extent do they represent a shift in culture power and finance? Can we place individual policies as part of a broader and more coherent narrative for change?

We believe that getting the governance framework right – the structures of accountability, commissioning and administration that would enable 2020 Public Services – is the key to answering these questions, opening up space for shifts to occur, and allowing a more citizen-centric model of public services to emerge. This is what the 'deal' between citizens, the locality and the political centre must address.

THE LIBERAL MARKET APPROACH	THE SOCIAL NETWORK APPROACH	THE INTEGRATED APPROACH
<p>'I believe in as much decentralisation as possible. The local state has to let go. A local market is the way to allocate public goods most efficiently and effectively.'</p>	<p>'I believe that public services must be reconfigured around the social networks and relationships that people are part of. We must forget about existing buildings and functions, and work more closely with the grain of people's lives.'</p>	<p>'I believe that public services must be as integrated as possible. People's needs do not exist in silos, and public spending is inefficient without coordination. Commissioners and providers – not citizens – should be joining up services.'</p>
<ul style="list-style-type: none"> <li>• A baseline national entitlement framework would exist, beyond which services are locally determined.</li> <li>• Directly elected boards for public services (e.g. health, police) would be voted for locally.</li> <li>• Central government would encourage and enable (through financial incentives and deregulation) a more plural and competitive supply side.</li> <li>• More services would be commissioned or grant-funded directly from central government. Few statutory or financial accountabilities would remain with local authorities.</li> <li>• Local managers would be freed up from too many centrally-set targets; restructuring and re-deploying resources decisions would be made locally.</li> <li>• People would have a choice of public service providers and commissioners (such as choice of GP). Practice-based commissioning would be extended to strengthen front-line clinical leadership and drive patient choice.</li> <li>• Downwards accountability would be strengthened – through direct choice of public service provider or commissioner. Money would follow the citizen-consumer within a quasi-market.</li> <li>• Relationships with services would not be prescribed at the centre, but would be shaped by services themselves in response to local circumstances and customer demands.</li> <li>• Citizen demand and efficiency pressures would stimulate development of multi-disciplinary interventions and partnerships. These may draw in new private and third sector partners.</li> <li>• Health and education inequalities would be tackled through a 'premium' that follows the poorest families.</li> </ul>	<ul style="list-style-type: none"> <li>• Citizens (with or without carers or advisers) and professionals would be enabled to jointly develop personalised plans for individuals' health social care and other needs – using single patient identifiers and significantly more 'everyday' data sharing.</li> <li>• The workforce would be reshaped around social and preventive principles. In health for example, this would mean less need for doctors, more social carers and primary care providers, and huge emphasis on low-intensity, preventive interventions.</li> <li>• Structural constraints would be overcome by delivering public services in more diverse ways in non-traditional settings that reflect citizens' social lives, such as online and via mobile technologies.</li> <li>• Co-operative and community based organisations would be encouraged to deliver basic health, social care and welfare services within localities (especially social-based interventions), and on much more of a peer-to-peer basis.</li> <li>• Public health and behaviour change campaigning would be reconfigured around relationships – relying on community advocates and one-to-one interaction, rather than large scale poster campaigns and top-down behaviour shaping.</li> </ul>	<ul style="list-style-type: none"> <li>• Community needs would be assessed through more integrated front-line assessment teams.</li> <li>• Commissioning would occur across a wide range of public services (such as health, social care, housing and employment) via integrated commissioning and procurement models which establish community need and hold commissioners to account for meeting agreed social outcomes.</li> <li>• New technologies would be used to create an integrated front-door for health, care and other services – joining up access points and data availability and aiding better communication between peers and between peers and professionals.</li> <li>• Health, social care, housing, welfare and potentially other public service funding would be integrated within an expanded and nationally regulated social insurance 'partnership' model.</li> <li>• Single approaches would be established to regulation and performance management that straddle organisational boundaries and make joint working more attractive.</li> <li>• Funding would be outcome-based rather than service based, and therefore less subject to ring-fencing.</li> <li>• Central government would ensure and shape local integration through stronger duties on public bodies to cooperate. These would include duties to commission jointly, to pool budgets and to share back-office functions.</li> <li>• Citizens (with or without carers or advisers) and professionals would be encouraged to jointly develop personalised plans for individuals' health social care and other needs – using single patient identifiers and significantly more 'everyday' data sharing.</li> </ul>

### The 2020 Locality

We have already argued that a simple transfer of power from existing forms of central-to-local government is too simplistic. The Commission's approach has been to look instead from the perspective of citizens and communities, ask how a delivery and accountability model would work best from these perspectives and apply this learning to a new model of governance for public services.

At the heart of our approach is the 'deal' that must be struck: between citizens, society, public services and different tiers of government. How does this work currently?

For those working within local authorities, policy development has often felt top-down and centrally-mandated. Budgets have been ring-fenced, and autonomy has often been limited. At the centre, a mistrust of the capability and wherewithal of local government has endured. Ministers have been sceptical about the consequences of loosening accountability and accepting locally determined service outcomes.

Policy makers across the parties are increasingly recognising that this is an unsustainable stalemate. But their prescriptions have nonetheless taken a number of different directions in recent years, and will change further still within a new political context. To be effective and sustainable in future, a 2020 approach must learn the lessons of both successes and failures. It must build on initiatives that promote integration, autonomy and responsibility and learn from instances where reform has undermined or disempowered those delivering it.

We believe that now is the time that a new type of local deal can be created. Why?

- The locality is the arena in which many of the innovations and developments we have discussed are **already happening**.
- Working at this level thus means **going with the grain** of best practice – building on existing knowledge and evidence bases, and tapping into an emerging culture of change.
- **Momentum** already exists at this level – in terms both of effective coordination of leadership, and of new thinking about public services within a new financial context.
- **Space for innovation** more obviously exists at a local level. The cost of piloting or trialling is less, and the political risks entailed in these processes are potentially more easily managed.
- The role of local government and public service commissioning bodies within the narrative of public service reform is currently in flux – allowing **opportunities for re-shaping** around 2020 principles.
- The locality is the arena in which the fiscal crisis – and the potential spending cuts that will be required to address it – will be felt most acutely. This chance to deliver **'more with less'** will open up space for creative approaches to policy.

The coalition government is already embarking on serious reform across public service areas such as health, education, criminal justice and housing. So a key task is to make sense of the long-term strategic direction of change, start developing coherence about the roles and responsibilities of different players within the locality, and think openly about the challenges ahead. The following section presents three models to begin this process.

### Three local models for 2020

1. Our first model is **radical liberalisation**. Under this model, the local state shrinks and the local market grows. The political centre lets go; public services are deregulated and integration depends on market forces. Market accountability is central. The citizen behaves as a consumer.
2. The other end of the spectrum is a model of **planned integration**. Local government's role is expanded. The centre mandates service integration, commissioning is integrated, and ring-fencing is removed from funding streams. Local government retains significant influence over services to citizens, who are viewed as subjects.
3. The third model – and the one we propose – is one of **negotiated autonomy**. Here the local state is active within a mixed market for socially productive public services. Service integration and relationships are negotiated between citizens, local government, service commissioners and Whitehall. Different localities negotiate different settlements at different speeds. The foundation is a social citizen.

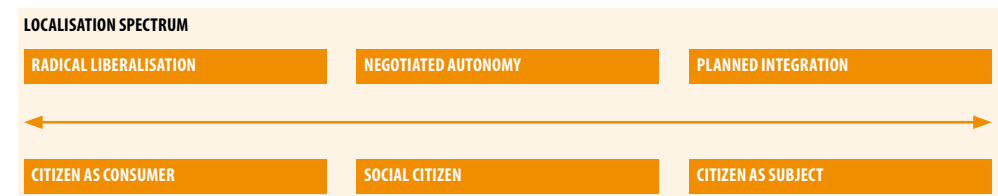
The diagram shows the spectrum of possibilities. At the one extreme is a **radically liberalised** settlement, based most obviously around market principles and a laissez-faire relationship between the political centre and local stakeholders. Within this context accountability is primarily downwards: the citizen must behave as discerning and rational consumer.

This model would allow self-determined partnerships to emerge, and accountability to be negotiated directly between neighbourhoods or providers with Whitehall. It would free up front-line professionals from current levels of assessment and performance management, and allow citizens a wide range of choices within a diverse market for social goods.

Many of these facets are positive, but there are obvious drawbacks. We know that the model of citizen as rational consumer is flawed, and that a liberalised system can fail those with complex needs without a more integrated approach to commissioning and assessment. Direct negotiation between providers and Whitehall also risks missing out a layer of strategic decision making – which could be inefficient, and unwittingly entrench service silos and centralised accountability.

At the other extreme is a settlement based on **planned integration**. This would see a role for local government as a conduit for the commissioning of public services, responsible for administering a mandated integration of services through existing institutions. Within this context, the citizen is more passive; local accountability primarily rests upwards to central government.

Such a model would integrate and simplify funding streams for public services. It would strengthen the role of local government as strategic decision-maker and de facto centre of accountability for public services. It would allow greater spending discretion for local government, and enable a much more joined-up assessment of needs and opportunities within local communities.



Again, we believe that much is positive. But the terms of the ‘deal’ that would enable this are statist – mandated integration, regardless of the capacity, wherewithal and willingness of local actors. The model misses out the citizen. It is about delivering services *to* people, rather than engaging them through choice or through democratic means. It does not allow for flexibility over the terms of collaboration between providers and commissioners (for example around communities of need, rather than geography). It would rebalance political accountability, but effectively replace one top-down monolith with another.

The model we propose is **negotiated autonomy**. This treads a path between these two extremes. It draws from the lessons from our *Local Public Services* research project, which proposed a staged approach to reform, based on existing capability and momentum within different localities. In this formulation, a settlement would neither be laissez-faire nor centrally planned, but the result of negotiation and deliberation between active, social citizens and the institutions that represent them.

Most fundamentally, the foundation is a stronger notion of citizenship – demanding a role for citizens in defining priorities, shaping service solutions and playing a key role in the commissioning of different activities. Citizens are neither solely consumers or subjects, and any model for 2020 should be built on this understanding.

We believe that the negotiation taking place to formulate any new deal must be done at a locality level. Without this level of strategic planning or visible accountability, public services risk becoming more fragmented, and even more centrally determined.

**NEGOTIATED AUTONOMY**

- The local state becomes more active where it can demonstrate additional value – both in fiscal terms, and in terms of social productivity.
- Where they wish to do so, local authorities in regional partnerships start negotiations with central government to identify areas of service provision where ring-fencing can be removed. This allows space for locally devised solutions.
- Partnerships may bid to take on responsibility for some of the services that are currently provided by national or regional public bodies in their areas.
- Negotiated deals between central and local government are likely to offer more operational freedoms for less funding.
- Local authority partnerships will need to demonstrate that integrated service relationships are robust and cover a diverse supplier base.
- Local authority partnerships will demonstrate that downwards accountability to citizens is strong through effective representative and participative democratic mechanisms, including at ward and area level.
- Where these conditions are met, central government agrees the merging of funding streams, the pooling of budgets locally and a scaling-back of vertical accountability (central targets, regulations and inspections).
- Expanded autonomy stimulates innovation and new providers, including more at grass-roots level.
- Some areas have neither the capacity nor the wish to pursue such deals, so service provision becomes more variable nationally, as do systems of accountability.

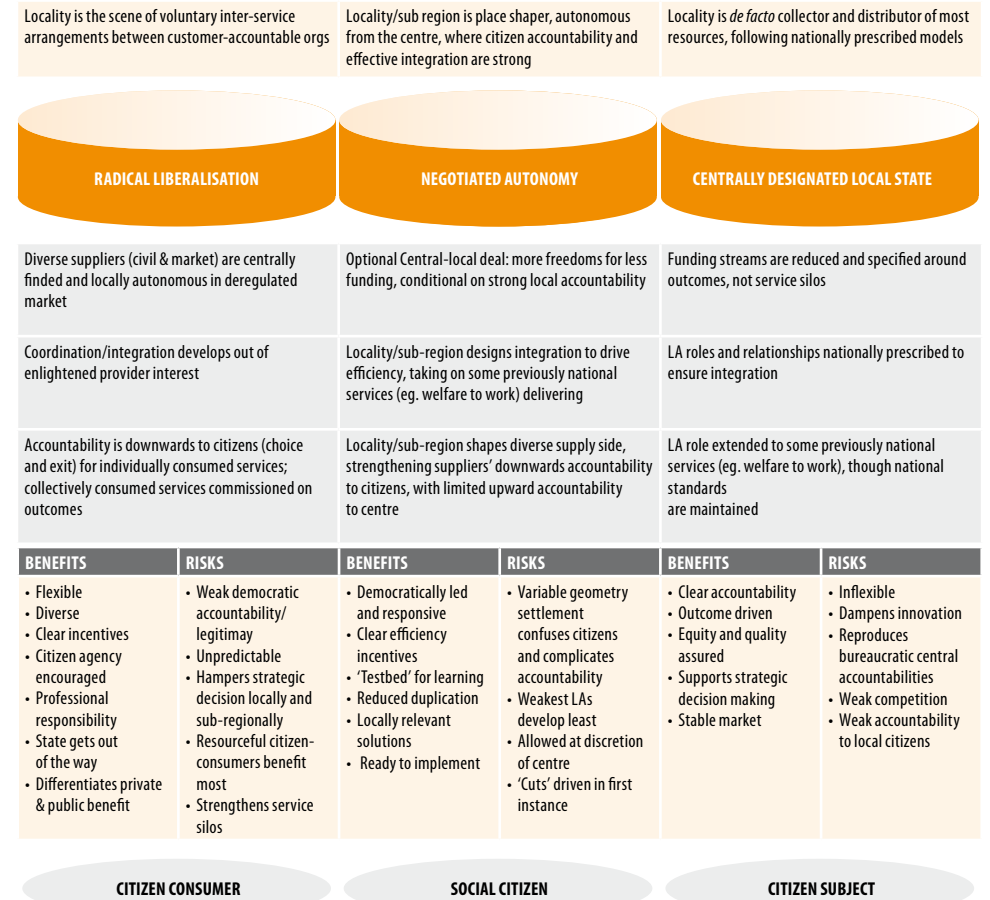
The chart on the opposite page sums up the key characteristics – as well as the benefits and drawbacks – of each model.

We think that a model based on negotiated autonomy is the best way to unlock the potential for 2020 Public Services within a locality. This approach:

- **Shifts culture** through basing state action on the extent to which it is socially productive.
- **Shifts power** through promoting a new, less prescriptive and more open type of conversation between the centre and the locality, and with the citizen.
- **Shifts finance** because the funding and commissioning of public services is linked more closely to locally determined social outcomes.

The role and scope of local governance is currently being renegotiated in the light of major reforms to health, education and other public services. We believe that, for the long term, the extent to which these changes can really shift power to citizens and communities will depend upon how engaged citizens and the workforce are in these processes of change.

<sup>65</sup> Shared Intelligence, *‘Delivering a Localist Future: A route map for change’* (London, 2020PST: 2010)



**Negotiated autonomy – how to get there**

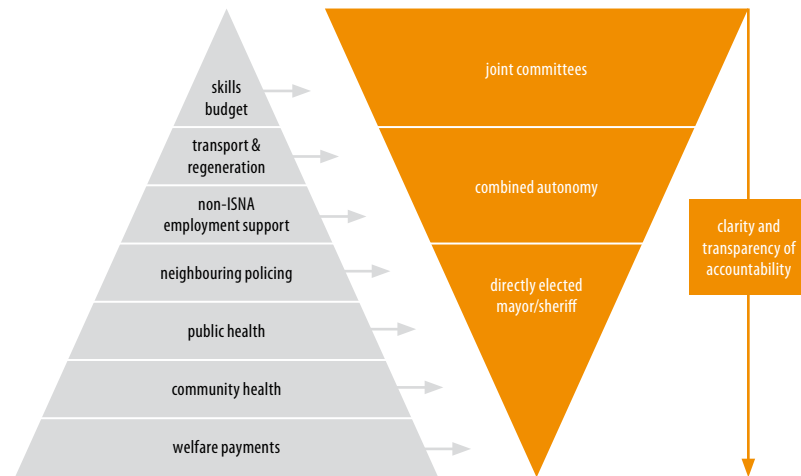
*Delivering a Localist Future*<sup>65</sup> – a report to inform the Commission – set out a route map to negotiated autonomy, based on extensive consultation with citizens, public service professionals, and leaders in local and central government. Several considerations informed the approach:

- First, it is clear that central government simply doesn't have the capacity to conduct meaningful negotiations with every council and unitary authority. This suggests that the level of city-region, sub-region or county level

could be more appropriate. It also suggests that those that can and want to move quicker than others should be enabled to do so.

- Second, visibility is important. Citizens need to know who represents them, and how they can get involved in the discussions that will shape their own negotiated autonomy.
- Third, and perhaps most important, is the financial 'deal' that must be struck. We suggested this should be a 'more for less' single place budget, which would trade off local spending and policy autonomy against less total funding from central government.

### NEGOTIATED AUTONOMY AT CITY REGION/SUPER COUNTY LEVEL



But how can we get from a set of propositions to this negotiated reality? We suggest seven steps below in Box 1, and in Box 2 show how negotiated autonomy could work across different service areas and local stakeholders.

#### A ROUTE-MAP FOR LOCAL CHANGE

There are seven key elements of a route map for change:

- 1. Determining the level at which the negotiations should take place** – for instance at large city, strategic county or sub-regional level
- 2. The composition of a 'more for less' single place budget** – with scope to include multiple strands of public services within a locality
- 3. The nature of more visible local accountability** – that would be appropriate to support the new roles – e.g. a mayor, governor or commissioner
- 4. A set of agreed outcomes and the devolution of new powers** – to support the delivery of those outcomes
- 5. The changes required within central government** to support this process
- 6. The importance of a parallel process of leading and letting go locally**
- 7. The nature of local delivery** – including a commitment to efficiency and engagement of frontline staff.

*Ref: Shared Intelligence, 'Delivering a Localist Future: A route map for change' (London, 2020PST: 2010)*

Our model of negotiated autonomy provides a set of principles from which to begin a more consensual and deliberative approach to local public service reform. We believe that localities – local governments, local service providers and local communities – need more freedom to shape their own futures. But this freedom *must* come with a responsibility: to shape local strategies around a set of strategic principles based on the citizen perspective; to engage citizens and the workforce in the processes and long-term direction of change; and to maintain a focus on strategic decision making and policy coherence within a more liberalised settlement. Without this focus, decisions driven by deficit reduction today could derail the prospect of more fundamental reform for 2020.

Developing these proposals with different localities is the next stage for those taking forward the work of the Commission.

## CHAPTER SIX Conclusion

Our final report brings together the results of our inquiry into the future of public services. It is the result of eighteen months of analysis, debate, wide consultation and hard thinking from a diverse group. We did not pre-determine our direction or close down options. We have remained very open to new ideas. We have sought to find approaches and solutions that could command widespread and long-lasting support.

Our ideas set out in this report are transformative: public services grounded in the lives of citizens today, animated by the concept of social productivity as the means to achieving shared goals. While we are clear about this as the direction, some of our conclusions remain a work in progress. It is now up to others – those who work in, who value, who make decisions about and who depend upon public services – to bring our ideas to life.

This report has argued that it is time to move on from Beveridge. His vision for public services – based on the realities of the 1940s – has served us well for over sixty years. But as society has changed and new social risks emerge, the suitability and sustainability of our public services model is increasingly under question. We cannot afford to keep delivering public services in the same ways, and nor should we want to. Yet as a society we have not yet found a convincing alternative to Beveridge's original vision.

We believe that the fiscal crisis is both a danger and an opportunity for public services. The danger is that immediate fiscal imperatives dominate our thinking: we become short term and reactive, unable to open up the more fundamental, systemic reform we think is necessarily for the long term. But it is also an opportunity to think quite differently: about the way that public services engage with citizens and create value in the future.

Just as our welfare state was the result of broad, cross-party consensus, so we should look for this again today. As a Commission we have placed great emphasis on engagement, consultation and coherence. Our starting points have often been different, so we have developed a set of principles that can take account of those differences and command widespread support. The result is our shared vision for 2020 public services set out in this report.

#### Shifting culture, power and finance

Our model of public services must be turned on its head: starting from the citizen and focused on achieving public goals through a much wider range of means. We have called this approach 'social productivity'.

In future, public services must be judged by the extent to which they help citizens, families and communities achieve improved social outcomes as partners. As fiscal resource becomes more squeezed, it is vital that public services get better at nurturing and utilising the social capacity and resources of citizens.

Our report has proposed three profound shifts in policy as a framework for generating social productivity in public services. Where fragments of the future exist, we have looked to showcase them. Where public service workers are already demonstrating the approach we advocate, we have asked how the system in which they operate could nurture and support these kinds of innovations.

What we propose is a shift in culture, a shift in power and a shift in finance. Three shifts provide a framework for reform based on coherent principles, and a guide from which policymakers can negotiate the many – demand, behavioural, productivity and fiscal – challenges ahead:

### 1. A shift in culture

- Public services must engage and enrol citizens, families, communities, enterprises and wider society in creating better outcomes as partners. The state, market or society alone cannot achieve this. So our goal must be a new culture of democratic participation and social responsibility.
- Rather than allow cash strapped public realm services such as libraries, parks and leisure centres to close, wherever possible these should be run as mutuals by local people.
- Parents and local communities should be free to agree educational outcomes and co-develop curriculums with local schools; ‘free schools’ should not be the only new way in which parents can be involved in local education.
- New lifecycle social accounts should track tax, benefits and service use, and allow social contributions to be recorded and valued.

### 2. A shift in power

- Our Whitehall model cannot deliver the integrated and personalised public services that citizens need. We need to invert the power structure, so that services start with citizens.
- Citizens should control more of the money spent on services such as long-term care, health and skills, backed up by choice advisers or mentors.

- Neighbourhoods should be able to commission their own integrated services.
- Welfare services should be locally controlled; with city regions and large counties setting their own living wage.
- A new deal for cities and counties, in which they take over primary responsibility for strategic commissioning of most public services.

### 3. A shift in finance

- Public services must be more open, transparent and understandable to citizens. Contributions and benefits across the life-cycle must be clearer, allowing citizens to use public services responsibly. The way we finance public services must reflect the purposes they are intended to achieve.
- Citizens should receive annual on-line statement from their social account of contributions made and benefits received.
- Co-payment and partnership funding models should be used where services generate personal as well as public benefits, such as higher education, and long-term care.
- Payment by results should become the norm in as many areas of service delivery as possible.
- Social impact bonds should be extended, to enable local investment in prevention and early intervention.

### The 2020 Locality

Ultimately, all politics is local. Sustainable reform for 2020 must start within this context – this is where the impact of reforms and the effects of spending retrenchment will be most keenly felt. Our public services model is too highly centralised. We need to see more local control of public services, sustained by citizen engagement and public deliberation. Decisions must be made much closer to those who will be affected by them, based on a new local democratic discourse. Public services must encourage and enable citizens to use services responsibly, make the most of their entitlements, and make a positive social contribution within their communities.

We have proposed the 2020 Locality based on a model of negotiated autonomy as a means of getting there.

Throughout this report we have argued that people cannot be expected to engage with public services when political decisions are opaque and financial flows are hidden. The credibility and legitimacy of public service reform hinges on squaring with citizens: they must be more aware of how public money is raised and spent, and how they contribute and benefit themselves. To this end, we believe it is the responsibility of ethical leadership to open up the policy trade-offs and spending decisions that will inevitably affect citizens. If people are uncertain how public services are financed and accounted for, we cannot hope to engage them in a more reciprocal model in future.

### Lessons for policymakers today

Our job has been to develop a vision for 2020, but our process has also told us something about the direction of policy travel in 2010. Even in the context of severe spending retrenchment, there is much to say that is positive. The relationship between people and public services is being recast. Opaque departmental decision-making is being opened up; and citizens are being asked to do more to help create a ‘Big Society’. These are significant developments, but our work also throws up some important lessons about how to manage change:

- It is vital to have open and honest engagement with citizens and the workforce about the scale of the challenge facing public services, and how to respond to this. This dialogue must be substantive and deliberative – focused on real choices. So far some 58% say they accept the need for cuts, but there is still a vacuum where there should be a public debate about what this would mean for a future settlement.
- A clear strategy for building social capacity – especially in areas which have experienced multiple deprivation. This will require more initial investment from the state, particularly in early intervention and around joined up neighbourhood services.

- Local accountability should be encouraged so that reform has genuine local ownership and control, and so that responsibility isn’t simply passed up to ministers when the going gets tough. If this doesn’t happen then we will remain stuck with the contradiction that whilst people support greater local control, at the same time the vast majority (81%) want services like the NHS to be the same everywhere.

This is our final report: our vision for 2020 Public Services. We know that it is a beginning, not an end point. As the lives of citizens change, so must our public services. As the risks and opportunities facing citizens evolve, so must the role of the state in ensuring engagement, fairness, growth and social productivity. Through this journey, public services must start with the citizen. They must put us in control of our lives, enabling us to take responsibility for ourselves and others.

We offer a challenge: to citizens, to government and to those working in public services. Meet the new demands, constraints and opportunities we face not with the traditional tools of top-down delivery management, but with a positive vision, a citizen focus and a new culture of social productivity.

Everyone has a role to play in achieving this change. We hope this report will provide the impetus for action.



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**Find out more about the 2020 Public Services Trust**

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