



## **ippr north Director Ed Cox's Speech at the CIPFA Annual Conference**

**9 June 2010**

### **The Turning Point: Where Next for Public Services?**

I have been at the helm of ippr north now for just 6 months, but I have taken on the role with three clear principles in mind:

Firstly, that shaping and influencing policy locally is just – if not more – important than shaping national policy-making. The decisions we take in our local authorities, PCTs, Basic Command Units, our schools and community centres have a greater direct impact on the lives of citizens than anything much national government can say and do. (This is a principle that it would appear Eric Pickles at least – if not the whole coalition government – seems now to have grasped.)

Secondly, that the north of England must be leading and not pleading in terms of its relationship with Whitehall and Westminster. I have made too many treks down to London as part of delegations, cap in hand asking government for this, that or the other and even with the Cabinet rammed with Northern MPs (something that is quite the reverse with the new administration) such an approach has largely failed. Instead I believe the north of England needs to lead the way and let government learn from our good practice.

And thirdly, I have set down a challenge to colleagues that we should make the north of England the place-to-be for progressive policy-making in the whole of Europe. Until recently, think-tank friends have rolled their eyes at such a statement. But if we take this new government at its word I see no reason why, with a general power of competence, the lifting of the performance management regime and a review of local government finance, we shouldn't now seize the opportunity to grasp something of the spirit of municipalism which drove the industrial revolution from the north, and as I understand it, led to the foundation of CIPFA in Manchester 125 years ago.

I have articulated these three principles about ippr north because I believe they need to sit at the heart of the decisions we will take about the future of public services in our country.

Yes, the Coalition government has tough decisions to take about the overall shape of our public finances through the forthcoming budget and spending review. But actually it will be the decisions that public finance professionals preside over that will have the greatest direct impact on the ground.

Whilst these decisions are a heavy burden of responsibility they are also a huge opportunity for local decision-makers to themselves adopt fresh and innovative

approaches to public service provision and in that sense we can lead the way rather than wait for government to tell us what to do.

And if we get this right, I see no good reason why places like Harrogate or Hartlepool or Salford shouldn't become exemplars of public service innovation that attract a European audience.

As we think about the future of public services, I'd like to ask just three questions. And these questions I think are the kind of questions that I would hope public finance managers would have pinned up above their desks in the next few months:

### **Question Number 1. To what extent are we turning our biggest weaknesses into our greatest strengths?**

Last year, ippr north published a report called *Public Service Paradox*. It was the culmination of research about public services in the North East of England and its central finding was that although public spending was very high in the region and by most measures of performance public services in the North East were improving; whether in terms of life expectancy, entrance to further education, unemployment – or a range of other measures, the North East still lagged significantly behind other regions.

This is not rocket science. Yesterday, KPMG released a report showing how public service productivity was so much worse than that of the private sector and whilst I think there is a conversation to be had about some of the assumptions made in the report the main point is undeniable: centrally-driven services with top-down performance indicators have stifled public sector innovation and led to dangerous levels of local dependency.

But what is needed is more than simply a lifting of the targets and inspection regimes – though that is a good place to start. What we need to encourage even in times of fiscal austerity – in fact especially in times of fiscal austerity – is a new culture of innovation and risk-taking in public service delivery.

Whether or not this is true of everywhere, I have spoken with frontline service providers both as a researcher and as an ordinary citizen I have found that many of them have incredibly bright and insightful ideas as to how they could do their jobs better. In conversations with public sector Chief Executives and council leaders I hear no end of grand plans and energising visions. But the people they all blame for not allowing them to innovate on the frontline or for dragging down the grand visions, are the bean-counters. The finance and treasury officials, the performance managers whose job it is to manage risk and who by many peoples accounts always err on the side of caution.

With less money in the public purse the temptation will be to be even more risk-averse, but the failure to innovate and the dependency of key regional economies on public sector spending needs to be turned on its head to become its greatest strength.

With the right incentives I see no reason why regions like the North East, the North West and Yorkshire & Humber can't turn their health and social care sectors; or their energy and waste disposal industries from being public spending sinks into public enterprise hubs.

## **Question Number 2. How far have we involved citizens and frontline service providers in the tough decisions we need to take and in identifying the right solutions for our public services?**

Yesterday George Osborne announced that the debate around the Autumn spending review would be opened up to the general public and I guess we would all share a degree of cynicism as to whether this is really possible, let alone whether the Treasury team will heed the e-mail from Mrs Platt of Manchester who thinks we should cut spending on Trident.

But at the local level, I have been a long-standing advocate of much higher levels of community involvement in service design and delivery – including decisions about local spending. I have taken a particular interest in participatory budgeting and what is interesting about the pioneers in this field – particularly in places like Brazil – is that it is just as possible to involve local communities in difficult decisions about spending cuts as it is to involve them in decisions about investment and that genuinely engaging communities in those tough decisions does much to dampen the social unrest that otherwise can be caused.

But the Big Society agenda has far more profound implications for public services than this. I don't think that we should underestimate the scale of ambition that the government seems to have for involving communities in service design and service delivery and the ruthlessness which it would appear it is prepared to pursue in going around local authorities and other public service providers if they don't engage and involve their citizens in a much more rigorous way.

Aside from government's aspirations, it also seems obvious that with such public sector spending constraint, however efficient and innovative we can be, we are all going to have to depend upon – and contribute to – the Big Society to pick up many of the pieces we will inevitably have to drop. I hope you are ready to volunteer to keep your local library or swimming pool open.

But research we are just about to publish looking at the capacity and support needs of the community and voluntary sector in the North West would suggest that there is a massive journey to travel if such local agencies are going to step up to the mark and start delivering public services on a more enterprising basis. Of 100 organisations we have surveyed who all claim to be social enterprises of some form, nearly 80% depend upon grant income. Most claim that public sector contracts and commissioning processes are completely out of their reach in terms of their scale and scope. And the support agencies set up to build their capacity are woefully uncoordinated.

If the Big Society is going to take off, it is going to require significantly more intellectual and financial investment and coordination – particularly at the local level – but I believe this is a prize worth chasing.

If there was one specific policy area that I would particularly push in this field though it would be time-banking. It is an activity that has had surprisingly little attention and there are a relatively limited number of working examples in the UK. But it is an idea whose time has come. People exchanging skills and services essentially on a voluntary basis but counting and transacting those skills and services in time currency – units of one hour. Some of the most deprived communities have been transformed by person-to-person

schemes where people help each other out with shopping or domestic chores – basic social care – without lots of benefits or tax issues.

But in the few more sophisticated schemes, person-to-agency time-banking enables citizens to do things like street clean-ups in return for free swimming sessions or community activities. Basically win-win solutions with minimal cost to the public purse. Every public agency should be looking into this and devising their own schemes.

### **Question Number 3. How far are our public services protecting the vulnerable?**

The Coalition government has been surprisingly strong on this theme and Osborne highlighted it again yesterday. But I think that Cameron and Clegg and their colleagues are attempting something of a philosophical fudge:

Freedom, fairness and responsibility – liberte, egalite, fraternite – are dialectical concepts. They compete with one another for attention. And the balance that is to be struck in any given policy or legislative programme will necessarily compromise one over another. And of the three, I fear that fairness will be the loser.

We hear a lot about the role of the private sector and social enterprise in the field of public service provision. And I share the view that there is a huge amount to be learned from the private sector in improving public service delivery.

But the foundations of the modern welfare state (Beveridge's five wants) were all consequences of market failure. The public sector may have over-extended its reach, but the very reason we need public services is to fill the gaps that the market leaves and address the externalities that the market causes.

As we have seen in the case of public transport, when we turn to the market to help us provide public goods, all too quickly the profit-motive squeezes out the public service ethos and the most vulnerable people and places get left behind. We are currently researching the ups and downs of six poor communities in the North of England and lack of access to public transport has been a key factor in their failure to capitalise upon investment in their wider city-regions.

Similarly, whilst the EasyCouncil experiments are precisely the kind of innovation which I think is refreshing in the public sector I have read reports about one council which has chosen to charge £500 per annum to people requesting a meals-on-wheels service and low and behold, demand has dropped by over 50%. Whilst, I dare say a fair proportion of these service users perhaps didn't need that service, I do not believe that can be true of all those who now no longer get meals-on-wheels. I would therefore be surprised if this scheme doesn't lead ultimately to higher costs of more acute forms of social care and hospital admissions in a number of cases.

Critically, in protecting the vulnerable, we must get far more sophisticated in considering the longer-term preventative dimensions and the indirect social value of many of our public services. And we must do so fast because the temptation in the coming months will be to make the easy, less visible savings and preserve only the acute services which will then escalate beyond our control.

I believe the three questions posed above are the key questions that need to underpin the difficult decisions ahead. They are at the heart of what we are trying to do at ippr north and I very much hope that they will be at the heart of discussions to define the future for public services in the field of public finance.

**If you would like to discuss any of these questions with Ed or would like to invite him to speak at your event please email [e.cox@ippr.org](mailto:e.cox@ippr.org)**