

# The Centre for Scottish Public Policy

## Public Service Reform in Scotland – the road not taken?

*introducing:  
the use of Democratic Drivers  
a new sense of Common Ownership  
and an extension of Demand Management*

building on previous work done by the  
Scottish Forum for Modern Government @ RGU

Centre for  
Scottish  
Public  
Policy

## About this booklet

This Policy Booklet is the result of five years of research by the author and his research teams at the Centre for Scottish Public Policy (CSPP) and previously the Scottish Forum for Modern Government (SFMG), Robert Gordon University's public policy think tank. It brings together the results of a wide range of consultative methodologies and participation techniques, designed to ascertain progress made towards a coherent programme of Public Service Reform (PSR) in Scotland.

Each of the Scottish Executive's key domestic service sectors (education, health, enterprise, justice and transport), and a number of others, have been the focus of activity during this inquisitive period. This has provided a platform for well over 1,000 practitioners, policy makers and politicians to discuss and debate particular aspects of public service reform. This paper is the result of those collective deliberations.

A number of individual Policy Papers, produced by SFMG as its initial part in this programme can now be viewed as pre-cursors to this final booklet - they can be accessed through the RGU. The Policy Paper series highlights best practice, indicates areas of concern where progress has proved to be disappointingly slow and provides examples of new thinking, useful advice and support on PSR.

For the first time, the common strands of PSR are brought together here, through the use of a specially designed analytical model drawing upon classic transformation techniques<sup>1</sup>. A snapshot of PSR in Scotland – see the Matrix in Appendix 1 – is presented against the wider backdrop of the change programme being pursued across the whole of the UK.

This paper, drawing upon all the preparatory research, paints a coherent picture of how PSR in Scotland could look offering practitioners, policy makers and the public their first ever opportunity to compare and contrast progress across all the key public services. This resultant matrix represents an attempt to view the bigger picture of PSR in post-devolutionary Scotland.

The Scottish Executive<sup>2</sup> has already adopted a number of the initiatives contained within, others are finding expression in the work of Her Majesty's Government<sup>3</sup>. The key challenge posed by this new paper however is whether the government, at whatever level appropriate, national, regional or local can use this guide to coherently describe its own course for PSR, across all these key sectors.

## Notes

1) *The framework upon which this picture hangs was developed as a result of participation in Executive Development Programmes at Harvard, MIT, Stanford and Berkeley as part of BT's ongoing "Vital Vision" leadership project. We would like to thank BT for their sponsorship of the Forum's part of this PSR project.*

2) *Intermediate Technology Institutes, the creation of RHBs, the review of the Scottish Fire Service*

3) *The Bain Report, Joint working of Emergency services and Reshaping the public-private interface*

## Introduction

The government's strategy for public service delivery will stand or fall on one key factor - its ability to ensure that the huge investment that it is making in our public services results in reform that improves performance. Both the Prime Minister and the First Minister have made this their marker, their single most important political performance indicator. And yet in neither case have they produced a clear useable reference guide. So, where are they on their respective roads to reform?

Our only en-route markers are individual initiatives but there appears to be no clear vision, no defining central features from which to map out public service reform as a tangible political project. There is no apparent coherence; it is like trying to complete a jigsaw puzzle with some pieces missing and indeed no picture to work from. Is it actually possible to see reform in its totality and can we map out the respective routes being taken North and South of the border?

This paper, for the first time, links reform across all the public services throughout the UK. It provides a compass that allows comparability and contrasts to be made. It enables all those who are part of, or indeed simply interact with, public services to understand change within the context of this wider PSR agenda. Viewing reform in one sector through the eyes of another can greatly assist understanding of change by providing familiar markers along the way. This paper seeks to enable that.

This PSR project also uses a developing reform narrative (a positive language for public services that embraces, whilst challenging, change) to promote a positive 'can-do' mentality in the public sector. It seeks to emphasise the entrepreneurial necessity behind successful change management, giving individual and groups of employees the incentive to design, drive and deliver reform working alongside service users.

This attitudinal and behavioural change, in what has been a defensive collective mind-set (political, management and worker alike) for over two decades, helps to point the way forward. It sets public services on the front foot focusing the energy of the Chancellor's "invest and reform" packages in his Comprehensive Spending Reviews on the key points of resistance that constitute the Prime Minister's "forces of conservatism". This paper seeks to build momentum for change by developing ideas and identifying innovations that can and do make change happen in real-time.

## The Assessment

The evidence base for this paper lies in the many and varied events that the Centre and the Forum have hosted over the last five years, including 'Policy Conferences', 'Seminar Series', 'Dialogue Dinners' and other discursive opportunities. Additionally, partnership events such as the very popular 'On The Fringe' programme at party political conferences and 'The Scottish Six' debates broadcast on Scottish radio provided opportunities for interested individuals to have their say.

Many of these events were made possible by partnerships with a number of other organisations working in the public policy arena, with a particularly welcome input from our cousins in the London based Think-Tanks Demos, IPPR, The Fabian Society and The Social Market Foundation. We are also indebted to a large number of commercial sponsors whose generosity and strong sense of corporate social responsibility made running these events possible.

In terms of how we have used the information that we gathered the standard assessment of structural and systemic change is the base point analysis of this project. This common analytical technique has allowed a developing picture of reform to be built up across the key sectors, providing not only a guide within each sector but also an ability to determine the rate of relative progress as witnessed across the entire PSR piece.

Given the structural realignment of governance required to accommodate the Scottish Parliament this initial picture is both a measure of the state of readiness to embrace real reform and an actual picture of progress on the wider change agenda. The background to the emerging picture of course is the need to improve overall performance (not simply outputs) by changing the nature of the organization we currently call 'the public sector'.

This transformation to a learning culture that is not risk averse, one that accepts the constant challenge of change and doesn't simply seek to increase the input (usually financial) emerged as a key indicator of 'readiness to embrace' PSR. Given the unique difficulties of driving change in the public sector, with its various forms of internal and external resistance, this mapping exercise has also been designed as an indicator of how each sector in relation to the others is preparing for sustainable change.

## Devolution or decentralisation or both?

The full multi-dimensional picture of PSR will of course be a very complex one and this initial work looks only at the 'front page', a two-dimensional snap shot that will in time be given a depth of view. For the moment though, a simple and coherent picture tying together the various strands of reform that are developing in each, if not yet all, of the key sectors is painted. This, crucially, allows for comparability and contrast between these sectors.

Issues of governance, of power and of the relationships that determine its relative strength will all be the subject of further work, providing a greater depth of understanding of the complexities of PSR. In particular, the power relationship between central government (and its traditional strategic role) and the local state (with its historical emphasis on service delivery) is a crucial issue on the road to reform and is therefore worthy of a more detailed analysis and more specific comment than is possible here.

It is also recognised that central government has real concerns regarding the ability of the local state to manage change effectively and is therefore ensuring that any investment is tied to real reform at that level. The linkage between investment and reform can range from being very prescriptive, i.e. "ring-fencing" of health budgets, to becoming absolutely liberating e.g. a direction to follow "trends not targets" in school education policy. The position on this sliding scale of de-centralisation is mainly a function of the government's level of confidence in the local state's ability to deliver improved services.

The relationship between the government and the local state is therefore critical. Its relative strength determines the level of local autonomy. It provides the context for the structural realignment of the local state and sets the scene for the systemic changes that are required to get public services onto the cutting edge of design and delivery. At the root of this relationship is the level of trust between the two tiers of government.

It is also worth noting here that the introduction of local flexibility into national pay bargaining, the key systemic change of our time, can only be effectively undertaken by the local state acting unilaterally. That can only occur if the government allows the local state the ability to negotiate without having its hands tied. There are signs to indicate a shift in this direction following the interventionist debacles of the Millennium Review (that finally provided the basis for the centrally driven McCrone deal for teachers), the oxygenated Firefighters dispute and the more recent nursery nurses dispute.

Other moves in the right direction include; Local Education Authorities (LEAs) explicitly being told that their future is safe (as long as they deliver on McCrone), Regional Health Boards (RHBs) being given a new emphasis with the abolition of the Trusts and surely the Local Economic Forums will, eventually, be given autonomous powers like LEAs and RHBs. In transport, the creation of the Scottish Strategic Transport Authority and its regional arms is a taster of things to come. And in Justice, moves are finally underway to re-structure the court system and create Local Justice Boards more aligned to the communities of interest they serve.

## Change is a Constant

In “The Dance of Change”<sup>4</sup>, MIT’s leading thinkers and practitioners on ‘change management’ (Peter Senge, George Roth et al) argue the need for the sustainability of change momentum; the constancy of the change agenda. This became a theme of the Clinton years, with the President’s call that “radical, reforming governments should treat every year as their first”. It has also been adopted by the Prime Minister, who defines “modernisation” as “a continuous process”, and is now echoed in the words of our third First Minister, when he speaks of “the need to move on”.

In the UK public sector the local state, in all its manifestations, if it is to be a successful agent of change, must not only be able to deliver but also develop the ability to sustain the change momentum. This would turn the hackneyed phrase that “change is the only constant” into reality. The bodies of the local state must become active learning organisations, constantly taking on the challenge of profound change all the while building their own capacity for ongoing change.

Change is, after all, a natural part of life. Change from infant to child, from adolescent to youth, from teenager to adult, from student to worker, from employee to employer, from working to retiring. Change is not a series of disjointed discontinuities but a never-ending process of personal and collective development, allowing the maintenance of relevance to the world around us. Fear of change is irrational and yet apparently ingrained in many public sector organisations and their workforce as much as it is in individual mind-sets. To overcome the fear of change, strong local leadership is required.

## Notes

*4) It should be noted here that the dynamic development of public policy in the USA is a function of the dynamic relationship between Higher Education and Enterprise. The mutually supportive arrangements that exist between industry, commerce and American universities, where a hugely constructive ‘revolving door’ policy appears to operate for staff who benefit from both implementing practice and developing theory, are worthy of closer scrutiny. These career paths that revolve between public and private sector management and academic opportunities are mostly foreign to these shores.*

## Local Leaders

One of the key facets of a successful change management programme is its leadership, at whatever level the change is being driven. For example, the government must be confident in the ability of its local leaders to deliver change. This in turn requires that local leaders have the confidence, indeed the trust, of those they are seeking to journey with on the road to reform. The ability to see the benefits at the end of the journey, to communicate them to the team and also make them part of the culture is a key aspect of leadership.

There are of course many types of leader, as described by the Scottish Leadership Foundation's work amongst many others. These range from the charismatic leader who is seen in the military style of being the energetic force behind individual initiatives moulded in his image to the consensual, team-builder who painstakingly puts together a joint vision of change through her identification of individual strengths and weaknesses. This paper does not dwell on the process of leadership but merely seeks to emphasise its positivity in a change management setting.

In his excellent descriptive of the culture of great leadership, "Leading Out Loud"<sup>5</sup>, Terry Pearce of the HAAS Business School at the University of California (UCL, Berkeley) describes a leader as "someone who has the courage to show us the future". Only by picturing a better tomorrow will people be convinced of the positivity of change, particularly when the very act of changing can in the short term prove to be a pretty painful, and often ugly, experience. All types of change force a confrontation with context, and whereas the context is often familiar, the change is seen as threatening.

The First Minister's emphasis on the crucial role of "local leaders" in PSR is recognition that change cannot be driven from the centre. Change is best promoted by those who have personally experienced its transformative power and are then able to share that experience with others, describing the beauty of the destination and not simply dwelling on the strength of the barriers on the road to reform.

Managers who have taken the tough decisions and witnessed the resultant benefits can stand alongside those from the front line, who have effected change directly, on a platform of trust that gives them an authority to map out more change. By using their own very personal experiences (e.g. chairing school closure meetings) these local leaders can drive change much more aggressively and take the workforce more willingly on the journey. In terms of PSR, this simple truism strikes at the heart of the power relationship between the central and the local state.

This is ably demonstrated by the ongoing debate over facility rationalisation in the NHS (e.g. Argyll and Bute, Glasgow, Fife, Forth Valley and Highland). Unelected and apparently democratically detached, the RHBs demonstrate by their insensitivity and poor public relations the need for strong local leadership. Their stumbling attempts at leadership have all too often been exposed against the backdrop that cannot hide

the lack of democratic accountability with which they operate. They have nowhere to draw their strength from and suffer a singular lack of local trust as a result.

The lack of trust between the central and local state, between the local state and the people, has therefore delayed reform. It is unclear if these structural reforms will be followed by changes that will allow the local state the freedom to reach out for Foundation status, or something similar. The leadership issue first needs resolved before any decision on operational independence can be considered for any given unit within the NHS. Will the central state then continue to dictate or will it seriously consider passing power to the local level, accepting the rightful role of Local Leaders?

### Notes

5) *“Leading out Loud” by Terry Pearce is a concise, but significant, piece of work on why and how leadership matters. It is an ideal reference for “local leaders” in the UK public sector (e.g. Head Teachers), providing excellent examples of where the positivity of leadership has made the difference for large and complex organisations.*

## Struggling to succeed

In another telling contribution to the wider debate on change management Louis Menand's rich descriptive of the philosophical development of America "The Metaphysical Club"<sup>6</sup> argues that organisations, like organisms in Darwinian theory, "don't struggle because they must evolve but that they evolve precisely because they must struggle". The monopolistic nature of much of the public sector in Scotland and the lack of a competitive edge discourages useful, positive struggle.

The natural competitiveness of the market cannot be generated without struggle. The rigours of competition and choice cannot be created and managed from within, and certainly not by central 'command and control' systems, as currently dominate our health and education sectors. The local state must be allowed to act autonomously, without a burdensome reporting bureaucracy. It must be exposed to real competitive (if regulated) struggle, allowing services to develop in quality and not simply to survive in quantity.

The Government's traditional concern when considering competition and choice has been of resultant chaos. Historically displayed by HM Treasury in its control of public spending, the result is anti-democratic, epitomised in Scotland by the ludicrous nature of local government finance, with its over-reliance on central funding. This is the base rationale behind central target setting; an overcautious, bureaucratic response to a fear of transferring power by subsidiarity. This discredited, target laden approach to raising service standards has stifled change not promoted it.

The Heisenberg Uncertainty Principle, paraphrased here for the PSR context as "the more you measure, the greater the distortion" provides a strong argument against central interference. In other words, the introduction of a rigid testing regime in our schools, for example, has inevitably led to 'teaching to test' and 'learning to pass' rather than teaching to learn. A desire to encourage positive "trends not targets" would result in a more mature relationship between central government and a newly liberated local state.

The target-setting distortion has also been witnessed in the health sector (waiting time targets), enterprise (start-up targets) and justice (sentencing targets). Such diversions cannot be allowed to continue. Indeed, as the Scottish Council Foundation points out in its initial report on "Innovation in public services"<sup>7</sup> - "target-setting (is used) to promote uniformity at the expense of innovation" - it results in the lowest common denominator.

These control mechanisms betray a lack of trust. They highlight central government's innate fear of chaos resulting from 'letting go', a fear that any mature government should be able to overcome. The demands placed upon public services are constantly changing, with ever more complex responses required. Homogenous design and delivery mechanisms are unable to respond with the required creativity and agility to meet these differentiated needs.

Choice and competition must be introduced to the PSR agenda in Scotland but only as part of wider reform built around a strong drive to decentralise.

## Notes

6) In *"The Metaphysical Club"*, described by the *New York Times* as "a landmark work of scholarship" Louis Menand paints a graphic and detailed picture of the development of ideas in America.

7) *"Innovation in public services"* published by the Scottish Council Foundation.

## Chaos in theory – progress in practice?

The irony of creating what many see as constitutional chaos throughout the UK is that the structures and the systems that have been put in place to run the new democracy have often strangled the creativity that one might expect to have flowed from such a transformative exercise. Asymmetrical constitutional change, far from resulting in chaotic behaviour as it seems led to a general resistance to radical reform. There are, however, a few excellent examples of radical change.

This may be a function of the change itself or more likely a result of the switch in party political power that preceded the constitutional amendments. It can, for example be argued that the parties currently in power in each of the devolved administrations have set themselves as a priority the task of righting what they see as the wrongs inflicted upon the people they represent over two decades by the previous government. This is analysed in more depth later.

Chaos as viewed on the wider scene can often be very constructive when viewed and experienced locally, constitutional reform is one such example. At the UK level, the picture is pretty chaotic with no real vision of where the changes will lead to, for example a federal solution that includes a second chamber constituted from representatives of the nations and regions (as proposed at SFMG's policy conference on "The New UK") may be the end point but nobody knows for sure

However, at the local level, the changes are far from confusing and can actually introduce much needed stability, exposing the one-dimensionality of the so-called "West Lothian Question". Indeed, each of the constituent parts of the UK's emerging constitutional framework has been responsible for public policy initiatives from which the others can learn much. London's congestion charging, the Scottish Executive's reforms of student finance and the Welsh Assembly's package of measures on concessionary travel are all encouraging results.

Tackling the fear of change with the use, for example of individual incentives, is a key management responsibility that requires a new policy basis (not to mention modern, incentive-based work contracts). The beginnings of this approach can be seen in the incentivisation of the Chartered Teacher status within the McCrone settlement. It is to be hoped that other examples will soon follow in other sectors.

By allowing, indeed encouraging, diversity at the local level within a policy framework driven by a positive new narrative for the public sector chaotic outcomes can be minimised. The balance between regulation, control and allowing operational freedom can then be shaped to suit individual services in much the same way as parents determine the changing boundaries of their offspring depending upon past and present behaviour. Before being let go, however, the local state must not only be given the tools of the trade and the knowledge in using them, it must also be given the ability to build up the strength to succeed.

## **Structural realignment – the Local State**

N.B. a more detailed analysis of the relationship between the central and the local state can be found in the SFMG Policy Papers “Oiling the Future” and “Democratic accountability in the NHS”.

The crucial element in determining an appropriate structure for the delivery of services to the public is the relationship between the central and the local state. If the Scottish Parliament and the Executive, acting on its behalf, are not to involve themselves in day to day delivery then the local state must be shaped to shoulder that burden of responsibility and be given the power and the authority to deliver.

Of the Scottish Executive’s five key sectors only Justice is still without any explicit and publicly recognisable local delivery structure. The Executive’s focus on the justice system will surely see to that, realigning the dislocated District, Sheriff and High Court structure to reflect the communities of interest that they seek to serve. Will they then become the local, regional and national courts operating co-terminously alongside other parts of the public sector? Will that bring the system closer to the people it serves?

Of course, the wider UK picture on the reform of the justice sector is developing too with the current battleground being the separation of power between the government and the judiciary. The establishment of a new Supreme Court separate from the second chamber at Westminster, the abolition of the post of Lord Chancellor and the creation of the governmental Department for Constitutional Affairs are still being debated with some vigour, providing an exciting backdrop for Scotland’s local delivery discussion.

In each of the other public services in Scotland it can be seen that unitary boards are being given overall responsibility for strategy and design along-with the ultimate responsibility for monitoring delivery. It appears that wasteful duplication of effort is being eradicated and a sense of community fit is, after all, being achieved. Is the justice sector to follow suit as part of this realignment of power designed to bring services closer to the people affected? Will restorative justice schemes, for example, give communities a much-needed involvement in sentencing policies being pursued in their name?

In each case it is important to recognise that these structures, and the geographic areas they represent should not fix service boundaries simply for administrative convenience and that 'cross border' partnerships should be considered wherever a need is identified. A new, constantly changing picture of local service delivery thus emerges as the different sectors begin to work more closely together on the delivery of individual aspects of provision. Numerous examples of such partnerships already exist.

Other partnerships across the public-private-voluntary sector divides are also beginning to take root. In an increasingly sophisticated marketplace, with a public ever more articulate, it is essential for service provision to reflect this development of new patterns of demand. It appears to matter less to the public, if indeed at all, who delivers a service than their growing concern about how it is delivered and whether one can influence that delivery.

The structural realignment of the local state, with the creation of a range of publicly accountable boards (the real 'bonfire of the quangos'?) can be seen as the first real steps towards an active Community Planning model. This particular local governance model would see, for example, local government removing itself from direct service delivery in order to independently monitor, and hold to public account, a wider range of public, private and voluntary providers. It is not yet clear if this is a reform route likely to be taken in Scotland.

This would however end the current practice of expecting local councillors to play an unsustainably difficult duality of roles; both their primary function as advocates of their community and the secondary, often more difficult role, of representing the council as a corporate body within and outside the community they represent. This clash of responsibilities creates inertia, blocking difficult yet essential change, e.g. school rationalisation, pro-active planning of major developments or indeed the implementation of congestion charging.

Whether each part of the local state is directly elected, appointed or a combination of both is also a matter for future study by others, perhaps with a concentration on the scrutiny element of the community planning agenda. This paper concentrates on the power of the bodies within the structures concerned and their ability to effect real change. Inevitably, this is affected by the systems that exist to support these structures and deliver the services they have responsibility for.

## Systemic Change - Modern Pay and Conditions

N.B. a more detailed analysis of the relationship between the central and the local state can be found in the SFMG Policy Paper “New Public Safety Partnerships” and earlier work on education reform.

The major systemic change required of the British public sector is that which impacts the most on the lives of those whom we expect to embrace and deliver change – the workforce. Without a committed workforce the prospect of delivering change is very poor indeed. Those at the sharp end of change must feel a part of it. The change being sought must be seen to be in their individual, as well as the collective, interest.

For the most part our big public services were designed for monopoly provision, with uniformity the over-riding aim, but equity of provision is not the same as equality of opportunity or access to provision. The world in which public services operate has changed and the demands placed upon the public services have changed too. A more sophisticated, multi-layered approach is now required.

We aren't providing for a homogeneous mass of people and public services need to respond to that reality by being more agile, more diverse. In order to achieve this the workforce need to be less uniform, with rewards commensurate with the actual tasks being carried out not those expected when these jobs were originally created. We therefore need a more sophisticated system of pay and conditions that reward the very different types of work different public servants are now expected to do.

McCrone was the benchmark for a set of reviews that are being projected across the other service areas. The under-pinning principle of McCrone was to devise a system that would “recruit, reward and retain high quality dedicated professionals”. The priority emphasis in the Prime Minister's “education, education and education” rallying cry is certainly reflected in the final settlement; a billion pounds of reforming revenue investment that will test the current structure and reform the current system of service delivery in our schools.

The key feature of McCrone is to provide flexibility and diversity within what has until now been a uniform workforce providing, broadly, a uniformity of service. The silo mentality of subject specialisms in the secondary sector with their uniform rates of pay is at last being challenged as we try to shape the service to meet the increasingly complex demands being placed upon it. The new arrangements allow school management both operational independence and flexibility, providing them with the ability to design a structure upon which diverse systems of delivery can function.

It should be noted however, that McCrone was not designed, unlike its predecessor discussions in the Millennium Review, to challenge the current delivery vehicle. The state will retain its monopoly of provision buttressed by the restrictive professional boundaries for practice currently being challenged in the justice sector with the possible introduction of consumer choice dubbed as “Tesco's Law”. Notwithstanding

Disclosure Scotland checks on the suitability of people to work with pupils, the barriers to involvement in society's most important activity, education, should be severely tested.

Although the quality threshold argument for maintaining, and even strengthening, the role of the General Teaching Council (GTC) are valid for full or even part-time permanent teachers, the denial of external experience, knowledge and skills from any other sector cannot continue. In addition to helping to meet a growing demand for a reduction in the learner:educator ratio the use of other professionals in short-term 'presentation' slots could significantly enhance the educational experience for many.

The use of professionals and of those with a trade as 'guest presenters' for, say, single lesson slots over blocks of perhaps 10 weeks (wouldn't 10 week terms make life easier for everybody?) would significantly enrich the learning experience for many youngsters. The spin-offs of providing a range of positive role models, making a positive connection to the local community and, significantly widening pupils ability to choose an appropriate learning path would far outweigh the cost of ensuring a total quality threshold.

Similar work to reform the basic pay and conditions of staff is underway in other sectors, albeit undertaken in a less comprehensive manner. Nurses, GPs, Consultants and others are all being subjected to scrutiny and review with new pay and conditions packages being negotiated. Police officers have seen the initial flourish of activity with the restructuring of management posts. Other moves are at last being made elsewhere.

The public professions, mostly designed in the immediate post war period, require a re-assessment of role to ensure that they are still fit for purpose. Is it necessary, for example, to provide police officers with the generic training they currently receive expecting them to carry out such a wide variety of functions? Can we not create different strands of the same profession to meet the very different challenges that police constables currently face? Will we see the creation of separate 'beat bobbies', 'desk sergeants', 'mobile patrols', 'licensing law enforcers' and 'community safety officers' amongst others?

In rural areas where the demand for the emergency services is far from constant and the supply of dedicated professionals is severely curtailed by the unattractive nature of part-time and/or retained posts we must see greater cross-service co-operation. Other lifeline services such as those provided on uncertain budgets by the RNLI and Mountain Rescue could also benefit from a more stable approach made possible by the breaking down of barriers and the creation of 'New Public Safety Partnerships'.

In the health sector perhaps we need to move the other way, towards more staff playing more generic roles, such as is happening with the creation of 'super nurses', the growth of GPs with greater responsibility for direct treatment and the return of the 'ward matron'. The differentiation between certain types of ailment and its treatment, for example a knee and elbow replacement, does appear to smack of the very de-markation that blue collar workers gave up in the 80s and 90s. It is time to tackle the professional bodies on these limiting and unnecessarily restrictive practices.

It is worth noting at this point that in many of the post-privatisation sectors, such as the de-regulated rail network, pay and conditions packages have been over fragmented. A period of consolidation properly affixing pay levels to the new realities of service delivery on the local, regional or national scale is now required. Current comparability across different providers is less than transparent and therefore does little to improve choice and competition for the workforce or the service user.

So, structural and systemic change is indeed underway in Scotland and across the UK. There is still much to be done in converting the old pay and conditions packages into ones that reflect the modern service economy and the varying tasks that we now ask of our public servants. One key issue to be tackled is the policy of 'no compulsory redundancies' and its misuse to block the removal of unsuitable staff. By and large though much of the preparatory work in readiness for real sustainable reform is being done, albeit on a rather piecemeal basis and without any apparent unifying drive.

But what of the barriers to reform, are they being identified and dealt with? Are issues such as internal and external resistance, the rigidity of the public-private interface, the need for real, reforming investment, the drive for greater choice and competition, even the recognition of the value of demand management at least beginning to be addressed?

This paper maps the work that is being done, with the creation of an easily read reference Matrix suggesting other possibilities and holding out the prospect of achievable, sustainable change that can save our public services from the inevitable collapse that will surely follow any failure to deliver real reform.

## Internal Resistance 1 - Producer interests

N.B. a detailed analysis of producer interests can be found in the SFMG Policy Paper “Waiting for a cure?”

The shaping of uniform provision in our public services, with limited choice for the consumer, may well have enabled management efficiently to provide uniformity but this was undoubtedly at a cost of lower than necessary individual effectiveness. In all our services, the interests of the producer dominate. Service structures and the systems put in place to deliver them have been designed with very little reference to those who use them, concentrating instead on the most efficient manner in which the system can deliver.

Pupils are herded around secondary schools whilst teachers sit in their own comfortable classroom surroundings. Pupils are forced to fit the curriculum provided as opposed to having an individual learning plan devised in consultation with them, made accessible by a support structure that meets their needs not those of the system. In order to maximise individual potential the structure and the system must reflect individual need. Uniformity of provision – variously described as ‘the school sausage factory’ and ‘bog standard comprehensives’ - must be replaced with uniformity of opportunity.

Even patients ‘living’ in the same hospital ward, and who often share the most intimate of personal details with each other, are denied the dignity and delight of many of the things that would ease their pain and thereby enhance their prospects of a speedy recovery. Why aren’t normal group activities, be they functional or leisure, available to patients?

Most patients are able-bodied and should therefore be allowed freedom of movement, trusted to make responsible use of a choice of styles and settings at, for example, meal times. Indeed, why can’t a family dinner round the table, bringing with it the chance to chat and break long periods of relative isolation, be offered to patients. A simple choice of catering venue, available to staff, patients and visitors alike is surely not such a difficult service to deliver. Tables for family groups should be bookable (and even profit generating). What better way to spend visiting time together or avoid the possibility of infecting a ward?

Other non-medical services that could make patients lives so much more pleasant during a difficult time, could be easily organised. Some services could be provided on site, for example hairdressing, beauty treatments and dental check-ups. Others could be organised to make the transition at discharge so much smoother.

Why can't house cleaning, car servicing or a 'welcome home' shopping trip carried out by the local 'friends of the health co-op' society be a normal part of the care and recuperation package?

This could possibly be resourced through the introduction of a national civil service for our youngsters providing an opportunity for them to play a positive part in their local community - a suggestion that has at least been considered by the Scottish Executive. In addition to giving each youngster quality work experience such a scheme could strengthen a weakening understanding between our declining youth population and our growing number of elderly who make up the largest percentage of hospital patients.

Similarly, family involvement in a pupil's learning and in a patient's recovery is probably the most telling factor in the rate of success. And yet parents in schools and visitors to hospitals are in many cases treated as either a nuisance factor by disgruntled and demoralised staff or worse still dismissed as distractions by the snobbery of the perverse professionalism of the nanny state. The state needs to hand over some of the responsibility for individual development (and recuperation). It needs to trust people to take the necessary steps to recovery, development and individual success.

Similarly so in the justice system where the lack of information provided to victims of crime is, quite simply, criminal. Victims have a deep desire for knowledge of how the system is going to deal with a perpetrator of crime, on their behalf. Without that knowledge, and the reassurance that a particularly harrowing chapter of one's life can be closed, victims of crime will continue to lose faith in the justice system, a fine example of a decline in trust between people and the public institutions that seek to serve them.

In the enterprise sector we have begun to recognise the critical importance of indigenous SMEs as the backbone of the economy, not big inward investment projects that can take flight as quickly as they arrive. Yet they have no power over economic development budgets or the determination of the rates (not even the business rate) or the composition of Local Enterprise Companies (LECs) or their putative successors the Local Economic Forums (LEFs). This kind of active stakeholder involvement must surely be encouraged, particularly so in the enterprise sector!

Commuters must also be given the opportunity to help shape the services that they use day in day out. As the customer-provider relationship in public service consumption is not a simple bipolar one, with the complex involvement of various levels of government, other systems must be put in place in order to provide a stronger feedback loop that can actually effect change in provision. People need opportunities to be engaged in the design and the delivery of the services they use, regardless of the ownership question.

In all cases, the reactive mentality that has developed over the last two decades or more, as a direct consequence of serious financial constraint, must be turned around to a more positive, engaging mindset. This can only happen if the workforce feel valued for their commitment. They need to be given the time and space to deliver good quality customer care not simply through a traditional sense of “vocation” but also because they must believe in the service and, crucially, have a stake in its successful delivery, even if that’s not a financial one.

## **Internal Resistance 2 – Defensive mindset**

N.B. a detailed analysis of the need to shift from a back-foot stance can be found in previous work done by SFMG.

Over two decades or more the public sector has been forced onto the back foot. Reacting to centrally driven financial constraint, the local state has acquired great skill in reducing the cost of service provision. This has been accompanied by a decline in participation – volunteers to deliver ‘asset rationalisation’ programmes (whether that’s school closures or hospital mergers) are few and far between. This is a block to real, radical reform.

The need to take the hard decisions for the most legitimate of reasons, such as the huge decline in school pupil numbers or the need for a critical mass of clinical expertise, has consequently been confused with a singular desire to cut back on overall expenditure. The result of these ‘hard choices’ is mixed. Although much has been achieved through the removal of duplication, such as better-resourced schools or modern hospitals with state-of-the-art equipment and the staff to match, there has undoubtedly been a (perhaps more costly) impact on the public’s perception of the positivity of change.

The defensive management and political mentality that sought to protect the quantity of services at the expense of their quality (in those cases where the tough decisions of closure, merger and cut back were avoided) has ill prepared those currently involved in a period of investment and requiring real reform. Change, to many, is still a threatening exercise and not the uplifting individual experience that can transform individual expectations, general attitude and therefore collective action. Or, as Pearce puts it “people resist change but embrace progress”.

Other parts of the education sector, specifically FE and HE, have still to go through this most difficult of exercises before they even begin to ask government for any significant increase in ‘cap-in-hand’ funding. Asset rationalisation, institutional merger, a close look at bureaucratic running costs, the future shape of the service, surely all of these issues need addressed before increased per-capita funds can even be considered, let alone released.

Audits of structure (there is a strong case for mergers/closures within and across the two sectors), property (the introduction of IT has transformed the need for space), and provision (is the four year degree necessary after the reshaping of S5/6?) are essential first steps on the road to reform. The case for rationalisation of institutions, of their property holdings and their course products is undeniable and must preface any more cap in hand requests for increased state funding.

In healthcare the reorganisation of physical resources is only now getting underway (or only just being actioned after years of prevarication) in many parts of the country, some 10 or 15 years after schools were first faced with these tough choices. Stronger lines of public accountability in the local management of the NHS would surely have brought forward many of these projects in an attempt to provide better standards of service for an expectant electorate (as it surely would have in local government areas where the outcome of elections was uncertain).

A new narrative for reform is therefore required. It needs to be explained in simple, easy to follow logical terms. It needs to reassure not threaten. It needs to translate large policy goals into local tangible gains. A language that encourages a sense of ownership of the change process and provides an individual stake in the outcome is required. A clear description of the destination is a pre-requisite for any change programme and those involved in delivering that change must be on board if the road to reform is ever to be taken with sure steps.

## **External Resistance 1 – The public-private interface**

N.B. a more detailed analysis of the public-private interface was undertaken at SFMG's event of the same name and is also examined in SFMG's work on "Network Planning".

The public-private interface is not a discontinuity. It is a growing, developing area where the best qualities of each can meet for mutual benefit. For example, is the customer experience at Scottish Airports (former public sector monopoly now in the private sector) a better one than at our train stations (former public sector monopoly now run by a mix of public and private sector)? Are either of them, or indeed both, a better or worse experience than travelling our road network (still largely a public sector monopoly)?

Can the sail times, pricing structures and service quality decided and delivered centrally by Calmac (a state run monopoly) stand scrutiny for both essential island services and the backbone of our highly valued tourist industry? Is the quality of school buildings constructed under PFI/PPP any different from those built for the baby boom? If so, is that a function of the type of provider or simply a direct result of different control mechanisms put in place by different public sector clients?

Are social services provided by the private sector any better or worse than those delivered directly by the councils who commission (often under protest) those alternatives? Is the office of the public prosecutor better run than the polished edifices of private sector law firms, as characterised in television programmes such as “Ally McBeal” and “L.A. Law”? Is “ER” a better model than the representation of the NHS played out each week in “Casualty” and “Holby City”? In other words, is the Scottish body politic’s obsession with the public-private divide the real barrier to progress?

There exist countless examples of partnership between the public and the private sectors delivering products and services, such as bus companies operating supported services for local councils, health specialists working with fitness instructors and the use of legal aid by private practices. All over the world these partnerships across the public-private interface operate as a normal part of life. What matters, as a number of politicians have noted, is simply what works.

There is nothing new in the involvement of the private sector in the provision of public services. There is no new political rubicon to be crossed. It is simply a matter of degree. The private sector has always produced the most basic components of public service provision, e.g. school jotters, textbooks and classroom equipment, and turned a profit in so doing. The public sector has never been in the business of producing and providing most of our basic products, e.g. drug development or alternative healthcare therapies.

There has always been a mix of provision of buildings, from houses to office blocks, with the state supporting people living and working in all types of tenancy. There has always been a mix of provision of services, from childcare through to schools, from baby-care to care of our elderly. The current political fixation on the public-private divide is simply a function of our time. It must be replaced by a new concern for just getting the job done.

The Chinese walls that have been erected between the public and the private sectors (not to mention the voluntary sector) have prevented progress. Their construction is typical of the defensive producer interests that have dominated the UK public sector as pay and conditions have fallen behind their originally intended levels. Used to screen vested interests from scrutiny these false barriers to change must be swept aside as part of a comprehensive realignment of the public-private sector interface.

The provision of public services, or should they be more accurately labelled “services to the public”, cannot be left to the outdated monopolistic structures and systems that delivered the type of uniformity that created our sink peripheral housing estates and then, inevitably, led to Housing Stock Transfer. The need for such a large central government involvement and the resultant loss of responsibility for housing from local government are direct consequences of the madness of municipal monopoly.

The general public is becoming increasingly aware of the desirability of reshaping this crucial sectoral interface, as described in “Toward an agile public sector”, an excellently concise descriptor of the steps to achieve sustainable change, from the BT Public Policy Forum. A mix of provision within the public sector, from the private sector and from the voluntary sector is not only necessary to improve quality it is the only way in which the public sector can survive.

## **External Resistance 2 - Reforming investment**

N.B. a more detailed look at the need to and the ways in which to secure reforming investment can be seen in various articles written by the author of this booklet.

Reforming investment is one of the pre-requisites for this task. The way that investment is made must be reformed and the investment itself must reform the way in which services are designed and delivered. Reforming investment must mean what it says. No spin, no slight of hand. Simple, straightforward and effectively funded change that will produce better quality services and better overall performance. This will inevitably involve greater public engagement and an increase in public accountability.

In the area of the public works programme, both the traditional investment route (mainly Section 94 borrowing) and the more recent innovations of PFI/PPP have been to some extent responsible for the disengagement described above. Neither of these mechanisms provides the service user with any real opportunity for effective input, either at design or delivery. A large public building project can be paralysed simply because the views of those expected to work in the new facility haven't been taken into account at the design stage. This creates logistical nightmares during delivery.

The Scottish Parliament is the most graphic demonstration of this failure of the traditional funding route. The end users of the building, the MSPs themselves, were not involved in any of the fundamental strategic choices, e.g. site, architect or concept. Their belated, yet essential, entry into the ongoing design of the buildings unsurprisingly proved very costly indeed, as Lord Fraser's inquiry demonstrated. Earlier ownership of the project would have allowed key milestones to be set with a realistic, cost-capped budget and timeframe.

Similarly, concerns remain over PFI/PPP projects (e.g. IPPR has produced a detailed critique) as the dark cloak of 'commercial confidentiality' has been used all too often to avoid the proper glare of public scrutiny. A lack of any feeling of ownership of the project, notwithstanding the red herring issue of actual ownership of the asset, has contributed to a lack of accountability for public expenditure. Service providers and end users must be involved in project design and delivery.

More crucially, however, is the fact that neither of these investment routes recognise the key difference between the public and the private sectors; the need for public engagement in service strategy, its design and its delivery. Alternative funding mechanisms must be sought, reforming investment to enable this engagement. These mechanisms will break the cycle of decline, they will improve accountability and therefore possibly even begin to rebuild trust.

Section 75 planning agreements, although terribly unstructured and unregulated, leading to local differentials that can discriminate against areas of relative deprivation, are at least an example of the public and private sectors working together to identify a need, develop a solution and then deliver it with public input and support. Investment in infrastructure through this pro-active route must be encouraged, albeit through a better-developed framework that provides greater equality of treatment across the country.

Other imaginative investment options, in both the capital and revenue streams of public service finance, are being proposed. Financial institutions, keen to identify stable, long term lending opportunities that are funded through current or generated revenue streams are developing innovative solutions such as the “Consumer Service Corporations” being proposed by the Royal Bank of Canada.

In each case, the key concern is to link the reform (be that a new building or a service development) with the investment that is required to fund the reform. Service improvement must become a key driver within public sector finance, with annual improvement trends to be delivered as the norm. “Invest and Reform” must be more than a guiding principle, it surely has to become a principled practice.

## Other factors unique to public services

### 1 The Non-linearity of political time

ref: Herbert F. Weisberg, Dept. of Political Science at Ohio State University and in particular his paper in "Electoral Studies, Vol. 17", published by Pergamon, Elsevier Science Ltd.

In politics time is non-linear. The electoral cycle creates time compressions either side of polling day. The period in between polls often seems to drag in comparison to the frenzied level of activity when politicians prepare for their regular date of democratic destiny. This impacts on every aspect of policy planning, development and implementation.

This non-linear behaviour creates a rather unique context in which to promote the management of change, limiting the opportunities for decisive (and often initially unpopular) action and opening up the tactical potential for 'forces of conservatism' to wreck reform plans. It should be noted that the public sector lives with the constant threat of a discontinuity of leadership, either at statutory elections or through other events such as individual political re-alignment or occasional by-elections. In PSR this tends to focus certain types of activity to certain time frames within the overall electoral cycle.

For example, tough choices cannot be taken in the second half of an electoral cycle (Edinburgh's malaise over congestion charging is due to a late recognition of this political principle). The preparation for difficult policies has to be carried out well before the election in order that implementation, following 'in principle' endorsement by the electorate at the ballot box, can be carried out straight after the securing of a mandate for change. The compression of time during which radical change can be implemented within a short electoral cycle highlights the need for longer terms of office.

Where the public is not clear regarding the level of political responsibility for a given service, particularly in cases where no direct democratic accountability is in place (e.g. hospital closures) the electorate have demonstrated a strong desire to hold someone, anyone, to account at the next available electoral opportunity. A number of former Councillors, MSPs and now MPs, none of whom had direct responsibility for the NHS in their area, will testify to the public's use of 'directional democracy', i.e. hit whatever political target next comes into view.

This crossing over of political responsibility also affects the political time-zone and has been seen to strangle initiative and reform (e.g. the creation of medium level secure units in the West of Scotland). The clear message from the electorate is that given their continuing strength of feeling of ownership of public services, in the absence of a clearly identified group or individual, they will hold whomever they see fit to account for poor performance or slack management or service decline. This 'lynch-mob' democracy, often inflicted on the innocent, is a brutal reaction to a lack of local democratic accountability.

Indeed there exists a strong pattern of electoral retribution over perceived political wrongs, including the continual decline of the majority party's share of the vote in by-elections, following any disproportionate victory in a statutory election. In Scottish local government between the birth of the new councils in 1995 and the last statutory election in 2003, for example, the Labour Party lost seat after seat in by-elections, ceding control of a number of councils, as the electorate 'rebalanced' council compositions. This tactical, mid term voting would not have to be used if the voting system itself allowed for a greater correlation between votes cast and seats won and there was greater, ongoing choice in the local political marketplace, as offered by STV-PR.

## **2 The Electoral System**

It is therefore obvious that another key factor in determining the success or otherwise of public services and their ability to deliver change is the electoral system used to hold leadership and management to account. Without rehearsing the many and varied arguments for or against particular electoral systems it is sufficient for the purposes of this paper to acknowledge the low turnout at local council elections and the lack of popular trust of the unelected quangocracy.

If the connection between community and those tasked with providing services for it is broken to such an extent then it definitely requires attention. Public Services, by definition, require public demand and are made distinct from any other type of provision by public involvement in the development of their strategy, their design and their delivery. One in four people putting a cross in a box every one in four years cannot be characterised in any way as representative democracy. Appointed boards with no local public accountability are similarly bereft of democratic legitimacy.

Whether each local board in each service sector is directly elected or local councils move towards a new role as the publicly accountable face of the entire local state, holding a variety of service providers to account for their actions through the Community Planning mechanism, is too big an issue to tackle here. It is sufficient to note that the electoral system can have an impact on the very definition of public services, let alone their operability and effectiveness.

## **3 Social Democratic Soup**

The creation of the new Scottish Parliament was an excellent opportunity for the real acceleration in the development of public policy and the capacity of the country to think about "Scottish solutions to Scottish problems". However, the absence of any great ideological clash, the resultant rush to the centre (left) ground and the basic immaturity of the parliament as an institution have all contributed to a sense of political and public anti-climax. Instead of a new and tasty political Scotch Broth we are currently being served excessive helpings of Social Democratic Soup.

It has been argued that the creation of the Scottish Parliament and the commonly held desire to “create a new politics of consensus”, as espoused by a wide range of political commentators (and many of those involved in the Consultative Steering Group) has dished up this “Social Democratic Soup”.

The ‘Programmes for Government’ have been fairly reactive documents dealing with the past much more than the present, let alone the future – with a few notable exceptions\*. Righting the wrongs of the last two decades has been the driving force for many MSPs, both individually and collectively across the parties. A reluctance to engage in the real debate of PSR and look forward to a different future has developed, reducing the prospects for radical action to break the monopolistic provision of public services in Scotland. This particular policy posture is unsustainable.

\* the ‘lifestyle politics’ of proposed smoking bans, challenges to our dietary habits and, most recently, alterations to amounts of parades.

## **The Way Ahead - Choice and Competition**

The UK government overtly recognises that an element of choice is essential if public services are to improve, and indeed has threatened the ‘big stick’ of private sector involvement to drive change in the public sector. The Scottish Executive implicitly recognises this, but given the political constraints that it operates under, it must be careful about the packaging of reforms that seek to achieve this aim in Scotland, e.g. Foundation Hospitals are likely to emerge as Co-operative Healthcare Units.

The other side of the choice coin is competition. You simply can’t have one without the other. The Scottish Executive recognise this with the introduction of ongoing competition in the political marketplace at the local level, i.e. the introduction of STV-PR (with its multi-member wards) for council elections. By removing the choice of individual candidates from party cadres and handing it to the electorate in an open political marketplace this is designed to give power back to the voter, increasing engagement, improving accountability and hopefully rebuilding trust.

Choice and competition can of course be introduced at various levels and to varying degrees within the public services. This could take the form of a competition between action and inaction, e.g. higher rent produces more investment, low rent means no double-glazing for another few years – its the tenants choice. Or it can be introduced through a choice of provider, e.g. choice of local council or housing association as landlord. This leads to the language of “co-payment and co-production”, as promoted by McTernan et al, and a real debate about choice and competition.

And yet, choice and competition have a poor track record in the monopolistic UK public sector. The internal market in the NHS was a particularly graphic demonstration of this. Regulation of the market, ensuring that choice is real and that competition is fair, is the key to success. Driving up standards by giving the public choice, in

whatever form that takes, can only be achieved across the board if a robust system of regulation is in place.

Examples of good practice in this area include the ongoing development of our airports under the ownership of companies such as BAA and regulated by the Civil Aviation Authority (CAA) and local councils. The marketisation of the traveller's experience has radically driven up service standards and has even been robust enough to see the operation through the ending of the very tax break that made it an attractive financial proposition at privatisation – duty free goods.

By contrast, our railway stations lag way behind in terms of redevelopment. Edinburgh's main station at Waverley is the most high-profile example of system failure, not even able to provide an escalator or elevator from the platforms to the street of the World Heritage Site that is the heart of Scotland's capital. The setting in which the station sits, adjacent to one of the world's most famous shopping streets and with a marvelous 'Welcome to Scotland' view of the Castle deserves so much better.

How can it be that even the road network, with its millions of users (individual drivers, bus companies, taxis, cyclists, etc.), is a more attractive option than the rail network with its outdated rolling stock, dilapidated stations and lack of any services on most trains? After the asset-stripping that followed de-regulation of the rail network, can those now responsible engage entrepreneurialism and make positive use of the massive land and building holdings still at their disposal. Situated in the heart of many towns and cities this real estate can surely be capitalised to support the modernisation of rolling stock and infrastructure as promoted in earlier work on "Network Planning".

The local state must be given the power to design the systems that will deliver services locally. Consumer choice and competition must be at the heart of any proposal to develop public services, giving the power to effect real change to the people who need the benefit of that change. Our schools, hospitals, transport networks, local enterprise companies and justice systems all need an element of choice and competition if they are to make a real difference to people's lives. In Scotland, where 51% of GDP is due to public sector activity, we need a radical change driven by the introduction of choice and competition.

### **A new sense of common ownership?**

Another piece of future work will look at whether the unique sense of common ownership amongst the public for our great British public services can be transformed into a modern setting with active engagement as the driver for change. Can the negativity of a community campaign defending a facility against the threat of closure, e.g. a school or a hospital, be transformed into positive engagement in the design and delivery of the modernised service?

The traditional distinctions of the industrial age between labour and capital, defined against the backdrop of a clearly identifiable political spectrum ranging from the red left to the blue right, have to be re-assessed as politics has itself been. The new knowledge based economy redefines relationships and creates new possibilities for a new sense of common ownership. It is not static either, with 'jobs for life' being replaced by individual employment portfolios that will range between the sectors creating opportunities for cross-pollination of ideas, practices and people.

In the public services, any sense of entrepreneurialism is stifled by uniform contracts that don't recognise individual talent or flair, let alone provide reward for its exercise. Although some progress is being made structures and systems generally block both public involvement and employee initiative by placing unrealistic hurdles in front of those willing to participate in or practice innovation.

The public's appetite for involvement doesn't recognise these false boundaries. The majority of parents don't protest about the construction of PFI/PPP schools on political principle they simply want the best possible educational environment for their children. Similarly, commuters would surely step forward to be involved in the redesign of their local rail station, regardless of whether it is owned by the train operator, the track company or the community itself. Patients could of course contribute to the development of care packages by relaying their own experience back to hospital or health clinic management.

Reform of the public services must include recognition that our sense of common ownership should be a positive driver of change. In a period when significant sums of public money are being invested into infrastructure and service delivery it is surely right that the public is given a role in determining service strategy, its design and its delivery. A new sense of common ownership therefore needs to be fostered, one that encourages engagement for the greater good regardless of the bureaucratic barriers that exist.

Our hospitals, schools, train stations and many of the other facilities that constitute the physical fabric of a community are crying out for involvement as much as investment. Why can't we convert that great British sense of common ownership into something positive, active and engaging that allows individuals and community to come together as one? It is a natural part of life for 'village bonfire nights', for Ceilidhs at Hogmanay or when communities face a crisis, such as flooding or power supply problems. Is it beyond our ken to make it happen for public services?

## **Extending Demand Management**

Our legacy from the end of the last millennium, a period that witnessed great leaps forward in social policy, embodied by the creation of the welfare state, is that demand for free services now far outstrips supply. In our throw away, consumerist society public services are often treated in much the same way as disposable phone cards. Regulating the supply of services not only makes people think about

their consumption but also provides a discipline to their provision, allowing properly planned investment as a result.

Demand management as bravely piloted by the London Mayor with the introduction of the hugely controversial congestion charging scheme, has shown the way for other services to follow. By seeking to match the demand for a service with the available supply through the use of the congestion charge, Red Ken (readmitted to the new Labour Party with an apology from the Prime Minister as a result) has lit the beacon for similar schemes in transport and other services. What are the possibilities?

In healthcare the choice is usually made for us by the GP acting as the gatekeeper to the NHS. Potential patients have to queue to get to the gate when in many cases they will know which way they want to go if only they are allowed through. Once through another queue awaits those without a private healthcare plan or a ready cash payment. This crude attempt at demand management does not work. A new system is required.

Perhaps self-regulation can assist in this case. Given a regular all round health check, some basic medical advice from their GP and the ability to access innovative information networks such as NHS 24 people are far more likely to stay away from the NHS. The introduction of a consultancy charge, however small, would also focus the minds of frequent surgery visitors and hopefully weed out some of the unnecessary demand.

Other services operate other types of demand management. For example parents in all social classes have taken matters into their own hands skewing state provision by paying their own classroom congestion charges – the employment of private tutors to give their youngsters that extra chance of scholastic success. Thus many teachers, like their consultant colleagues in the health service, significantly increase their earning potential by working in private practice, i.e. as tutors to individual students whose parents are prepared to pay for an enhanced service.

Alternative Dispute Resolution (ADR) is a type of demand management currently operating in the English civil courts. ADR could also speed up throughput in the criminal court, firstly by releasing resources through its use in the civil court and secondly, when combined with a penalty (of say a longer sentence or a higher fine) handed down to those who refuse to engage, it could quicken progress for minor offences against identifiable victims. For example, a local council could insist on graffiti being cleaned or litter being collected by the person responsible, perhaps even without a criminal record being opened.

Could enterprise grants could also be made more effective by the use of a congestion charge? By tying public subsidy to time-scales for achieving expansion (in turnover or jobs) could enterprise companies drive change more aggressively than through the current system? Other financial incentives to avoid unnecessary public

cost and interminable service delay are also being considered.

In transport, the cramped, overcrowded standard class carriages can be bypassed by the purchase of a ticket to ride in the air-conditioned comfort of business class. The train doesn't arrive any more quickly but at least your delay is a relatively comfortable one on a seat worthy of its name. Other types of congestion charges on the transport network include the use of peak time travel premiums and discounted rates for those travelling outside the rush hour, e.g. pensioners.

Communication networks are operated with similar demand management methods of price structuring. Telephone companies, energy suppliers and the water industry have all developed differential pricing mechanisms that serve to reduce demand at peak periods or when supply is short as well as generate maximum income from the supply of goods and services, particularly at peak times.

Congestion charging in London is the first clearly sign-posted, structured attempt at demand management for a particular public service. It has replaced the timidity of transport planners the length and breadth of the land with a bold move to better meet demand and supply by regulating the former and recognising that the latter (i.e. road space) could not be increased. Londoners voted for a Mayor pledged to introduce this reform. It has been a spectacular success in terms of managing demand for road space and generating significant sums for re-investment in public transport.

Congestion charging, already a feature of other public services, as described above, must now be seriously considered for introduction across key sectors. If the state is to maintain its planning role in relation to service delivery then its intervention to better match service supply by affecting demand is vital. Differentiation in schools, controlling access to the NHS through the GPs gateway, peak time travel charges on public transport, ADR in our courts and sharply focused performance related pay in the enterprise sector would represent a solid start for discussion on this particular change.

Regulating the markets in this way to match supply and demand is a relatively new concept in public policy thinking. It is a very hot political potato but it can be achieved where local management is given the freedom to operate outside of previous uniformity, with a proviso of hypothecation, i.e. that the service itself benefits from any cost-cutting or increased revenue raising. Engagement is a key element in this, providing a mechanism for reasoned discussion and debate about any reforming investment required.

Indeed, the most successful examples of change management (e.g. a radical overhaul of the entire Special Needs Education Service in West Lothian) are those which directly engage with service users, providing an opportunity to help shape the design and delivery of the service.

## The Democratic Driver - Accountability, engagement and trust

The monopolistic structure of the UK public sector was designed immediately post-war. The systems that were developed to run public services drew heavily upon the uniformity thought necessary to deliver equity throughout the UK. The National Health Service epitomised this uniform approach, comprehensive education was caught up in it. In those days of limited choice in the wider social and economic spheres, the public trusted good quality uniformly delivered public services.

As public demand for the quantity and greater quality of service increased, the stresses and strains of uniform provision began to show. Decades of relative under-investment followed, leading to structural fault lines and the potential for systemic collapse. Failing schools, hospital scandals, rail crashes, inward investment debacles and miscarriages of justice have all undermined a previously positive perception of our public services. Trust in the political system designed to deliver public services has taken a resultant knock.

This has contributed to a backdrop of declining voter engagement and a perception of reducing levels of public accountability. If voter turnout is to improve and Scotland's democratic system is to regain its mandate to govern then this cycle of decline, less accountability, reducing engagement and loss of trust needs to be tackled, and urgently. Action is required on all three fronts. The search to identify ways of working to achieve this will be taken on in earnest in our future work.

In most cases consumers, and they are all potential voters, indicate a willingness to pay for a better level of service when offered (e.g. local authority rent levels rising to fund central heating, double glazing or the installation of new kitchens, parental contributions to school trips or family visitors paying secured space car parking charges at new hospitals). They have no truck, however, with increased bills for no discernible increase in standards, e.g. rising levels of council tax, and they need convinced that any increase in charges isn't simply lost in the system.

Only by allowing the public the right to call to account local management will their appetite for engagement be increased. Only through greater engagement, leading from this feeling of greater accountability, can the rebuilding of trust between elector and elected begin. Accountability, engagement and trust, the three legs of the public service reform stool. PSR in Scotland should proceed by strengthening each of these mutually reliant factors, the democratic drivers of change.

## Summary

This initial look at PSR has described the structural realignment and systemic reform that is being undertaken in Scotland and painted a picture of progress to date. This picture is necessarily a two dimensional one without any depth of view, an indication in itself of the lack of a wider policy hinterland to the changes that are currently underway.

Given the complexities of the issues and the need for a deeper understanding of the dynamics of change further work is required to fill out the policy picture; to provide that depth of view. That work will concentrate on the people required to drive change and the realignment of relationships necessary to facilitate it.

It is possible however at this stage to map a rough route along which the road to reform will ultimately have to travel if sustainable change is to be achieved. In particular, the introduction of real choice and competition is a given if democratic drivers, a new sense of common ownership and the extension of demand management are to be the agents of change that will convert investment into reform into improved performance.

The recognition that public accountability, engagement and trust are inextricably and inexorably linked is the single most important lesson for those who would save public services in Scotland from their otherwise inevitable demise. Without these three aspects of public involvement the customer – producer relationship of the market will inevitably dominate and public services will wither on the same undernourished and increasingly disfigured vine that only just supports our system of democracy.

PSR then is even more than the ultimate political test of our First Minister or even of our Prime Minister. PSR is a test of our democratic system. Failure to achieve real and lasting reform that improves the performance of our public services through stronger public accountability and more active engagement of communities of interest will deepen the crisis in trust that the general public has historically displayed in our political system. Success, on the other hand, can redefine not only the function, but also the very purpose, of public services and of the political processes that underpin them.

## Appendix 1

### The PSR Matrix and its narrative

Anyone or any body that has cause to interact with the public sector in Scotland requires an understanding of how, and indeed why it functions. Anyone or any body that wants to be ahead of the game in a competitive marketplace must acquire a decent understanding of where the public sector is going, when the change is likely to happen and if there will be an impact on opportunities.

Progress with public sector reform is the benchmark by which both the Prime Minister and the First Minister here in Scotland have asked to be judged. Change, however slow or rapid, however deep or shallow, however well or under funded will therefore happen across the public sector. Education, health, enterprise, transport and of course justice are all legitimate areas for reform. Understanding how they change in relation to each other provides an invaluable insight into how they will change themselves.

The PSR matrix – attached - and its developing narrative provides the basis for this understanding by painting a coherent picture of the change agenda across all these key public service areas. The PSR matrix not only provides a powerful tool for assessing change in each individual sector but also helps to develop an ability to see change in one sector from other service perspectives. This allows PSR students to stay ahead of the game.

The narrative behind the development of the PSR matrix is a useful tool in its own right. It develops an understanding of the need for a new, positive mentality towards change within the public sector by learning lessons both from within and from elsewhere, e.g. the American Corporate sector. The ability to converse in the language of PSR enables users to predict change outcomes, understand change issues and develop change themselves.

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## Public Service Reform Matrix (Scotland)

Sector	Education	Health	Enterprise	Justice	Transport	Housing
<b>Change Engine</b>						
<b>Structural Realignment</b>	LEA remain but reform	LHB remain but reform	LEF remain but reform	LCJ (local citizens juries) Crown v accountability?	LTA (transit auths) To follow creation of STA?	LHA Remain but reform
<b>Local Leaders</b>	Push power to clusters of schools manag't	remove trusts not management	reform lecs tighten manage't	localise delivery strengthen management	regionalise delivery and support management	localised delivery with strong LHAs
	(this structure helps to define the relationship between national prescribed standards – and local – delivery with diversity)					
	(continuance of structures dependent upon ability/success implementing the systemic reform below – assessed by national inspectorate)					
<b>Systemic Change</b>	McCrone NOF NCS HLC EIS/GTC	Nurses GPs Consultants LHCCs & CMNs BMA	public/private balance prp at all levels practice-preach LECs become PPPs shift statist mentality	examine pay/conditions firefighters/police examine operating system of the courts The Faculty's power	National v local pay regionalise/localise pay opps. for user engagement Easyjet/train/bus ferries, trams & ticketing	rent level agreements to secure investment
	(main systemic change in this initial phase is reform of 1970s monopolised state pay and conditions, as wage bill is dominant expenditure)					
	(creating the conditions for a new sense of ownership that can translate passive, emotional attachment into active, practical engagement)					
	(also consideration given here of shift from producer to consumer interests, redefining the customer relationship with modern CRM)					
<b>Public Involvement</b>	School Boards PTAs SPARC? Teaching & learning	LHCs unelected boards No other local accy. Patient input	No sounding boards No involvement No benefit Stake/shareholder	Joint Boards-public safety (devolve to LA areas) restorative justice Sentence Advice Forums	RPUC SPTE works congestion charging Route Develop. Groups	tenants associations
	(these innovations will define public services – without them the private and voluntary sector are equally valid delivery vehicles)					
	(this is the least developed area of governmental thinking and forms the core area of the Forum's 2003/4 workplan)					
	(public service users must be involved in service strategy, design and delivery: accountability, engagement and trust)					

Next level of discussions will focus on matching supply of services to demand: universality=equality of output=inequality of impact?

Is service delivery a linear function of increasing input or is local flexibility the route to social justice?

### Developmental Themes

Community Planning – to deal with national/local government split, to introduce choice of provider (not the New Local Governance Body)

Environment – establish best practice guidance and reward success through revenue hypothecation and other financial incentives

Development – training and support for all parts of the public services, including voluntary organisations as advocacy groups