



# **Public Sector Reform and Local Government in Scotland**

## **Response to the Call for Written Evidence from the Scottish Parliament Local Government and Regeneration Committee**

**The UNISON Scotland Submission to the Scottish Parliament's Local Government and Regeneration Committee**

**February 2012**

## **Introduction**

UNISON is Scotland's largest public sector trade union representing over 165,000 members delivering services across Scotland. UNISON members deliver a wide range of services in the public, community and private sector. UNISON is the largest union in local government. members are also tax payers and service users and are ideally placed to provide evidence to inform the committee during its scrutiny of public sector reform. High quality public services are central to Scotland's economy and the quality of life for our citizens. Scotland has begun to develop a public service model specific to the needs of a relatively small country suiting our culture, geography and ideology. We must continue to develop this model by internationalising our outlook, seeking best practice from other small countries. UNISON Scotland welcomes the opportunity to submit evidence to the Local Government and Regeneration Committee.

## **Evidence**

Local government as we know it has evolved as a reaction to the failure of markets and the private sector to deliver for the needs of the people. The infrastructure required both to support business and people to achieve their potential required co-ordination, local control and financial investment. While the well-off could buy many things for themselves infrastructure: roads, water supply and sewerage needed coordinated action and investment. As our understanding of disease began to grow it became obvious to even the wealthy that it was in their own self interest to ensure that everyone had clean water to drink and wash in and that waste was dealt with. The fire service and the police service all grew from a recognition that we needed to organise and pay to provide services in a local area. Not only is it cheaper if everyone pays towards services, but even those that do pay suffer when others are not covered.

We believe that local government can lead economic recovery by both delivering services and providing the stimulus to support the private sector. Far from crowding out the private sector the public sector supports business: a successful economy needs public transport, care services, roads, an educated and healthy population, a fair and binding legal system- all require public investment and direction.

Much of the debate about local government in recent years has focused on boundaries and structures and a search for one size fits all solutions. Despite frequent media comment that Scotland is "over-governed" we have the smallest number of councils and councillors per head of population in Europe. Our councils are already large by international standards. We believe that the route forward must be decided in communities through proper informed consultation with users and staff.

The Christie Commission recommended a bottom up approach to reform. Instead, the planned options are the same tired old solutions: privatisation, shared services and increased centralisation of services. Devolution should not just be about moving power from Westminster to Holyrood, decisions should be made in communities. This is why local government evolved. Private companies could not deliver in the 19<sup>th</sup> century, privatisation was a disaster in the 1980s and it will not deliver the services we need in the 21<sup>st</sup> century. As councillors in Edinburgh recently discovered once the business case is properly scrutinised public delivery offers value for money and accountability to communities.

Subsidiarity also requires the Scottish Government to both resist the temptation to centralise services and recognise the importance of local government. Decision making at the appropriate level leads to more responsive services for users. The current calls to create national services will weaken the power of people to influence the development of local provision and of local government to respond to the demands in their areas.

We need to move away from a feeling that public services are something that only supports people living in poverty or who have problems. In Scandinavian countries there is a broad consensus about public services as a public good for all and this ensures support for good services and greater social cohesion.

Deliberative involvement means more than just consultation. It means involving users and staff in defining the problems as well as the future direction of their public services. The best public service organisations (PSO's) are developing a range of such mechanisms and there should be a forum to provide guidance and disseminate best practice. Improvement Scotland has made some progress in providing this role but all too often looks to the private sector and consultants rather than those working in public services for its examples.

UNISON Scotland is supportive of an increased role for voluntary and community organisations, and staff representative bodies in working with elected representatives to influence planning and delivery of local services. This cannot be achieved without appropriate resources. These are not just financial, although clearly crucial, it also means politicians and public service workers developing; the skills to get people together to discuss issues, listening skills and ensuring that many voices are heard not just the best educated, wealthiest or loudest.

Democracy is for everyone living in Scotland not just the wealthy, articulate or well connected. If Scotland aspires to be a nation built on principles of social justice then public services must allow people to participate, providing forums for people to meet both to discuss issues but also for day to day contact. Local government is best placed to lead this. Councillors are directly elected and so answerable to their communities for the services they deliver.

Ongoing debates in the Scottish media have been highly critical of the scale of public spending in Scotland. It is as if the banks didn't collapse and the crisis was caused by too many bin men. At an international level, there is no significant link between countries with high economic growth rates over the 1990s and levels of government spending and personal taxation. There is a small negative relationship between corporation tax rates and economic growth although outliers suggest this is not statistically significant.

The drive to rebuild Scotland's ageing infrastructure has involved the extensive use of Public Private Partnerships and the Private Finance Initiative (PPP/PFI). Billions of pounds of public money have been wasted and much more needs to be done on the alternatives to PPP/PFI in Scotland. Other claimed alternatives to PPP, such as 'not for profit' Trusts (including the Scottish Futures Trust) are still PPP schemes just with a different form of company structure. Despite the government's claims PPP has never really gone away, for example the Hub Initiative in health and in schools. The government is suggesting using revenue finance to deliver infrastructure investment totalling £2.5bn over the next four years, through PFI administered by the Scottish Futures Trust. It will primarily use the Government's favoured PFI model, the misnamed Non-Profit Distributing Model. Sadly this is anything but non-profit

making and will cost the taxpayer £Millions more than conventional finance. Conventional borrowing remains the most cost effective and flexible method of financing public services. It retains accountability and enables public authorities to engage in genuine consultation with service users without the smokescreen of commercial confidentiality.

UNISON members are keen to play their part in revitalising Scotland's public services. This can and should be achieved with the full involvement of staff and trade unions. They have the knowledge and expertise of frontline service delivery. Complex services, "fair to all" and "personal to each of us" cannot be delivered by central diktat. There must be space for local innovation with broad standards set to disseminate best practice. Users of public services are not homogenous. The needs and wants of differing groups need to be taken into account when designing efficient services.

Traditional methods of measuring the performance of organisations have concentrated on cost accounting methods that may not be entirely suitable to public services. There is also a concern that alongside the use of contracts a scrutiny industry has developed to examine public services. The measurements used to assess performance are often subjective and fairly crude and do not take into account all the factors involved in providing a service. They are also often based on what data is already being collected.

Targets should be based on *inputs*, *outputs* and *outcomes* together with *process* measures. Financial systems will also need to be reviewed to be consistent with this approach. It should also be recognised that assessing outcomes is fraught with the difficulties of identifying cause and effect and the influence of other policies and organisations. There is also a concern of how open and transparent any scrutiny regime can be, especially with the growth of Quangos in either the delivery of services or in their inspection.

Improving public services requires innovation. Public service organisations must therefore have the capacity to allow innovation to occur; otherwise no amount of innovative thought will actually translate into better services at the frontline. This requires challenging the assumption that public services are based on a "one size fits all" approach. This process requires transparency and an element of risk taking, so it is necessary to end the 'blame culture' to enable innovation to take place without recrimination. Giving staff the resources and freedom to develop networks to learn from the best practice that they encounter is one way to do this.

Efficiency and effectiveness in the public services is about more than price. This should be reflected in our procurement policy using the new flexibility in European law to ensure that the social dimension is properly reflected. The public has a right to expect high performance from public services. That performance should be rooted in a culture of citizenship not consumerism. The quality of services offered, not just the lowest cost, must be a crucial factor in any procurement decision. Any analysis of the performance of public services needs to take into account the possible impact on their service provision of the often-variable funding levels that public services receive as well as their interaction with other public service organisations.

### **Efficient Government**

UNISON Scotland recognises that all public sector organisations should be aware of opportunities to work more efficiently and effectively. UNISON believes that improved

cooperation between public service is essential, but this does not require setting up vast public service factories or bringing in the private sector. Sadly shared services are frequently pushed by private consultants as a way to improve services and save money. They are in fact extremely costly and have high upfront costs. The UK National Audit Office report indicates that so far projects have taken five years to break even. The government of Western Australia has reversed their shared services project (first highlighted in the Executive's initial report as a successful shared services project that Scotland could learn from). They have abandoned the project due to the high costs, extensive delays and the system's inability to deliver as promised. We should indeed learn from this project: shared services are not providing the answer to modernising public services. Even on the rare occasions where they have been successful the time scale required to rake back the up-front costs mean they could provide no quick fix to the current crisis.

Shared services usually seek to separate and deride the role of so-called back office functions. Many claimed savings from back office reductions simply displace costs onto front line services. These leave front line staff to perform administrative tasks that they are not well equipped to do and distract them from their main roles. A recent example of this has been police staffs being made redundant, and more expensive and unqualified police officers being backfilled into their posts.

The use of private sector consultants is the real waste of tax-payers' money. Press reports indicated a planned spend of £250m on private consultants and agency staff in this year. Scottish Local Authorities have spent over £42million on consultants in the last year; Edinburgh alone has spent £6.4million. Edinburgh is now moving away from these plans to outsource a range of public services as they were based on misleading information on privatisation initiatives elsewhere in the UK. The money would have been better spent on delivery.

The solutions to the challenges facing the public sector are rarely deliverable by one agency working on its own. Crime, health and poverty all require multi-agency approaches. Markets are often promoted as the only answer to delivering responsive local services. Partnership working offers responsiveness, local delivery and the opportunity to set national guidelines without resorting to constant reorganisation. It also offers the opportunity for economies of scale to allow in-house provision to be viable and cost effective.

No one argues that public services should not offer their users a service based on their individual needs. However, markets are not the only way to offer this choice. In fact they offer only an illusion of choice. People want good services where and when they need them, not a complex shopping trip.

Public Service Networks are essentially an agreement between public service providers to work jointly on a project usually by pooling resources and working to a common action plan. In a changing environment networks are a more rapid and effective method of responding to change than constant boundary reviews and statutory reorganisation. PSNs can also bring together the fragmented services, disrupted by privatisation and the growth of un-elected public bodies. They offer co-operation not competition and the opportunity to make effective use of ICT and economies of scale without centralised control. While public bodies can engage in networks that involve various organisations, the prime focus should be in forging networks of Public Service Organisations (PSOs).

## **Voluntary Sector**

The voluntary sector is an important contributor to the design and in some cases the delivery of public services. They can provide innovative and flexible services, enabling new approaches to be piloted in ways that can be difficult for core services to undertake. They often share the public service ethos that is absent from the market realm. It is important to recognise the diversity of the sector. We should distinguish local community organisations with their role in community planning and national campaigning organisations that promote and represent service interests, from the role of semi-commercial service delivery organisations.

## **Integrated Services**

Local government should generally deliver services with their own directly employed workforce and facilities. This approach delivers the integrated, cost-effective and universal services that the public needs. The Scottish public service ethos has a proud history, is valued by the public and should be maintained and strengthened. Quality public services are the mark of a decent society. Renewed investment in recent years in Scotland's public services has made a real difference to people's lives, strengthened our communities and boosted the economy. Every pound spent by local government creates a return of £1.64 in the local economy. Cutbacks in local government will damage communities and local economies. UNISON's Public Works campaign has highlighted the excellent value for money that local government services deliver.

Lessons have been learned from the disasters of privatising schools, cleaning and catering services. Most have since been returned in-house and UNISON will strongly oppose any renewed attempts within the public sector to contract out work and privatise on the flawed premise that this would lead to savings. Some local authorities have set up arms lengths bodies such as Limited Liability Partnerships and Leisure Trusts transferring services and staff out of direct local government control. These have done little to improve service delivery and have weakened democratic control over services and reduced the ability of local people to scrutinise spending. They are not subject to Freedom of Information Legislation. Services must be delivered by bodies that are open to effective scrutiny. All bodies, be they public or private, who receive public money should be subject to Freedom of Information Legislation.

UNISON believes that the best way to improve public services is to involve both users and staff in defining both the problem and the solution. This means listening to service users about what they want and empowering staff to respond. There is a growing body of evidence that shows how real improvements can be made through this type of process. Research has also found that there is a clear link between employee engagement and customer satisfaction in local government.

UNISON has collated the following examples of initiatives to support improvement in services.

**“Small is Beautiful: Innovation from the frontline of local government”** by the Local Government Information Unit (LGIU) gives an overview of ten local projects which have improved services and provided real benefits to their communities. It draws together the lessons learnt in order to help others improve. The project looked at hundreds of examples

of how small programmes on low budgets made a “decisive difference to their local area”. The projects cover a range of issues for example anti social behaviour, social cohesion, using new technology to improve ways of working and tackling consumer scams. There is a great deal of pressure on local government budgets and management consultants are selling top down initiatives and large scale shared services as the answer.

The LGIU has established that the key factors which allowed innovation (and therefore improvement) to flourish were: they were not top down initiatives, they were small, they had limited but crucial amounts of funding, they had a focused team to lead them and were given time to develop. The report can be downloaded from <https://member.lgiu.org.uk/whatwedo/Publications/>

Out-sourcing and privatisation are constantly pushed as the way to improve public services. The long history of outsourcing in the UK shows that this is driven by ideology. There is a catalogue of failures and waste. APSE, in **Insourcing a guide to bringing local authority services back in house**, identifies 9 key benefits from in house delivery: improved performance and governance; cost efficiency, community wellbeing and satisfaction, local economy; flexibility and added value; service integration; employment considerations; quality of service and sustainability.

UNISON has published a guide for branches which gives many examples of improvement and or savings through delivering services in- house. The UNISON guide to The Case for In-house Services is available from: <http://www.unison.org.uk/file/The%20case%20for%20in-house%20services%20-%20a%20branch%20guide.pdf>

### **Systems Thinking in the public sector.**

There many examples of how listening to services users and staff leads to improved services and costs savings: **Delivering public services that work: Systems Thinking in the public sector volume 1: ed Peter Middleton and Systems Thinking in the Public Sector by John Sneddon** give a range of examples.

A Scottish case study is of Glasgow Housing Association. The Key issues at GHA were; Rent arrears of £10.1m, Re-let times for empty properties averaged 56 days Only letting 49% of houses within 4 weeks

Analysis indicated 89% failure demand from customers

Rent arrears: many within the team felt that their purpose was to collect rent yet very little of their effort focused on that. Efforts were instead focused on chasing arrears. When people signed their tenancy there were told what their rent was and given a rent card and that was that. All the rest of the work was on monitoring non payment, writing to give notice that it hadn't been paid then starting the legal process to instigate court proceedings. There were lots of automatic triggers. There was nothing in the process to take account of delays in the payment of housing benefit. There was no discussion with tenants about whether they could afford the rents they had taken on. No information was given to tenants about what they should do if they experienced difficulty in paying their rents or what the process and consequences of non payment. By looking differently at the system and listening to those staff that actually do the work the system has been redesigned. Rent arrears have been reduced to £7.99m, end to end re-let time has been reduced by 13 days.

*Systems Thinking* gives many other examples of how the top down approach has failed in

housing benefits, trading standards, police and elsewhere. How public service factories, like shared services, simply generate what they call failure demand rather than value demand. In other words we pay for transactions that deal with the failure of the system to deal with the service users problem first time. This points to a new public service model where staff locally are able to map the essential processes that resolve service users demands and devise appropriate delivery models. Best practice can be shared, but not imposed using targets. If we designed away failure demand and removed the targets culture the cost savings could be significant.

### **IT redesign in Newcastle**

When Newcastle council wanted to outsource its back office IT services the UNISON branch was fully involved in the process. They wanted to improve services and make savings. UNISON strategy outlined the book “**Public Services Reform But Not As We Know It**” By **Hilary Wainwright and Matthew Little** shows how effective it is to involve staff and users in service design. The council has improved delivery and made savings through new technology. The strategy is based on a public benefit model rather than private profit. If the IT services had been privatised money would have been lost as profit to businesses instead all savings were re-allocated to social care services. Changing the way people work is challenging. The collaborative democratic approach meant staff being given the power to look at how work was done and to design new approaches across departments. There was a commitment to avoid compulsory redundancies meaning staff felt confident participating in the process. Newcastle achieved savings of £28m million. (See <http://clients.squareeye.com/uploads/compass/documents/PublicServiceReformWainwright.pdf>)

Research by ORC International has also found that there is a clear link between employee engagement and customer satisfaction in local government. The report: **Linking employee and Customer data – A new way forward for local government?** found that there are clear links particularly when employees feel they are

- Treated with fairness
- Aware of organisations’ long term goals
- Proud to be working for the organisation
- Clear about what is expected of them in their job
- Clear that the organisation is committed to customer care

### **Conclusion**

The Christie Commission rightly identified the importance of evidence based approaches to public service reform. In this evidence, we have set out real examples of what works and what doesn’t. They are based on our members’ deep knowledge of public services in Scotland and elsewhere. Our members will be there delivering services long after the consultants selling the latest fad have moved on to move profitable pastures. We would therefore welcome an invitation to give oral evidence to the committee as they continue their work on public sector reform.



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The UNISON Scotland and our UK website includes most of our many publications on the delivery of public services.

[www.unison-scotland.org.uk](http://www.unison-scotland.org.uk)