

## Our future public services

A challenge for us all

*“We must overhaul services in ways that match the needs of tomorrow’s society.”*

*Business has an ambitious, long-term plan for the UK, in which opportunity and prosperity are shared by all. High-quality public services such as education and health are integral to a healthy, skilled and productive society.*

**These services are today under threat from a cocktail of challenges.**

The scale of the challenges and the pace at which they need to be addressed has not been gripped by any political party.

This report spells out the issues as well as the solutions that should form a programme for government action on public services over the next Parliament. It sets out three challenges:

**Challenge #1:** Public services need to get ahead of the game in meeting the needs of an ageing population, while we start to live within our means

**Challenge #2:** Public services need to fit around people’s lives and match their changing expectations

**Challenge #3:** People need to be confident that ongoing change is the right thing to do and support it

**This report is a call to action.**

The next government must build a consensus on what our future public services look like and then implement a plan to make the vision a reality.

Achieving it will require tough choices about spending priorities and a frank dialogue with the public about what services will look like in the future.

We have no time to waste.

# The three challenges facing the UK's public services

## Challenge 1 – reshape services

The first challenge is for public services to be reshaped to get ahead of the game in meeting the needs of an ageing population, while at the same time we start to live within our means.

For too long, public services have been spread ever more thinly across existing structures. We must overhaul services in ways that match the needs of tomorrow's society.

So our core recommendation is to **make the health system fit for purpose and integrate it with social care** so the emphasis is on meeting the needs of an ageing population.

This type of change should be echoed across government, putting the emphasis on transformation, not simple cost-cutting. And our public services need to be re-shaped so we live within our means.

## Challenge 2 – fit services around people

The second challenge is to make public services fit around people's lives so that they match the expectations of a 21st century economy.

Joining-up services delivers better outcomes and make accessing them more convenient for users. Making all services are digital is a big part of this and would ensure public services are both convenient and accessible for the people who use them.

## Challenge 3 – build public confidence

The third challenge is building people's confidence that ongoing change and reform of public services is the right thing to do and winning support for it.

The starting point for this should be an honest, national conversation about what services should be prioritised, what is affordable and how services are best delivered. To inform this debate, the public should expect high levels of transparency so quality and value for money can be judged, regardless of who provides the service.



## Solutions

### Challenge 1 – reshape services

1. The next government should **integrate health and social care through unified budgets and commissioning structures** to connect GPs, hospitals and care either at home or in a residential setting.
2. **A joined-up approach focused on real-world problems needs to be replicated right across government**, with an emphasis on transformation rather than simple cost-cutting.
3. The UK needs a new fiscal discipline to ensure we live within our means. This could be achieved by a **‘sustainable fiscal rule’ to be implemented once fiscal consolidation is complete in 2018/19**, ensuring the government spends no more than the revenues it raises and holding public spending at 38% of GDP over the course of the economic cycle.
4. A central feature of the new discipline should be **a gradual switch away from high levels of welfare spending** to policies which make a difference by tackling underlying problems.

### Challenge 2 – fit services around people

5. **A scaled-up Government Digital Service should be given the lead role in driving development of digital routes** as the primary way citizens interact with all public services by 2020.
6. The next government should oversee development of **joined-up services through physical co-location to ensure people get support efficiently and conveniently**, guided by a review to prioritise areas for action.

### Challenge 3 – build public confidence

7. **An independent, cross-party commission on public services with citizen participation** should be set up to shape a cross-party mandate that unlocks long-term reform.
8. The next government should aim to ensure **all providers of public services are equally transparent about costs and performance**. To aid the process, early in the next Parliament the government should publish baseline performance metrics for all public services.
9. The next government should **make the case for innovation and experimentation within acceptable limits in public services** and encourage public service professionals to test new approaches.

## Challenge #1

### Public services need to be reshaped so we can get ahead of the game and meet the needs of an ageing population while we start to live within our means

We need to confront some undeniable truths about the changing demographics of the UK and what they mean for the affordability of public services.

To put this into perspective:

- *On current projections, spending on social care will pass 45 per cent of council budgets by 2019/20<sup>1</sup>*
- *One in every three children born in 2013 are expected to live until they are 100 years old*
- *For 18 out of 21 years between 1993 and 2014 the UK government spent more than it collected in taxes.*

To address these challenges:

- **We need a seamless health and social care system geared towards an ageing population...**
- **...this joined-up approach needs to be replicated right across government, with an emphasis on transformation rather than simple cost-cutting...**
- **...and we need a new fiscal discipline to ensure we live within our means.**

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### We need a seamless health and social care system geared towards an ageing population...

Without a change in approach, meeting the health and care needs of our ageing population will rapidly become unaffordable. We need much more emphasis on prevention rather than cure, and care delivered in homes rather than hospitals where appropriate.

The NHS faces very different challenges today compared to when it was founded in 1948. Back then, its focus was on a backlog of chronic conditions such as lung disease, often caused by poor working or housing conditions and left untreated because of limited access to healthcare. It was also expected to protect the UK from epidemics – with memories of the flu

epidemics of 1918 and 1943-44 still strong – and to tackle infectious diseases such as polio and cholera. Back then average life expectancy was 60 for men and 63 for women, so caring for the elderly was not a major feature of policy. The relatively few people surviving into later life would typically be supported by their families.

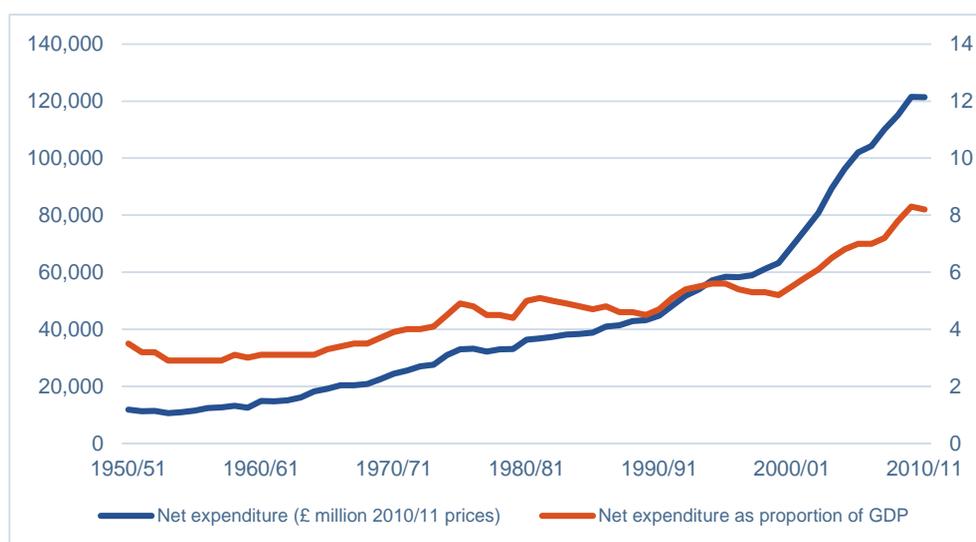


These medical priorities were reflected in the structure of the 1948 NHS, which was dominated by hospital care. This was governed through an unwieldy administrative system of regional hospital boards, hospital management committees, executive councils and local health authorities. In the following years, the NHS sought to close many smaller, formerly voluntary, hospitals and base as much clinical activity as possible in large district and general hospitals.

Aneurin Bevan, the health secretary who established the NHS, believed that the cost of the NHS would decline as the health of the nation improved. This was soon shown not to be the case (**Exhibit 1**). Demand for healthcare has continued to rise as the population ages and new treatments become available. Long-term health conditions, such as diabetes, have become more common. And people expect to see doctors more often: **the average number of GP visits per person increased across all sections of society between 1995 and 2008**, with the largest increase seen with people over 70 – who on average saw their GP twice as often as before.<sup>2</sup>

Despite the changing shape of demand for healthcare and repeated attempts at reform, the model of service delivery used by the NHS in 2014 would be largely familiar to a patient in 1948. Today, the NHS continues to focus the delivery of care through large general hospitals. It records and shares information largely on paper and GPs have weak links with other forms of primary care, such as pharmacies and the adult social care system.

Exhibit 1 NHS spending over the years 1950 – 2011<sup>3</sup>



The care setting most favoured by the NHS – large general hospitals – is expensive and not best suited to our ageing population’s needs. Updating our model of care requires ending the division between health and social care and widening access to primary care. When the NHS was created, there was hardly a need for social care. But with 60% of people now needing significant support in later life, we should be forging seamless links between GPs, hospitals and care either at home or in a residential setting.

Even an integrated health and social care system will be overwhelmed by demand unless the bottleneck in primary care is addressed. Many people who struggle to secure a GP appointment at a time that is convenient for them instead visit A&E, even if they only have a minor ailment. Treating ailments such as coughs and colds in local pharmacies – as is already the case in Scotland – could save the NHS in England over £1bn a year, according to research conducted by the University of Aberdeen, by reducing the number of A&E visits by 650,000 per year and GP consultations by 18 million.<sup>4</sup>

Technology could add further to the capacity of local health systems by supporting those with long-term health conditions in their own homes, avoiding the need for repeat GP or hospital appointments. For example, many patients with diabetes could undergo dialysis in their home while they sleep instead of in hospital. Telehealth and telecare methods can also be used to monitor the wellbeing of those with chronic conditions, and alert a local clinician, for example, if specific vital signs recorded by the equipment suggest this could be necessary.

Integrating health and social care would require bringing together their respective budgets and commissioning structures. If hospitals, care homes, and community-based services are to be part of the same care pathway, they need the same financial incentives. This new, integrated budget would save money and improve clinical outcomes by shifting care out of hospital and into homes and communities.



**Recommendation 1** The next government should integrate health and social care through unified budgets and commissioning structures to forge seamless links between GPs, hospitals, and care either at home or in a residential setting.

**...this joined-up approach needs to be replicated right across government, with an emphasis on transformation rather than simple cost-cutting...**

Partly driven by necessity, fiscal consolidation so far has too often resulted in a "spend less, get less" approach rather than genuine transformation in the way public services are run to achieve more effective and efficient outcomes. Transformation means re-thinking solutions to problems, so that related services are focused on tackling common problems, or re-engineering services to avoid duplication of resource and effort.

There are already some encouraging examples where transformation is happening to good effect and delivering savings, especially at a local level.

Examples include:

- **Troubled families** – a central government initiative launched in 2011 joins up services from six departments to support 120,000 families in England which have major difficulties, costing the public sector £9bn per year. Different agencies support children back into school, reduce youth crime and anti-social behaviour, and help adults back into work. This coordination saves public money and helps deal with each family's problems as a whole rather than responding to issues separately. Councils are paid £4,000 per family via a payment-by-results scheme if they can address these problems – far less than what the overall cost would be to the public sector if no action were taken.
- **Greater Manchester Combined Authority** – the combined authority model has shown how a joint structure can facilitate more targeted services to citizens and the local community. The maturity of the local authority partnership has provided the right foundations for joint working between local public sector bodies delivering services, and has assisted in tackling some of the barriers to integration, such as local politics. The combined authority was selected to be a Community Budget pilot, a central government initiative that provides support for councils and their local partners to tackle shared challenges by integrating services. In Greater Manchester the estimated net savings from the Community Budget project have been set around £270 million over five years.<sup>5</sup>

- **Transforming rehabilitation** – a Ministry of Justice reform programme to be launched in 2015 promises to deliver 120% performance at 80% of the cost to the taxpayer by opening up the market to a diverse range of new rehabilitation providers and giving them the flexibility to do what works. The aim is to reduce reoffending rates, which have stabilised at between 26% and 29% since 2009. Providers are paid in full only for measured reductions in reoffending. This means looking across the full range of offenders' personal needs and challenges – such as helping them into work, managing a mental health problem, or finding accommodation – rather than one-size-fits-all approaches that too often end with the offender back in prison. The programme is supported by a new 'through the prison gate' resettlement service that gives offenders continuity of support from custody to the community.

These examples show the potential. Transformative approaches need to start happening at scale, right across government.

Actions that would help to enable and accelerate this include:

- **Longer-term budgets to encourage investment in transformation, rather than year-on-year spend**
- **More pooling of budgets to address real-world problems rather than reflecting existing departmental structures.**



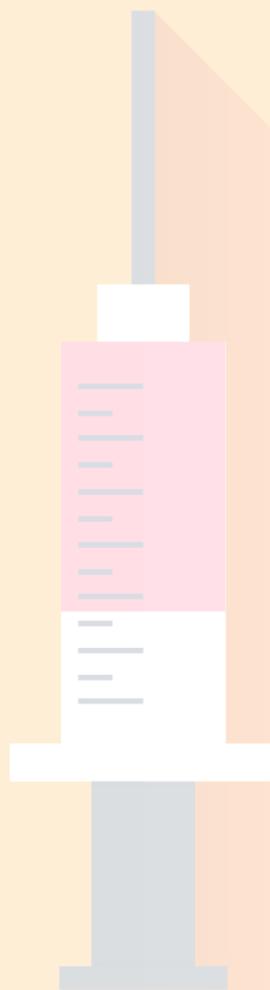
Politicians from various parties have committed to ring-fencing budgets to signal legitimate political priorities. But this shouldn't prevent change happening in those areas and it is important that no area of government spend should go untouched by the transformation approach, with health and education in particular needing integrated solutions.

At the same time, it is important to look within ring-fenced budgets to see if efficiencies can be found and resources can be better targeted to tackle challenges.

Ring-fencing budgets risks distorting spending by concentrating resources in some areas while neglecting others. For example, the schools budget is protected and has increased, but the budget for 16+ education has been cut at the same time as the education participation age has been raised to 18. This risks affecting the quality and range of vocational provision for this key age group.

Similarly, ring-fencing the NHS budget has left little scope for necessary collaboration with the adult social care system – if the two budgets were merged, integrated solutions to tackle shared problems could more readily be found.

**Recommendation 2** A joined-up approach focused on real-world problems needs to be replicated right across government, with an emphasis on transformation rather than simple cost-cutting.



## ...and we need a new fiscal discipline to ensure we live within our means

We have to start living within our means by:

- **Reducing and then eradicating the budget deficit, so we curb the amount of money spent on debt interest payments**
- **Putting welfare spending on a sustainable trajectory.**

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Only if we make solid progress towards these objectives can the government start transferring resources into areas such as skills and infrastructure, which will boost the productive capacity of the economy and increase future prosperity.

Tackling the deficit is critical to securing the UK's long term economic health. And by the end of 2013/14 financial year, the job is only half done. We need to identify a further £77bn in savings to get the UK's public finances in order – equivalent to over £1,200 per person in the UK.

Reducing and then eradicating the deficit means that over time we can curb our debt interest payments so public money can be put to more productive use. By 2018/19 the UK government is forecast to be spending £75 billion on debt interest payments. This means that in the next parliament debt interest payments are forecast to exceed education spending for the first time in a generation.<sup>6</sup> This situation is not sustainable. It also puts at risk the effective delivery of public services that can support long-term growth.

From now on, governments of any colour must ensure that they place debt-to-GDP on a downward trajectory to free up resources to spend on the areas that matter.

The challenge isn't just a result of the financial crisis. For 18 out of 21 years between 1993 and 2014 the UK government spent more than it collected in taxes.

So we recommend that public spending should be put on a sustainable footing by linking it to GDP growth. This could be achieved by introducing a 'sustainable fiscal rule' in the next parliament – to be ready for implementation once fiscal consolidation is complete in 2018/19. This will ensure that the government spends no more than the revenues it raises. Holding public spending at about 38% of GDP over the course of the economic cycle would keep it affordable and in step with long-term tax receipts.

Alongside reducing debt, we need to lock in fiscal responsibility for the long term by setting welfare spending on a sustainable trajectory. This is essential if the UK government is to channel more resources into the areas of public spending that can promote economic growth and increase state revenue over time.

There is broad public support for the original scope of the welfare state to protect citizens who are disabled, elderly or fall on hard times through loss of a job. It is important that these elements continue. But as the [case study](#) opposite demonstrates, welfare needs to be effectively coupled with support into work through policies such as the Work Programme, where providers like Prospects help people find suitable jobs.



savings needed to get UK public finances in order

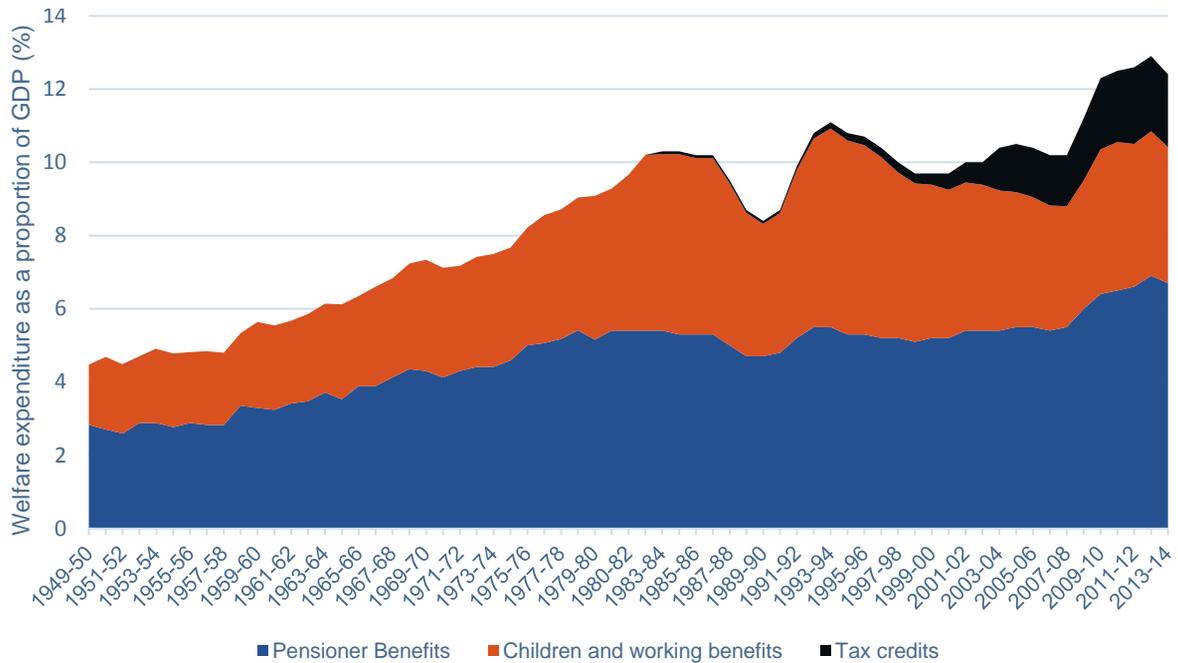
## CASE STUDY **Broad network helping people from all backgrounds find work**

One of the first and largest new public sector mutuals, Prospects, is a prime contractor for the Department for Work and Pensions' Work Programme in the South West. Prospects helps people from many different background to find a job, sometimes for the very first time. A wide range of organisations support them, such as Dorset Probation Trust, Shelter, Restore Trust and Volunteer Cornwall. To meet the varied and challenging needs of people who come through the Work Programme, Prospects has developed a specialised programme called 'Ascent' to motivate customers, address barriers to work and change behaviour, while tracking each individual journey from start to finish. Prospects finds support in a strong and vocal group of partner organisations to deliver results for the people referred to them. The stories and challenges people come with into the Work Programme are wide-ranging:

- John was helped to become a catering tutor after being out of work for over a year
- Gordon had to restart his life after being forced to move to a new location after he was violently attacked. He is now studying English and IT to prepare him for future employment
- Samantha has been a full-time mum for twenty years, looking after her four children. She was helped into training on an IT course and is seeking her first ever job
- Karen had to overcome issues of domestic violence. She was referred to the Work Programme as a vulnerable adult. Through help and training from Prospects she has gained full-time employment as a domiciliary care assessor.



Exhibit 2 UK benefit expenditure as a proportion of GDP



The level of welfare spending in the UK increased dramatically as a proportion of GDP over the second half of the 20<sup>th</sup> century. In particular, benefits paid to working-age citizens have grown to more than three times their initial proportion during the past 70 years, most recently with the expansion of Working Tax Credits since 1999-2000. (Exhibit 2)

Savings can be achieved through a gradual switch away from high levels of welfare spending to policies that make a difference by tackling underlying problems. For example, much of current government spending on housing benefit could be gradually redirected towards capital investment in housing to tackle the undersupply of homes.

Currently the government spends around £24 billion a year on housing benefit, compared to under £6.5 billion on the development of new homes. Switching the focus of spending over a clear timeframe is one way to curb unsustainable welfare budgets through capital investment, with long-term benefits for society and citizens alike.

**Recommendation 3** The UK needs a new fiscal discipline to ensure we live within our means. This could be achieved by a 'sustainable fiscal rule' to be implemented once fiscal consolidation is complete in 2018/19, ensuring the government spends no more than the revenues it raises and holding public spending at 38% of GDP over the course of the economic cycle.

**Recommendation 4** A central feature of the new discipline should be a gradual switch away from high levels of welfare spending to policies that make a difference by tackling underlying problems.

## Challenge #2

### Public services need to fit around people's lives and match their changing expectations

Funding for public services will be under intense pressure in the years ahead, so we need to use those resources in the smartest ways we can. Building public services around people's lives is not only more convenient for end users, but aligning related solutions and services focused on a common problem will also deliver more impact. The CBI wants to see more action in two key areas under the next government:

- **Accelerating digital public services to make it easier for everyone to deal with them**
- **Joining-up services through physical co-location to ensure people get support speedily and cost-effectively.**

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### Accelerate digital public services to make it easier for everyone to deal with

Public services need to do more to keep pace with digital technology. There is currently a mismatch between how people manage their lives online and the way they interact with public services. In the past 12 months 77% of people bought or ordered goods or services online, but only 41% interacted online with public authorities.<sup>7</sup>

Perceptions between government and the public also differ: 75% of council leaders think their councils embrace technology to improve local services, but only 29% of the public share that view.<sup>8</sup>

There is strong appetite to change this and make 'digital by default' a reality. Ipsos MORI polling for the CBI shows that only one in six people are opposed to public services being offered online, when it is offered as a choice and not the only way to access the service.

Digital routes should become the primary way citizens access public services, just as much of the private sector has built online services as the main point of contact.

Progress has been made through the Government Digital Service (GDS). And some government services have achieved great results like self-assessment tax

returns, driver licensing and voter registration alongside the more consistent .gov.uk interface. But the CBI believes that the next government should be bolder across all public services.

For example, we'd like to see e-prescriptions to your smartphone, the option of online consultations with your GP and the ability to track planning applications online. Over the next parliament, the GDS should take a lead across government rather than just through the Cabinet Office, to make sure that all services are online, secure and intuitive.

### The services that we would like to see made digital by 2020 include:

- Every government form and application system accessible online
- Online appointment booking for any GP in the UK
- E-prescriptions available for download to smart phones
- GP consultations online in pilot NHS areas
- Online consultations with job centre advisers available
- All local authority citizen services accessible online
- Digital health records, with emergency information for patients and health personnel, available for those who want to have accessible records
- Online, trackable planning applications available across the UK
- Profiles of schools by area, including ranking, pupil satisfaction and transport links and application tracking online.

There are two final, but critical, steps in this digital journey. An honest dialogue is needed about sharing information across services and how that can be done securely. And it is important that people can choose to use digital services, but that alternative mechanisms remain available for those who need more time to adjust, build skills or don't want to interact digitally.

**Recommendation 5** A scaled up Government Digital Service should be given the lead role to drive development of digital routes as the primary way citizens interact with all public services by 2020.

*"The ultimate aim is that digital should start to affect not just how government delivers services, but the very nature of government itself."*

Mike Bracken, Executive Director, Government Digital Service<sup>9</sup>

## Joining-up services through physical co-location to ensure people get support efficiently and conveniently

The most important place to join up public services is where they meet the public. The end users of public services care about the services delivered to them, not which agency acts as provider.

Shrinking local government budgets have acted as a trigger and spurred councils to think in new ways. The recent NLGN report, *The DIY Ethic*, sponsored by CBI and Pinnacle-PSG, identified that local government has made more headway in tackling the cultural barriers than central government.<sup>10</sup>

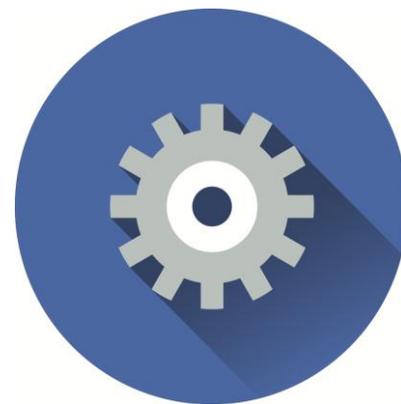
Initiatives aimed at integrating services such as Community Budgets can encourage co-location. This sort of service collaboration needs to become the norm. Too often in the past, even successful pilots have worked well but then faltered because the political will has not always been there to drive successful change.

The private and third sectors can help break down some of the barriers to services working together. New models such as joint venture partnerships and public service mutuals illustrate solutions that have a built-in preference for joining up across services.

Over the next parliament, we should be looking for other related services, including job centres, adult education and welfare services to be physically located in the same place so that an individual's experience of dealing with them is easier and less time consuming.

An early task for the next government should be to conduct a review to identify those public services where a joined-up approach would have the biggest impact on users.

**Recommendation 6** The next government should oversee development of joined-up services through physical co-location to ensure people get support efficiently and conveniently guided by a review to prioritise areas for action.



### Challenge #3

#### People need to be confident that ongoing change in public services is the right thing to do and support it

Change on the scale required to meet the cocktail of challenges faced by the UK's public services requires the support and trust of the public. To achieve this, the next government should take action in three areas:

- Starting a national conversation to provide a cross-party mandate to unlock long-term reform
- Ensuring all providers of public services are equally transparent about costs and performance
- Creating a political environment where public service professionals can test new approaches.

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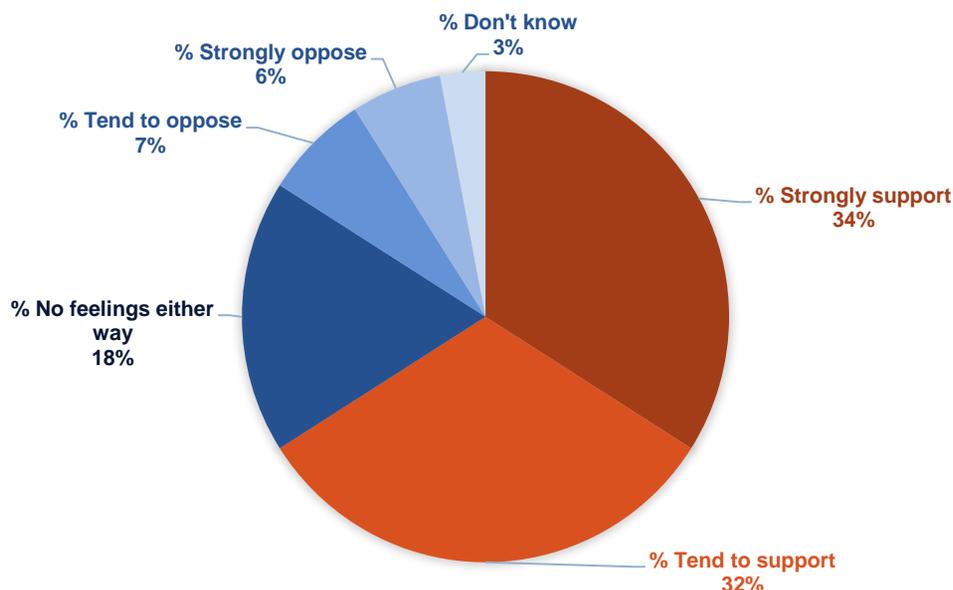
#### Starting a national conversation to provide a cross-party mandate to unlock long-term reform

Citizens both fund and use public services and should therefore be part of the decision-making about them. The CBI would like to see a national conversation about future public services in the light of the challenges outlined in this report. We need to win public backing for changes now and in the future and draw on creative thinking from every possible source.

In workshops conducted for the CBI by Ipsos MORI<sup>11</sup> participants recognised that change in public services is necessary, but expressed concern about the impact. People voiced strong support for solutions that worked across services. Polling showed that 66% supported better sharing of information between services (**Exhibit 3**). This is equally supported by CBI members in the private and voluntary sector involved in public service delivery.



Exhibit 3 Two thirds of people support public services sharing data to make them more efficient<sup>12</sup>



There is broad support for information sharing across local and central services (**Exhibit 4a+b**). Nonetheless, differences over preferred solutions also emerged between age groups. Older people tend to support solutions based on more transparency and information sharing, while younger people tend to support services moving online as a solution for future public services. The point is that different people have different concerns, which all need to be addressed and explained to gain widespread support.

The best parallel to addressing such big, contentious issues in recent times in the UK is the Pensions Commission chaired by Lord Turner. That managed to build consensus across society and political parties about some really tough choices over the future affordability of pensions, while introducing positive changes such as auto-enrolment.

There is also scalable international good practice about how to secure participation from the public in major decisions. In Iceland, following the financial crisis, citizens were directly involved in re-drafting the country's constitution through a combination of crowdsourcing, public events called National Forums and citizen representation on a Constitutional Council – all designed to rebuild trust in the political system.<sup>15</sup>

So we believe the next government should establish an independent, cross-party commission on public services with citizen participation. Public services are complex and contentious, so the new commission will have a tough task to fulfil. This makes it all the more important that future reform is decided not just by politicians and the writers of party manifestos, but by the public at large.

**Recommendation 7** An independent, cross-party commission on public services with citizen participation should be set up to shape a cross-party mandate to unlock long-term reform.

Exhibit 4a Local councils giving people more information about public services they run<sup>13</sup>

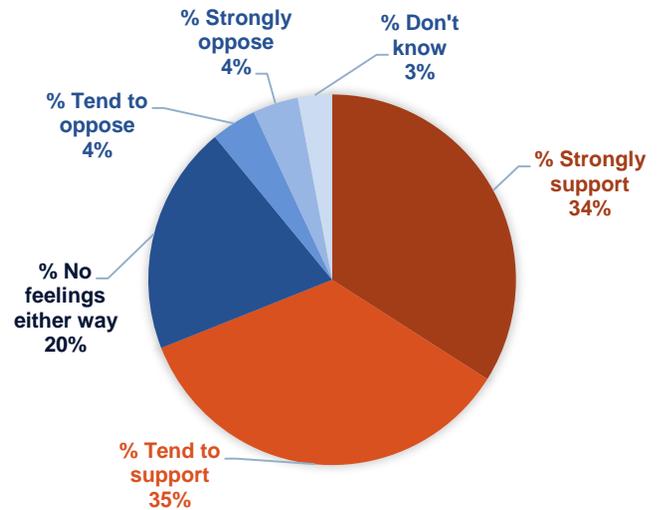
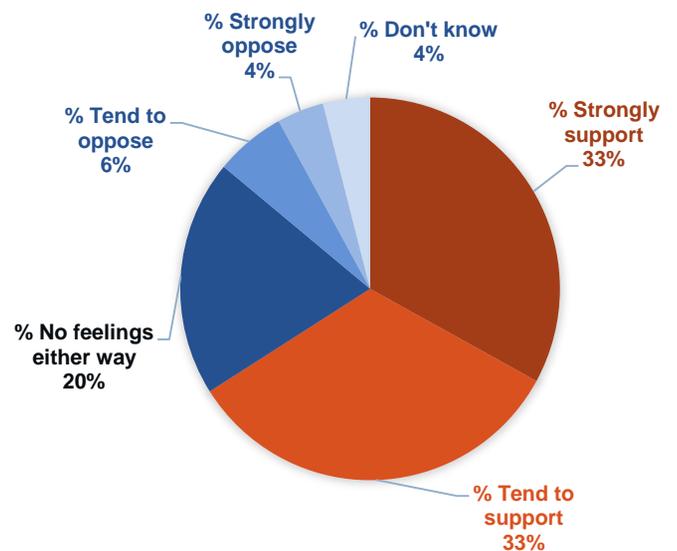


Exhibit 4b Central government departments giving people more information about public services they run<sup>14</sup>



## Ensuring all providers of public services are equally transparent about costs and performance

*“Make it clear where money is allocated and how much of it there is. I think it would not only spur ideas, it would have an effect whereby more people came up with solutions and ideas.”*

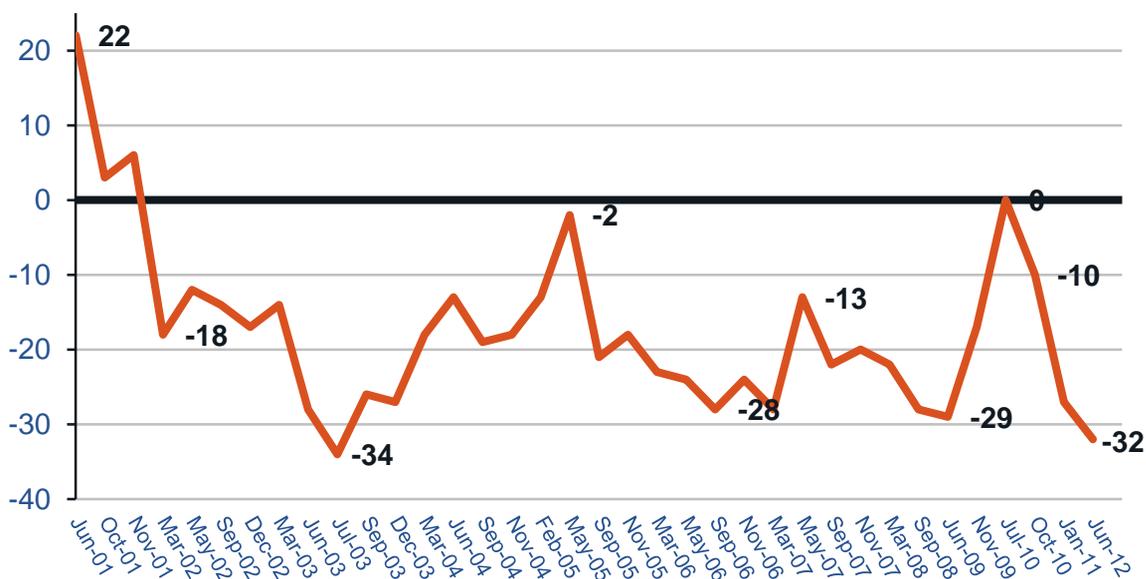
*Participant, Ipsos MORI workshop, May 2014*

Part and parcel of a national conversation is the need for government to adapt to a changing environment in public services, where public, private and voluntary sectors are working together to deliver services. To win people’s confidence in the way services are delivered, all providers must be equally transparent about costs and performance using the same measures, so the public and commissioners can make informed choices based on quality and value for money. In the longer term, government should be able to assess objectively which provider is best placed to run any service through open, fair competition.

There is a long-standing trust deficit in government’s ability to successfully reform public services, which predate the current Coalition Government (**Exhibit 5**). Part of the challenge is that these are complex issues. But a further complication is that the public debate is not a well-informed one and there isn’t genuine comparability between different services and providers. It is therefore essential that all providers of public services, whether they are in the public, private or voluntary sectors, are equally transparent about their costs, performance and ability to deliver.

The private sector understands that people are often sceptical of business involvement in public services and that support has actually fallen since 2001 (**Exhibit 6**). Businesses delivering public services accept that being paid with taxpayers’ money requires a different level of accountability and scrutiny. The CBI has worked hard to address these concerns. We have, for example, developed models to help with continuity of service in the event of problems or failure.<sup>16</sup> CBI members have also been vocal in pushing government to commit to clear principles of transparency to provide more information to the public – working with the Cabinet Office, Institute for Government and the National Audit Office to create clearer codes of conduct – and to

**Exhibit 5 Do you agree or disagree... “In the long term, this government’s policies will improve the state of Britain’s public services”**



Base: c. 1,000 British adults 18+ each month

Source: Ipsos MORI Political Monitor

ensure open book accounting is the norm, with contracts and performance information published online as a matter of course.<sup>17</sup>

This fresh approach to transparency alone will not be enough to win the public's confidence. It needs to be underpinned by enhancing transparency of public sector service performance and subjecting all providers to the same rules and standards. Transparency around the cost and performance of services delivered in-house by the public sector – “baseline” costs – makes it easier to compare performance across all services and by all providers. Lack of consistency in data currently makes comparison difficult, resulting in inadequate analysis of productivity and efficiency of public spending, especially in local government.

The only way to guarantee that in-house delivery of public services is providing good value for money is to subject public services to competition, with proper regard for safety and security requirements. Government needs to make an objective decision on which provider is best placed to provide a service based on transparent information sharing. This will not be possible in every area – some will always remain the sole preserve of the state. But extending competition more widely is essential in pushing services delivered by the public sector to raise their game.

To get there, all providers must be able to compete fairly and on the same terms, in particular treating capital investment and pension liabilities in the same way across sectors. In most cases where public and private sectors have competed against each other to run a service to date, the private and voluntary sectors have an inherent disadvantage as they are required to

raise investment from markets, account for significant pension liabilities and repair pension deficits, unlike public sector providers.

# 200,000

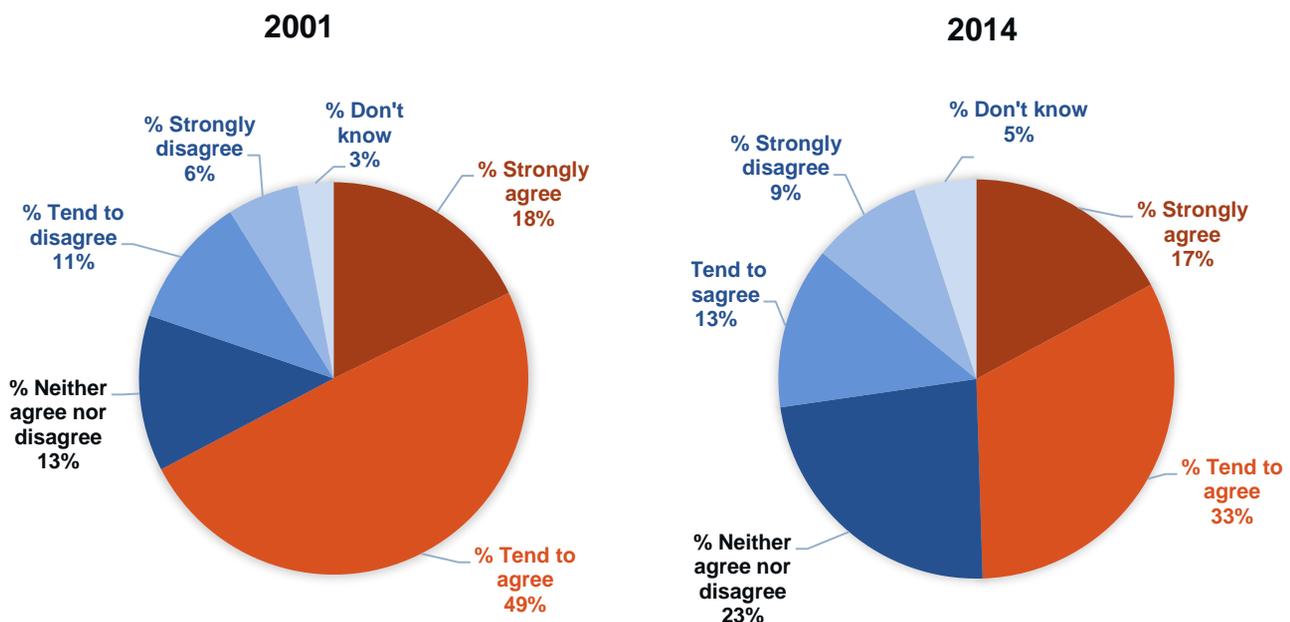
Big and small private and third sector suppliers to government

Early in the next parliament, the government should publish baseline performance metrics for all public services, regardless of whether they are provided in-house or by the private or third sectors.

These metrics should focus on performance levels and full service costs so the public can make informed judgements about value for money.

**Recommendation 8** The next government should aim to ensure all providers of public services are equally transparent about costs and performance. To aid the process, early in the next Parliament the government should publish baseline performance metrics for all public services.

Exhibit 6 “If a private sector company can provide public services more effectively than central government or local councils, it should be allowed to do so”<sup>18</sup>



## Creating a political environment where public service professionals can test new approaches

Government has no monopoly of wisdom when it comes to ideas for transformation in public services. Politicians and officials need to draw on the widest possible pool of ideas, test new approaches to solving old and new problems and then scale up what works.

A consensus-led political environment where all parties see the need for the change and have a higher acceptance of failure when trying to innovate and improve will be needed to ensure public service professionals can try new approaches, without fear of being hauled in front of ministers or the Public Accounts Committee or being investigated by the National Audit Office for what is in fact the well-managed pursuit of innovation.

Innovation involves risk. That is as true in public services as anywhere else. And ideas rarely flourish in an environment dominated by rigid stipulations. But to minimise the risk of innovations not living up to their promise, government tends to take a prescriptive approach when asking organisations to deliver public services in new ways, rather than setting out guidelines for what they want to achieve. Recently, the Institute for Government has pointed out that narrow departmental objectives mean government misses out on providers that can offer cost-effective services for users with multiple needs.<sup>19</sup>

A clear understanding of what acceptable failure looks like is vital. Acceptable failure is when the testing of an idea is planned, piloted and lessons are recorded – all within agreed safety parameters when new solutions impact on service users. Unacceptable failure is when no preparations are made and potential consequences aren't properly understood.

The key to any innovation is to be open about the outcomes aimed for and to collect empirical evidence along the way so lessons can be learnt, whatever the final outcome. If change in public services now and in the future is to be achieved, the next government must set about creating a political environment and culture in which public service professionals are encouraged to test new approaches in acceptable ways.

**Recommendation 9** The next government should make the case for innovation and experimentation within acceptable limits in public services, and encourage public service professionals to test new approaches.



## Footnotes

- 1 LGA (2012) 'Funding outlook for councils from 2010/11 to 2019/20: preliminary modelling'
- 2 NHS England (2013) 'Improving General Practice – a call to action', Evidence pack, August 2013/14
- 3 House of Commons Library, 'NHS funding and expenditure', Standard Note SN/SG/724
- 4 BBC News, 'Treating common illnesses at pharmacies could save NHS £1bn', news article, 19 October 2014
- 5 NAO (2013) *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets*
- 6 OBR, *Economic and Fiscal Outlook*, March 2014
- 7 Ofcom, *The European Broadband Scorecard*, March 2014
- 8 PwC (2013) *The Local State We're In*
- 9 The Wall Street Journal, 'The U.K.'s Digital Plan to Innovate Government', article, 20 September 2012
- 10 NLGN with the CBI and Pinnacle PSG (2014) *The DIY Ethic: Business Models for Community Integration*
- 11 A qualitative methodology was chosen in order to understand the range of public views on the future of public services and the reasons why certain views are held. Ipsos MORI conducted three deliberative workshops with 44 members of the public in London, Manchester and Coventry, between the 15<sup>th</sup> and the 23<sup>rd</sup> of April 2014. Quotas were set to ensure a range of participants in each workshop. Participants were divided by age to allow Ipsos to explore the views of older and younger people separately.
- 12 Q. 'To what extent do you support or oppose the following ideas for changing the way public services are run in the future?' – 'Better sharing of information between public services so that people do not have to give information each time they use a service (e.g. name and address)', Ipsos MORI for the CBI, Base: 1,015 GB adults, face to face, 11-17 July 2014
- 13 Q. 'To what extent do you support or oppose the following ideas for changing the way public services are run in the future?', Ipsos MORI for the CBI, Base: 1,015 GB adults, face to face, 11-17 July 2014
- 14 Ibid.
- 15 Landemore, H. (2014) 'Inclusive Constitution-Making: The Icelandic Experiment', *Journal of Political Philosophy*
- 16 CBI (2013) *Licence to operate: Winning trust in public service markets*
- 17 Cabinet Office press release, 'Government and CBI meet with industry to discuss improvements in contracting for public services', 2 May 2014
- 18 Q. 'To what extent do you agree or disagree with the following statement: If a private sector company can provide public services more effectively than central government or local councils, it should be allowed to do so'. Ipsos MORI for the CBI, Base: 1,015 GB adults, face to face, 11-17 July 2014.
- 19 Institute for Government (2013) *Making public service markets work: Professionalising government's approach to commissioning and market stewardship*

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