



## **Public Sector Reform**

### **Introduction**

1. The UK spending Review has highlighted the size of the fiscal challenge that the UK faces over the next three years. In Scotland, the combination of diminishing public finance and growing demand for services will undoubtedly test the resilience of public service delivery. For local government alone, the funding gap is projected to continue increasing over the next settlement period, reaching more than £3.8bn by 2016-17.
2. Given the scale of this challenge, public discourse in Scotland has started to focus on structural change as a means of delivering greater efficiencies. COSLA is concerned about some of these developments – particularly the pre-occupation with structure as the sole route to better, more efficient public services.
3. We believe that it would be wrong to view the challenges faced by the public sector solely in terms of boundaries and governance. Indeed, our basic proposition as we enter into debate about public sector reform is that we need to think about whole systems: about the funding arrangements and investment decisions that support public services; about the systems that drive organisational behaviours; about the policy and legal constructs that govern service activity; about the core principles of democratic governance; and only then about boundaries and structures.
4. The Christie Commission, which has been established by the Scottish Government to deliver a route map to public service reform, therefore faces a significant challenge. Either the debate will be defined by short-term political expediency, with corresponding calls for populist reform that might win headlines but fail to deliver a coherent reform process; or the debate could follow another trajectory, where the long-term interests of public service are weighed and considered against an overarching objective to improve outcomes.
5. The current political climate currently points to the former, short-termist approach winning out; but that is not a position that COSLA can support – nor indeed should the Christie Commission. What we know for sure is that successive, ill-thought-through proposals for reform have cost money, taken time, and delivered very little added value – so why do it again? Rather than repeat the mistakes of our recent history, we need to steer a different course towards holistic public service reform, which is driven by values, which is evidence based, and importantly, which is unapologetic in its ambition to improve outcomes.

### **The Challenge of Negative Outcomes**

6. The improvement of outcomes needs to be the methodological driver of change and the touchstone for assessing success. This, admittedly, will be extremely difficult at all levels – practically, temporally, and politically. The wholesale improvement of outcomes will not be achieved by the next election or indeed the next but one – it is a long term endeavour that will require considerable focus and effort. Practically, it is extremely difficult to measure performance against outcomes – attribution is difficult to determine, and objectives can seem woolly and distant. Compare that against inputs and outputs – so many teachers and police, shorter access times and smaller classes - and it is easy to see why political discourse tends not to favour the language of outcomes. And yet, the improvement of

outcomes is what people want from the public sector in Scotland. That Scotland should be fairer, healthier, wealthier, greener and safer is a sound aspiration and should be the driving force behind reform.

7. We have already set out on that journey. The outcomes agenda has grown in importance over the last decade and has notably received practical expression with the advent of Single Outcome Agreements (SOAs). However, notwithstanding the positive work that has gone into the development of SOAs, the public sector continues to be largely disposed to tackling negative outcomes, and has struggled to make the desired impact.
8. Key areas for improvement are relatively easy to identify. Since devolution, dispiritingly, we have made very little progress on mitigating inequalities in wealth and income, health, safety, learning and employment outcomes. In most cases, these have actually got worse. The gap in health life expectancy between the 20% most deprived areas and the 20% least deprived areas increased from 8 years to 13.5 years across the period. Not only do the most deprived have shorter lives, but the percentage of life lived with ill health has increased from 12% to 15%.
9. Against that, there has been a general improvement in outcomes for the population as a whole. Healthy life expectancy has improved; household income has, on average, risen substantially in real terms; general risk of criminal victimisation or fire has declined, and employment grew across the period to 2008.
10. Recent thinking has turned to strategies designed to reduce demand and reorient public services towards the delivery of positive outcomes. For example, in social care, we have started to drive forward re-ablement services, which are already demonstrating real added value. In the City of Edinburgh, all adults referred for domiciliary care receive around six weeks of re-ablement to help restore confidence, activity and self-care ability, and hence increase their independence. The net reduction in service hours required at the end of the re-ablement period is currently around 35%. Re-ablement has the potential to release significant savings, as well as delivering better outcomes for older people and younger adults.
11. Despite these positive developments, public services are still largely disposed to tackling negative outcomes. We need to ensure that public sector reform focuses on improving outcomes rather than focusing only on efficiencies and service improvement. It is evident that the latter does not necessarily deliver the former. For example, we have a wide range of HMIE reports on schools in deprived areas that rate them highly in terms of service quality. However, children in these schools experience far less good learning and destination outcomes than children attending less well rated schools in less deprived areas. This is not a failure in the quality of the school service: it is a failure to achieve an integrated model of public service support that will enable disadvantaged children to realise their full potential.
12. Similarly, the performance of public services in driving better outcomes is incorrectly associated with structural configuration. In truth, there is little evidence that connects outcomes and structure. For example, a study from the Department of Health in England into the importance of integrated health and social care services suggests that 'local cultural factors help integration and national structural initiatives can hinder progress.' Interestingly, the conclusion reached by the Department of Health is that 'the challenge is about relationships more than policy or structure.' This conclusion is supported by the recent SWIA work, which indicates that there is no real relationship between structure and outcomes or indeed between spend and outcomes.

## **The Preconditions of Positive Outcomes**

13. If in expressing our view about public sector reform, we begin with an aspiration to deliver positive outcomes, it becomes easier to develop a strong strategic direction in relation to public sector reform. While we cannot move directly from the outcomes we hope to achieve to the structures and boundaries that define public bodies, we can make a number of logical deductions.
14. Firstly, the improvement of outcomes demands an integrated approach to service delivery. Because outcomes are themselves mutually interdependent – for instance, a person's well-being is defined not just by their overall health but also their safety, their independence, the availability of choice – our approach to the improvement of outcomes must be similarly defined. In other words, only by integrating public services will we begin to truly nurture an outcomes ethos.
15. Equally, it seems logical to assume that integration needs to be local if it is to be sensitive to individual outcomes and the needs of local communities. For instances, social problems in Glasgow may not be the same as those in Argyll and Bute; and the drivers of positive and negative outcomes may be quite different within council boundaries. The arrangements and interventions of local services thus need to be calibrated to meet local demands.
16. This conclusion allows COSLA to cast a sceptical eye on those who favour central aggregation over local integration. For instance, are we unthinkingly moving towards a single police force despite having not thought through the relationship between outcomes and aggregated service across Scotland? If a national arrangement would still require local expression – but with less accountability and sensitivity to local need – then where is the added value? That is not to say COSLA would argue for all services to be delivered locally. Continuing with the current example, it is difficult to imagine that the contribution of counter-terrorism to public safety would be optimised through a large number of small units – there is a clear rationale for national – indeed international – coordination here. But if we focus on, say, the diversionary potential of community policing in working with gangs of youths, it is more difficult to argue for a centralised, aggregated model. What is more, embracing localism does not imply a disconnect from national activities and vice versa. So even though counter-terrorism might benefit from national coordination, local knowledge and engagement will nonetheless be key to its effectiveness, particularly on prevention and preparation; and while community policing might be best when connected to local systems of accountability, it needs to link to national direction and policy. So we accept that there needs to be a whole systems approach across nationally and locally delivered services.
17. The evidence for localism is incomplete but nevertheless instructive. An analysis of other European countries suggests a correlation between strong and effective local democracy (including tax raising powers) and the achievement of positive outcomes, albeit that problems of attribution emerge from this analysis (i.e. we cannot be sure it is localism that generates the positive outcomes, as opposed to, say, higher taxation). Nonetheless, we can assert truthfully that the most successful countries are also the most democratically decentralised.
18. We would accept, however, that evidence only takes us so far – we must also refer to our values and principles. The virtue of local integrated service is not only that it delivers sensitivity to local need and improves outcomes, but that it gives expression to a more profound democratic ideal. We would maintain that *local* accountability is hard-wired into the public sector ethos and to the democratic expectations of individuals and communities.

Local accountability is optimised where natural geographical communities are able to relate meaningfully to the local administrative territory. For instance, a constituent of North Lanarkshire does not necessarily have an identity that is defined by the council territory but rather as member of a community living in say Bellshill or Motherwell. It is because an individual's civic identity is to a large extent local – and importantly their expectations about public services are defined in these terms (the local school or park or library) – that we need to frame accountability this way. In other words, people ask for accountability relative to the truly local element of their civic lives. Indeed, there is evidence to suggest that turnout is better and democracy more vibrant in those countries where ratio of eligible voters to the elected representative is smaller – and unfortunately, the UK is one of worst in Europe on that measure. Low electoral turnout is a symptom, not a cause, of weak local democracy.

19. Another argument that points to local democratic accountability is even more straightforward: the realisation of the principles of democracy involves the devolution and diffusion of power across the widest possible number of citizens. The virtue of diffusing power by extending democracy to localities is that it makes it more difficult for a small number of citizens to exercise monopolistic control over civic life in Scotland. As soon as we assert that democracy is about bringing power closer to people, then so too do we have to devolve power and democratic structures to localities.
20. Local democracy is also umbilically connected to an emerging philosophy of social engagement, variously expressed in the language of community development, co-production, personalisation, community assets and capacity building (all of which are central to the outcomes ethos). The development of a public service philosophy for the 21<sup>st</sup> century may partly be about the devolution of power to the individual and smaller communities. This would change the primary role of public sector agencies as the deliverers of services to promoters of well-being, encouraging individuals to take control of choices and opportunities rather than act as passive clients or patients or beneficiaries. A very different relationship between the individual and the state would follow, with the state enhancing individual control, choice, and personal autonomy. Local democracy breathes life into these principles. Just as people want to exercise control and choice over the support in their lives, so too does the realisation of that control and choice require a local democratic outlet.
21. At the same time, we realise that local democratic arrangements are not universally supported. Some would argue that localism fails to deliver services on an equitable basis. Why should access to a service take longer in one part of the country than another? Questions of entitlement at this basic level speak strongly to the principle of equity; but again, it asks the wrong question: the issue should be about equity of outcome – and in this regard there is a need to balance legitimate national outcomes with locally-determined outcomes. If we look to the Scandinavian example, equity of outcomes at national level are achieved through increased devolution of powers to local level.
22. We would also accept that the variation that flows from localism can be legitimate or illegitimate. When we drill down to the level of professional decision making, we sometimes see differences in quality and outcomes. Whereas legitimate variation is the result of a valid expression of local democracy and sensitivity to local need, illegitimate variation is merely a reflection of poor quality service or performance. For example, if one social work department places twice the number of older people in care homes per capita than another, is there not a case to examine the systems and processes that lead to this variation? Public sector benchmarking, minimum standards and a framework of entitlement and accountability may therefore be ideas that are built into the fabric of local public services going forward.

23. At the same time, there is a strong argument to say that so-called post-code lotteries are a feature of local administration rather than local democracy. In other words, if power was more fully devolved to localities – including greatly enhanced fiscal powers capable of yielding a greater proportion of tax income locally – then we would see a fuller expression of local democracy. Differences between localities could then be accounted for in terms of democratic preference rather than administrative difference. To put this another way: the post-code lottery is the result of being *insufficiently* local in our thinking.<sup>1</sup>
24. To round this argument off, then, we would like to assert the importance of integrated local services with powerful local democratic accountability as the best routes to the improvement of outcomes. This implies the reform agenda should look at the whole of the public sector not just one element; and that reform should not focus on structures and boundaries to the exclusion of other issues relating to finance, policy, systems and governance.

**COSLA's Principles of Reform:-**

- Reform should be framed in terms of the improvement of outcomes;
- Reform should look at the whole of the public sector not just one element;
- Reform should be based on robust evidence and a business case that generates community benefit – and this implies local integration rather than central aggregation;
- Reform should not focus on structures and boundaries to the exclusion of other issues relating to finance, policy, systems and governance
- Local democracy and accountability should be at the heart of the reform process and should be enhanced by reform rather than diminished

**Next Steps: A Route Map to Public Sector Reform**

25. The challenge of reforming the public sector as a whole – and taking the point of departure from the delivery of positive outcomes – might be seen as overwhelming. What is required, therefore, is a methodology or route map that can guide us through that process. If, at the end of the day, our aim is to craft local public services that optimise outcomes, then it is reasonable to assume that the reform agenda ought to think through the options for change in relation to public policy architecture; public sector organisational systems; income generation; finance and funding arrangements; statutory duties and powers; managerial and political governance arrangements; and structures and boundaries.
26. All of these elements have to be factored into public sector reform. Indeed, we would argue that it is irresponsible not to look at all of these change options given that some will inevitably be easier, quicker and less expensive to effect - and indeed have a more positive impact on outcomes – than the blunt instrument of structural change. Therefore we have an absolute responsibility to maximise their use before adopting a structural approach.
27. For example, if we were to look at the subject of health inequalities, say, we might say that the major challenge is investing resource upstream: early intervention during the early years. If we ask ourselves why that investment has been difficult to achieve, we might

---

<sup>1</sup> To prove the point, we could easily imagine a purely national system of governance for public services in a country the size of Scotland – the NHS is a case in point. For all its virtues, the NHS fails to deliver security against local inconsistency precisely because local administration is still necessary. In other words, local administration without local accountability delivers undemocratic variation.

argue that the challenge of early intervention is best understood in terms of organisational systems driving the wrong sort of activities and creating barriers to disinvestment in institutions in order to shift resource into supporting more proactive interventions. Structural reform on its own will not solve this problem.

28. Equally, if we look at the reform of fire services over the last decade, we have witnessed a quiet revolution from reactive organisations ostensibly designed to tackle fires to organisations that are now more focused on community safety and fire prevention. Importantly, this provides evidence of positive change and the improvement of outcomes without structural change.

29. Going forward, we need to subject the totality of the public sector reform agenda to this type of analysis: the consideration of what tools we should use in a particular context. It is not that we want to set our stall out against structural reform: only to say that reform is a complicated process that needs to take account of manifold variables. We should assess the delivery of outcomes in Scotland and evaluate which combination of levers need to be used to deliver the change we require. This will require an honest appraisal of where we do well and where we face greater challenges, with an equally honest appraisal of the reform we currently have already started.

30. All of that considered, the following diagram sets a framework for reform, with further exposition on outcomes for older people, by way of example:

High Level Outcomes									
Wealthier & Fairer		Smarter		Healthier		Safer & Stronger		Greener	
Population Outcomes									
Infants and Children		Young People			Adults		Older People		
Older People									
Feel Safe		Live with choice & control	Healthy and Well	Socially Included	Financially Included	Contribute and Learn	Independent	Feel Valued	Not discriminated against
Methodology									
Levers of Change						Values			
<div>Policy Architecture</div> <div>Organisations Systems</div> <div>Funding and Finance</div> <div>Statute</div> <div>Governance</div> <div>Structure</div>					<div>Best Value</div> <div></div>	Evidence Based			
						Transformational			
						Integrated			
						Flexible			
						Sustainable			
						Local and Integrated			
						Enabling			
						Rights Based			
						Local Democratic			
						Civic Engagement			
Localised									
Holistic									

31. It would be wrong to assume that the creation of a methodology to guide public sector reform can be value neutral – it necessarily has to be guided by a series of over-arching principles. These principles might differ depending on your point of view, and we make no apology for setting out the principles above, which we think ought to govern this process, namely that local democracy and accountability should be at the heart of the reform process and should be enhanced by reform rather than diminished.
32. This sets out a process that we think could guide the reform process. Clearly, to think this through fully will require a detailed analysis beyond the scope of this paper – it will require logic modelling, comparative work, and even then we cannot be sure that all reform will point in the same direction – outcomes might not be optimised in all areas. Health improvement for the population as a whole, for example, can often exacerbate health inequalities (indeed, this has been the trend in Scotland). Nonetheless, COSLA will apply our proposed methodology to the issue of public sector reform and – following subsequent political debate – use this to inform our final position.
33. In the meantime, a combination of values, evidence, and deductive reasoning points us to a specific starting position around integrated local services that are democratically accountable and outcomes focused. We believe that three important steps will start us on this journey:
- i. Expand the best value legislation to encompass the whole of the public sector, with a deliberate emphasis on all agencies having responsibility to deliver better local outcomes designed specifically to meet local needs.
  - ii. Ensure Community Planning Partnerships become incorporated legal bodies accountable to an elected council. They would then raise and invest local public sector resource, employ staff and commission services across all sectors and be organisationally focused on outcomes.
  - iii. Design a single regulator with responsibility for monitoring outcomes. This is a natural extension of Crerar and would further streamline and focus inspection while promoting outcomes as the bed-rock of the public sector.
34. These proposals have not yet been discussed politically, but we would argue that they flow from the key principles outlined earlier in the paper. These interim proposals may or may not deliver all that we need from public sector reform – they might not deliver fully on local integration; they might not optimise local democratic control; and have not been informed by a review policy or statute but they would certainly move us in the right direction.

## **Conclusion**

35. The threat to effective public sector reform is already evident: that debate becomes paralysed by short-term political expediency and that we end up with a disjointed process that puts efficiency and services ahead of outcomes.
36. In combating this threat, COSLA and the Christie Commission should find common cause. If the purpose of the Commission is to imagine a public sector that is capable of delivering better outcomes; that intervenes earlier in order to avoid cost and pain later; and which is focused on improving the lives of the people of Scotland, then we would urge a more mature and reflective debate, based on a strong methodology, involving our most fundamental values. Only if this happens will we get the reform agenda that Scotland requires.
37. COSLA will continue to reflect on the issue of public sector reform, using further debate with our members in the run up to our annual conference in March to establish a final position which we can share with the Christie Commission and other interested parties.