



# **Commission on the Future Delivery of Public Services**

The UNISON Scotland Evidence to the Commission on the Future Delivery of Public Services

**January 2011**

# Executive Summary

## 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. They are also tax payers and service users. UNISON Scotland is able to collate and analyse their experience to provide evidence to inform the policy process in general. We therefore welcome the opportunity to submit evidence to the Commission on the Future Delivery of Services in Scotland.

## Context

Public services developed over many years as a response to market failure. These services are central to Scotland's economy and the quality of life for our citizens. Scotland has begun to develop its own public service model leading to real improvements on people's lives. Cutting services and jobs risks the achievements and will halt progress in tackling the challenges we face. The current cuts in public spending are driven by ideology not economics.

Scotland has delivered improvement and value for money through collaboration and co-ordination rather than competition. The ethos of the public domain is different from the market domain. It is this public service ethos that underpins our approach to Scotland's public services. Public services run on ethical lines based on the principles laid down by Lord Nolan: selflessness, integrity, objectivity, openness, accountability, competence and equality. There needs to be a grown up debate about how we pay for the services we need, alongside a discussion about what we need and how best to provide it. A fair tax system that raises enough money to pay for services is essential.

## Democracy and mandate

The defining difference between public and private services is democracy. It is democratic structures that will make public services responsive to the needs of those who pay for and use them. UNISON believes that this is more than direct elections, important though that is, but also about ensuring that the public are able to meaningfully participate in the decision making processes about the areas in which they live. Key issues include:

**Democratisation of the Quango state:** to ensure that government at all levels explains and accepts responsibility for its actions.

**Subsidiarity:** organisational structures need to be decentralised to appropriate levels for each function.

**Deliberative involvement of users and staff:** All public bodies should have a statutory duty to meaningfully involve users as partners. 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. This also requires facilities for participants so they have the capacity to participate.

**Equality of access & social justice:** As Scotland aspires to be a nation built on principles of social justice then we must allow all people to access, and participate in, public services. As recent academic studies have shown, more equal societies do better on every count and public services are the key to achieving this.

**Freedom of Information:** Meaningful involvement requires equal access to information. A range of bodies are now delivering services and many are not subject to Freedom of Information Legislation. This limits their accountability to those who fund these services.

## Service Delivery

Real improvement can be achieved through the involvement of staff and users in defining both the problem and solution. Listening to service users about what they want and empowering staff to respond leads to lasting improvement. This bottom up approach to service delivery contrasts with the current perceived wisdom that top down solutions are the way ahead. The best way to deliver public services is to start from the proposition that staff who deal with service users should be able to resolve most issues first time. We therefore reject the front office/back office split that simply results in costly failure transaction costs. The evidence that shows how real improvements can be made through this approach is included in this submission. Crucial to this are:

**Broad national standards – local innovation:** There must be space for local innovation with only broad national standards, together with a robust framework to disseminate (not prescribe) best practice.

**Appropriate performance measures:** These should be based on inputs, outputs and outcomes together with process measures. Outcomes alone simply allow different levels of government to pass the buck.

**Quality not just price:** Efficiency and effectiveness is about more than price, it must also take into account the quality of services offered.

## Service structure

UNISON Scotland believes that the focus of the Commission should be on service delivery, not structures. Structure should follow form and debates about boundaries often serve as a distraction from tackling the difficult issues raised by the spending cuts and other cost drivers. Whatever the approach, solutions (and a definition of the problem) should be developed in communities and not imposed from the centre. We would also caution against the view that ever larger public authorities are the solution. Remote governance is rarely good governance and can undermine democracy. There are good examples in similar size countries, like Norway, of alternative more, local structures.

In this submission we evidence the value of partnership approaches to public service structures based on co-operation not competition. This approach is appropriate for Scotland's culture, scale and geography.

## Conclusion

The Commission has rightly identified the importance of evidence based approaches to public service reform. In this response we set out real examples of what works and what doesn't, based on our member's 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 more profitable pastures.

Public service reform is not value free. We believe in the active state promoting the social democratic values that are important to the vast majority of people living in Scotland. That leads to an approach to public service reform based on the principles we have set out in this submission.

Whilst we believe the current cuts are an ideological attack on public services, we also recognise the other pressures on public services including demographic change, technology and climate change. We therefore recognise the need to develop new delivery models and have set out our ideas of a new approach based on viewing service delivery from the perspective of the service user as a partner in the delivery of services, not as a simple consumer. Structure should follow form and we would caution against a mere redrawing of boundaries that gives the appearance of action without addressing service delivery.

# **The Future Delivery of Public Services in Scotland**

## **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. They are also tax payers and service users and are ideally placed to provide evidence to inform the Commission on the Future Delivery of Services in Scotland. UNISON Scotland welcomes the opportunity to submit evidence to the commission.

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.

## **Scotland's Approach to Public Services**

The proposed cuts in public spending are the products of ideology not economics. There is no imminent debt crisis. In simple terms the public sector has a manageable mortgage not runaway credit card bills. Scotland has achieved much in recent years. Until the current crisis brought on by the failures in the banking sector we had high employment and economic activity rates. The forthcoming cuts will undoubtedly make life much worse for many people. Even before the banking collapse many people were still unable to find work. There were problems of low pay particularly for women, poverty and inequality were high, the population is aging, many people have no pension provision and racism and sectarianism blight the life of too many Scots. Public services are key to overcoming these problems both as a provider of services but also as a major employer. Cutting services now risks the achievements and will halt progress in tackling the challenges.

Scotland has taken a different approach to public services than England; an approach that reflects Scotland's geography, scale and culture. The aim has been to deliver improvement and value for money through collaboration and co-ordination not competition. The ethos of public domain is different from the market domain. This public service ethos underpins our approach to Scotland's public services. Public services run on ethical lines, based on the principles laid down by Lord Nolan: selflessness, integrity, objectivity openness, accountability, competence and equality.

Alongside a discussion about what we need and how best to provide it we need a mature debate about how services are funded. High quality public services are central to the quality of life of Scotland's citizens. They are not just a safety net: they are the glue that holds our society together. Public services are the foundation of a fair society that combines economic strength with social cohesion. Good services cost money. A fair tax system that raises enough money to pay for services is essential. Discussion of taxation tends to be dominated by campaign groups like the so called Tax Payers Alliance fulminating that the taxman/government are stealing our money and wasting it. Few seem willing to stand up for taxation as the price of a civilized society

Public services developed over many years as a response to market failure. Britain developed new services, built infrastructure and eventually nationalised failing industries. Public delivery is cost effective and provides excellent value for money. The average household benefits by about £10,000 every year. Paris's water supply is the latest in a long line of services being brought back under public control because of the increased cost and inefficiency of private delivery. Few would argue that privatising the rail service has led to improvement.

Without public provision of services people will have to buy from a private provider or do without. Comparing tax bills to direct purchase of services shows the public benefit from the current tax system. Private refuse collection would cost £45 per domestic pick up which, at around £2300 per year, is more than most council tax bills. (You may pay to get your rubbish uplifted but what if others won't or can't? Vermin won't ask to see your receipt before moving into your kitchen.) The average fee for private schooling in Scotland is just over £8000. Using tax to pay for services means people suffer less from the bad behaviour of others. It also should mean less free-loading assuming that tax evasion and avoidance are treated with the seriousness they deserve.

Public services are paid for by our taxes. Nothing is free. The current UK Government wants a low tax economy; the deficit is just an excuse. The tax system should be reformed to ensure that it raises enough money to pay for the services we need. Tax avoidance by wealthy individuals and corporations makes services more expensive for those who do pay. The Public and Commercial Services union (PCS) estimate that £130 billion goes uncollected evaded or avoided every year in the UK. Christian Aid's research shows that developing countries lose \$160 billion every year: one and a half times the world's annual aid budget. Tax revenue is used to build stable government and infrastructure. These are essential to businesses not just to individuals and families. Every day is tax-free-day in Somalia but few of us would set up businesses or migrate there. More than 600 000 children in Zambia have been orphaned by AIDS while £31 would train a health worker to fight the disease. Tax avoidance costs lives.

Britain needs a more progressive tax system and tax avoidance needs immediate attention. While this cannot be done by the Scottish Parliament alone, it is not powerless. The government does have power to vary the basic rate of tax and to allow councils to raise the council tax without losing their current subsidy. Councils are currently increasing or introducing new charges to maintain services. Whereas using the tax system would be fairer than increasing charges for public services. Increasing charges hurts those on low incomes while the council tax freeze benefits those on high incomes more. Campaigners have highlighted examples such as:

- New service charge of £1 per meal to housebound and elderly residents: a meal a day costs £260 per person a year.
- New charge of £2.50 per trip for pensioners and adults with learning difficulties using day care facilities: £650 per annum for a person 5 going days a week.
- New service charge £20 per week (£1040 per year) for Housing Support Service clients.

Band H households are saving £441 per year while Band A households only save £147 a year. This is not fair.

The SNP promised a new Local Income Tax (LIT) but LIT moves the burden of paying for local government to workers, leaving many wealthy people no longer contributing as they are not on PAYE. A property tax provides a stable yield for local councils at low administrative cost. The Council Tax needs reform to make it fairer and the Parliament has the power to do this. The Burt Report provided a useful analysis of the options. Scottish Parliament should act as quickly as possible to ensure adequate funding for local government. Public Works: we need to act to ensure adequate funding for all our services and ensure everyone pays their fair share.

## **What shared values and ethos should underpin Scotland's public services, and how best can they be embedded in the delivery of public services in the future?**

While this question is number three in the Commission's list UNISON believes that values and ethos that should determine the structure of services and will therefore tackle these issues first. As stated earlier UNISON believes that public services should run on ethical lines based on the principles laid down by

Lord Nolan: selflessness, integrity, objectivity openness, accountability, competence and equality. To build on this ethos UNISON Scotland has developed five principles that we believe can form the basis for the continued development of public services that will be the envy of the world.

UNISON's principles are:

**Democracy**

**Investment**

**Fairness**

**Excellence**

**Partnership**

## **How best can our public services achieve positive outcomes for and with the people of Scotland?**

UNISON believes that following these principles will ensure that service delivery is focused on positive outcomes for and with the people of Scotland.

### **Democracy**

The defining difference between public and private services is democracy. It is democratic structures that will make public services responsive to the needs of those who pay for and use them. UNISON believes that this means more than elections or a Scottish Parliament but is about ensuring that the public are able to meaningfully participate in the decision making processes about the areas in which they live.

Democracy requires government at all levels to ensure adequate opportunities exist for the general public to participate in and influence the policy making process. This is more than consultation where plans are made in private and the public then asked to comment. It should mean deliberate methods of involvement in developing desired outcomes and the methods to achieve them. All public bodies should have a statutory duty to meaningfully involve users as partners, not as customers, in the decision making process. To facilitate this, organisational structures need to be decentralised to appropriate levels for each function. The fragmentation caused by privatisation and the growth of un-elected bodies hinders this process.

### **Democratisation of the Quango state**

Democratic structures create public bodies which are open and transparent in their dealings with the public. Government at all levels must explain and accept responsibility for its actions. However, weak mechanisms and the rise of the Quango State have devalued many of our democratic structures. UNISON believes that public bodies should as far as possible be directly elected. The current pilot of directly elected health boards is an important step forward. For some quangos direct elections may not be practicable. Those organisations should comprise an amalgam of elected representatives, appointed laypersons and professionals with a statutory duty to engage in a deliberative way with service users and the public.

### **Subsidiarity**

Establishing the Scottish Parliament is an excellent example of how devolving decision making has seen a different approach to public services. The Parliament's openness, innovative committee system, pre-legislative scrutiny and petitions are all models of public service reform that we should be proud of. 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.

### **Deliberative involvement of users and staff**

All public bodies should have a statutory duty to meaningfully involve users as partners, not as customers in the decision making process. This involves a high degree of transparency and the provision of capacity for users to fully participate. We need to move a way 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 organizations (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.

### **Capacity to participate**

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. All PSOs should be required to produce a corporate strategy on participation and involvement which demonstrates how users, community organisation's, staff and their trade unions can be involved in the planning, design, monitoring and review of services.

### **Equality of access & social justice**

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. They support the vulnerable in society but also those community services we all enjoy such as leisure services, shared public spaces and education. If we expect everyone to pay tax for public services then we must provide services for everyone not just those who cannot take care of themselves.

### **Freedom of Information**

Meaningful involvement requires equal access to information. The Freedom of Information Act has begun to change the culture of secrecy but we must build on this provision. The arms length bodies, Trusts and Limited Liability Partnerships currently delivering many services are not subject to Freedom of Information legislation. This limits their accountability to those who pay for these services. The legislation should also be extended to cover so-called commercial confidentiality which allows the waste of privatisation and the many forms of PPP to remain hidden. For example, greater transparency at the outset of the Private Finance Initiative could have saved Scotland from the massive costs and inflexibility of service provision these long term contracts have created.

## **Investment**

Sustained long term investment is essential if we are to revitalise Scotland's public services. This includes the revenue to run day to day services and the capital to rebuild the infrastructure. There needs to be a grown up debate about how we pay for the services we need alongside a discussion about what we need and how best to provide it. Good services cost money and a fair tax system that raises enough money to pay for services is essential.

Public services developed over many years as a response to market failure. We tried relying on voluntary provision and the private sector in the 19<sup>th</sup> century. It failed. There was widespread destitution and disease. The wealthy could not protect themselves from the diseases cause by squalor. Britain developed new services, built infrastructure and eventually nationalised failing industries as a response to these failures.

Public delivery is cost effective and providing excellent value for money. We need a fair and unavoidable tax system to provide the investment necessary to develop the services to meet the needs of the people of Scotland.

## **Adequate funding**

The previous increase in public sector funding had only begun to tackle the problems caused by years of underinvestment. Attempts to paint this desperately needed investment as runaway spending must be challenged. Adequate funding is necessary to provide the infrastructure, proper staffing levels and to fund fair employment standards and training. Modernising public services effectively is not a one off task but an ongoing process. Adequate funding also encourages staff to develop innovative solutions to service delivery..

Most public bodies have achieved challenging efficiency targets in recent years. The public sector is not full of waste. These savings were recycled-now they will be treated as a contribution towards the cuts. There is no evidence that improved efficiency, outsourcing and shared services will save money to meet cuts of the predicted size. Nor will the costly upheaval of reorganisation.

## **Public spending and the economy**

Ongoing debates in the Scottish media have been highly critical of the scale of public spending in Scotland. It's as if the banks didn't collapse and the crisis was caused by too many bin men. Research commissioned by UNISON Scotland demonstrates that there is little evidence over the long term of a negative relationship between public spending and private investment. In fact public investment is crucial to the success of the Scottish economy. Scotland can still afford to invest in its public sector to create world class public services for all.

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.

Equally significant is the relationship between tax receipts and income equality. Countries with higher state involvement generally have lower levels of income inequality, suggesting that government intervention remains important in ensuring wealth is fairly distributed. Claims made about Ireland as a successful example of a 'minimalist state' economy during the 1990s need to be critically appraised in the light of the considerable subsidy that the country has received from the European Union over the period in

question. Ireland's slash and burn approach to the crisis has also resulted in it being even more deeply mired in crisis rather than moving forward.

Scottish public sector institutions are critical to the success of the Scottish economy through providing basic infrastructure as well as key human and technological resources for emergent sectors such as biotechnology. Public debate needs to move beyond a simple dichotomy of public sector 'bad', private sector 'good', to develop a more sophisticated understanding of how the two inter-relate in successful and balanced economies.

### **Long term investment**

Secure long-term funding is crucial if public services are to plan for the future. As public services involve users in making decisions about future services it is even more important that information is available about future level of resources. This applies equally to the funding of community and voluntary organisations in order to assist them in raising their standards of provision.

### **Level playing field between public & private finance**

The drive to rebuild Scotland's aging 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. Some of the alternatives require amendments to Treasury rules including new definitions of public expenditure in line with European models. Off balance sheet incentives inherent in the current block grant system and Departmental Expenditure Limits (DEL) also need reform. Enron economics is no way to finance our public services.

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. However, it is now proposed to use 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. The new plan is to hypothecate around £250m of revenue to finance £2.5bn (capital value) of PFI schemes in transport, schools, colleges and the NHS. It remains to be seen if public bodies are given a real choice of funding, but it looks likely that we are to return to "the only game in town" position the last administration created.

There continues to be a well funded commercial lobby arguing for the privatisation of Scottish Water. They use the borrowing needs of our public water service as a Trojan horse for their case. They sometimes promote a so-called public interest company model or mutualisation as a staging post to full privatisation. Water is Scotland's greatest asset and increasingly scarce across the world, it is a public sector success story and should remain firmly in the public sector. As the model develops to tackle new opportunities (see the Scottish Government's consultation, Hydro Nation) we should look to greater democratic accountability not commercialism. We should also be wary of drawing wider conclusions about efficiency from what is primarily a capital driven modernisation process, very different from most public services.

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.

## **Fairness**

“It’s no’ fair” has often been described as Scotland’s motto and fairness at work is a crucial part of achieving a fair society. If public services is to continue to attract high calibre staff then they must be model employers. High calibre staff are necessary to drive the change we need The public sector also has a role in setting best practice for other sectors.

### **Recruitment and retention**

UNISON advocates the recruitment and retention of high quality staff through: fair pay and conditions, genuine partnership working with trade unions, equal opportunities and life-long learning. We believe that real investment in training and development of staff is key to improving public services and enhancing performance. It is essential that training and development for all employees is included in the guidance on Best Value.

### **Model employer through procurement**

The public sector is an important purchaser of goods and services. It should use these powers to promote wider policy goals. A good example of this is the Scottish Living Wage. Two tier workforce agreements (PPP protocol and s52 provisions) are also important in ensuring that services are contracted on the basis of quality and innovation, not a race to the bottom in wages and conditions.

### **Partnership**

The partnership model of industrial relations, demonstrated in the NHS Scotland approach, is a good example of how staff can be meaningfully engaged in service delivery. Staff deal with change every day of their working lives and good partnership approaches can encourage innovative service development. Organisational change agreements (like NHS Scotland) are crucial to this approach as they give staff the confidence to propose and embrace change without undermining their job security.

## **How best can wider organisational arrangements (including functions, structures and processes) support and enable the delivery of effective services?**

### **Excellence**

Scotland could be a world leader in public service provision. This means not just funding, though this is crucial, but also implementing ways of working which allow best practice to flourish.

### **Broad national standards – local innovation**

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 with 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.

## **Appropriate performance measures**

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 formal and informal 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.

This can lead to pressure on PSOs to concentrate on such indicators to the detriment of their services: the furore over GPs appointment waiting time guarantees illustrates this. Some GPs stopped offering appointments any further ahead than 48 hours so they could meet the target for patients being seen within 48 hours. Targets were met but patients did not really get an improved service, as they could not plan routine visits to fit in with work or other commitments.

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.

## **Transparency – sharing best practice**

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.

## **Quality not just price**

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 is however concerned that some ‘efficiency savings’ have simply been a method of passing on real cuts in services or privatisation. The Government should tackle the real waste such as the £5.8bn wasted on the additional cost of PFI schemes as compared to conventional procurement. There are also concerns that initiatives such as shared services could be used to

centralise services and centralised procurement squeezes out local suppliers.

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 previous Scottish Executive's original report into shared services showed an investment ratio of 2:1 — an initial investment of £60m is needed to save £30m. The UK National Audit Office report indicates that so far projects have taken five years to break even. A new report by the Auditor General for Western Australia found that their shared services project (first highlighted in the Executive's initial report as a successful shared services project that Scotland could learn from) is still not finished seven years from its start. The original cost projection was A\$69million, so far it has cost A\$180million. The promised savings of A\$55million a year now look "unlikely". 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. Recent press reports indicate a planned spend of £250m on private consultants and agency staff in the next year. Over £42million has been spent on consultants in the last year by Scottish Local Authorities; Edinburgh alone has spent £6.4million. Edinburgh is now looking at a number of initiatives to outsource a range of public services based on misleading information on privatisation initiatives elsewhere in the UK. The money would have been better spent on delivery.

## **Partnership**

Partnership has been the cornerstone of Scottish public service reform. Co-operation rather than competition continues to offer the best route forward. Partnerships typically operate as self-organising, interagency networks that are interdependent and have different degrees of autonomy from their parental bodies and the Scottish Government. Examples include Joint Future, Clinically Managed Networks and the Criminal Justice Authorities. Partnerships create and benefit from joined up working; this is essential if the complex challenges facing Scotland are to be addressed.

## **Reject hierarchies and markets**

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. Improving Scotland's health record will not be achieved just by the NHS. Hierarchical approaches where each agency sends out central plans are a thing of the past. 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. The people of Scotland seem to agree. The Tories spent years trying to introduce markets to the health

service, for example offering tax relief on private insurance. Where the private sector does offer an alternative to public provision such as in education and health take up is far lower in Scotland than in England. People want good services where and when they need them, not a complex shopping trip.

### **Public Service Networks**

PSNs 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).

The overall aim is to encourage a spirit of co-operation, communication and mutual support across Scotland's public services. Public Service Organisations increasingly need to collaborate and work jointly to provide public services. This has already led to partnership working, recognising that many problems require a multi-agency solution. The new Criminal Justice Authority is an example where current groups have been networked under a Chief Executive.

In a small country like Scotland PSOs are often organised on a smaller scale to ensure local responsiveness and accountability. This means that they may lack the scale to effectively deliver some services. This in turn leads to calls for reorganisation into larger less responsive units, boundary changes or the privatisation of some services. The perceived need to respond to public policy concerns often leads governments to the conclusion that to be seen to be taking action requires the establishment of a new body or the centralisation of a service. This brings the service closer to the Minister responsible but further from the service user.

### **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.

The voluntary sector is however, not without its challenges. Due to EU procurement legislation it opens services to contestability and in some sectors, notably care, has created an opening for poor quality private sector providers to start a race to the bottom in terms of quality. The community sector offers the prospect of better community engagement but of course is not democratically accountable. Some organisations have poor governance, are captured by managerial elites and are run with poor management of staff. In this context there is a need to be able to find a role for the voluntary sector that captures the best features of the sector without damaging the overall approach to integrated service delivery.

### **Developing public service structures**

The creation of the Scottish Parliament has raised the issues of the structure of the rest of Scotland's public services. Does a nation of five million people really need 32 councils, 14 area health boards, 8 police forces, 8 fire brigades and six sheriffdoms?

The creation of large strategic authorities might have some benefits: such as a more strategic approach; joined up services, the alternative structures of power to provide the checks and balances essential to democracy. Quangos would be brought under democratic control. Tackling the fragmentation of services through larger authorities does though run a real risk of being remote from the users of the services. To counteract this there would need to be effective devolved structures with meaningful deliberative involvement of staff and users to counteract this.

The assumption that 'big is beautiful' is also questionable. For example Norway, a country with similar population and geography to Scotland, has 430 local and 19 regional councils. Norway also has all purpose authorities. That said, in order to achieve better co-ordination of services we accept that there is a strong case to have co-terminus boundaries between different services.

Whatever the approach, solutions (and a definition of the problem) should be developed in communities and not imposed from the centre. Any debate around structures should not distract from the delivery of essential services.

The commission has also asked contributors to share

### ***Their experiences of the operation of public services;***

As stated in the introduction UNISON members are in a unique position to contribute to this debate. They deliver public services in the public, voluntary and private sectors. Members work in health, local government, police and fire water, electricity and a range of voluntary bodies delivering services to the public. They have experience of service delivery in both times of investment and times of cuts. They have also played a key role in delivering improvement at both a local and national level. They have experience of the many changes that the public sector has been through and are in an ideal position to say what does and doesn't work. They are also users of services, they see services from the point of view of both provider and user. Finally they are tax payers and want value for money from these services like all other tax payers. As an organisation UNISON is able collate and analyse their experience to input into the process of improving services.

#### ***examples of projects, services, innovations or improvement work, including evaluations or assessments, which may be relevant to the work of the Commission;***

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 and from members 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/>

The Commonwealth Fund’s regular report into efficiency in healthcare rated the NHS top for efficiency and second overall. The research looks at seven industrialised nations and ranks performance across five areas: quality, efficiency, access to care, equity and healthy lives. Overall the UK came second to the Netherlands and above Australia, Germany, New Zealand, Canada and United States. The efficiency measures used are total health spending as a percentage of GDP and spending on health administration and insurance. The report can be downloaded from: <http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2010/Jun/Mirror-Mirror-Update.aspx>

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, Relet 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 relet 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 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>)

New 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’s expected of them in their job
- Clear that the organisation is committed to customer care

### ***their views on the obstacles to and opportunities for improvement;***

#### **Outsourcing**

Privatisation has already led to millions of pounds of waste. A current example of this in England is the case of Liverpool Direct, a flagship Joint Venture with BT. A recent audit report of this flagship programme reported that the council could save £23m p.a. by taking the work back in-house. LDL was set up by Liverpool City Council and BT to deliver a range of services but a leaked report found that the council has been overcharged by at least £19million. The investigation found that the cost of the contract could be cut by £10million.

LDL claimed to have invested £51.9million in its business but they could only identify £27.2million when asked. Overcharging included not paying the council when using council facilities for non council business, charging the council for training which was included in the contract and so already paid for, excessive mark up on IT equipment and charging for project support and IT support for items not on the asset register. There was no accurate asset register so there were unnecessary purchases which then

increased the support charges. The mark up on lap tops and PCs was between 93% and 149% on catalogue prices.

**Secure Healthcare**, a not-for-profit group set up to provide healthcare for prisoners went bust in 2009 leaving the NHS to fill the gap. The group was awarded a £5million contract by Wandsworth Prison but ended up with debts of £1million despite having a £500,000 grant from the Department of Health to help with start up costs. The Wandsworth primary care trust has now had to step in and provide that service. The public have to pay again for private sector failure.

The company set up to deliver IT support to the police, Somerset County Council and Taunton Dean Council has been so problematic that even the Tory MP is campaigning against it. Following a pre tax loss of £2.5million and early retirement for the Chief Executive, an independent reviewer has to be appointed. The projects backers claimed it would save £200million despite the losses they continue to claim that the savings will come are looking for other partners to use their services.

### **Out sourcing in the Health Service: Driven by Dogma**

A UNISON commissioned report by think tank OPM has found that the drive to increase outsourcing in the Health Service is driven by political will, rather than evidence that it will improve the service. The report combined an overview into recent research into outsourcing and a large number of interviews, focus groups, etc with a cross section of health professionals from board members to cleaning staff. The key findings of the report are:

- Those responsible for implementing outsourcing policy see it as being driven by political will rather than evidence based practice. Outsourcing has often been the only change option available to those looking to make service improvements.
- while there is hard evidence of where outsourcing has had a negative impact there is little available of where it has had a positive impact on value for money or quality of care
- where improvements were identified through outsourcing, it was often felt that these could have been delivered through investment in public provision.
- outsourcing is often seen by staff to be the cause of downward pressure on their terms and conditions and having a negative impact on the public service ethos
- scrutineers such as patients' groups and scrutiny committee members see outsourcing as a challenge to lines of accountability. The full report is available here <http://www.unison.org.uk/acrobat/B4360.pdf>

### **Private Consultancy Costs**

Audit Scotland has published a report into the use of consultants saying that the government wastes millions of pounds every year. The Auditor General, Robert Black, said there was no clear strategy and better management of consultants would save money. UNISON Scotland has been concerned about the use of private consultants in the public sector for some time. In particular information on what they do and what they cost is very hard to find. A previous Freedom of Information (FOI) request about the cost of consultants was refused on the grounds that the accounting system used did not differentiate between differing work done by such companies. It was not therefore possible to say what work was done in relation to which bills. For example a company may have been employed to do an independent audit or a review of how a department was organised but this would not be identifiable in the records.

UNISON's concern about the use of consultants goes beyond the costs, although this is also important. As the Auditor General's Report states: Staff are not getting the training and experience they need to continue to deliver improvements in the public sector if consultants are used extensively." Consultants take the knowledge and experience away to sell to another customer while staff would keep this valuable resource in house and freely available to other public sector bodies. Finally the failure of many shared services projects to deliver on promised savings shows that the public sector is more complex than the private sector. It therefore needs different solutions. Consultants are selling a product and a more questioning

approach to the products they offer is required. Their advice is not independent, they are often sales people.

### ***their views on the options for the future.***

The Government say they need to make drastic cuts in public services in order to cut the deficit. They say that not tackling the deficit immediately will destroy our economy. UNISON is not just concerned about the very real hardship that these cuts will directly cause. There is a real risk that they will also destroy the fragile recovery and push us in to a “double dip” recession.

A new approach to public service delivery: UNISON believes in an active state not enabling state. Scotland faces many economic and social challenges and public services will play a key role in overcoming these. It is through democratic accountability and user involvement that improvements will be made. Clearly a balance has to be struck between local and national delivery but the aim should be local delivery where practicable. Scotland needs integrated delivery- not back to the 19thC. The commissioning council and voluntary provision failed ordinary people in the Victorian era. Service providers must view delivery from the service user angle.

Approaches like public value, systems thinking and co-production have been underused in Scotland and should be explored further. Scotland must be wary of rushing to centralise as this will make it harder for services to respond to local needs. The focus on front/back office splits can lead to increasing reliance on IT driven solutions. A large commercial lobby exists pushing these expensive solutions but little evidence of them meeting the needs of the organisations the support or delivering any financial savings.

Minimal national standards allow the government to set priorities without crushing local innovation. This should be underpinned with new public service ethos/compact.

### **Conclusion**

The Commission has rightly identified the importance of evidence based approaches to public service reform. In this response we have set out real examples of what works and what doesn't, together with links to further evidence. 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.

Public service reform is not value free. We believe in the active state promoting the social democratic values that are important to the vast majority of people living in Scotland. That leads to an approach to public service reform based on the principles we have set out above.

Whilst we believe the current cuts are an ideological attack on public services, we also recognise the other pressures on public services including demographic change, technology and climate change. We therefore recognise the need to develop new delivery models and have set out our ideas of a new approach based on viewing service delivery from the perspective of the service user as a partner in the delivery of services, not as a simple consumer. Structure should follow form and we would caution against a mere redrawing of boundaries that gives the appearance of action without addressing service delivery.

This response reflects our current thinking on this issue. However, our position is always developing and we are currently consulting our membership again on this issue. We would be happy to share the results of that consultation with the Commission as it develops its public engagement.

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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)