

THE **next** PHASE



advancing a new public service ethos

Rod Aldridge and
Professor Gerry Stoker

NLGN is an independent think-tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN has commissioned this project as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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Rod worked for 10 years in local government at East Sussex County Council, West Sussex County Council, Brighton Borough Council and Crawley District Council. He qualified in 1970 as a member of the Chartered Institute of Public Finance & Accountancy (CIPFA). In 1974, he joined the Secretariat of CIPFA as an Assistant Secretary and was promoted to Technical Director in 1977. In 1984 Cipa Computer Services Limited (CCS) was established with Rod's appointment as Managing Director.

With venture capital backing, Rod led a management buyout of CCS in 1987. Renamed Capita, the company is now a leading provider of professional support services, employs 15,000 people and deals with a wide range of public sector and private sector bodies. Capita became a member of the FTSE 100 in March 2000. The Group is responsible for delivering a number of high profile projects such as the establishment of the Criminal Records Bureau and the implementation of the Connexions card scheme. Capita works with 300 local authorities across the country and is the leading private sector partner of public sector education. The work of Capita now touches the lives of 33 million people in the country.

Rod Aldridge was awarded an OBE in the 1994 New Year's Honours List and was given the Freedom of the City of London in March 1996. He has recently become a Trustee of The Prince's Trust and is a Board member of The Prince's Trust Trading Company.

Gerry Stoker

Gerry Stoker is Professor of Political Science in the Department of Government, University of Manchester. His main research interests are local government, multi-level governance, partnership, urban politics, public policy, public participation, social capital, non-profit organisations and cross-national policy transfer. Between 1992 and 1997 he was Director of the ESRC Local Governance Research Programme. He has held academic positions at Strathclyde, Essex, Wayne State (Detroit) and Birmingham universities and Leicester Polytechnic. He has authored or edited over 15 books. His most recent publications are: *Models of Local Governance. Public Opinion and Political Theory Today* (with W. Miller and Malcolm Dickson) (Palgrave, 2000); and *Towards Holistic Governance. The New Reform Agenda* (with Perri 6, D. Leat and K. Seltzer) (Palgrave, 2002). A book on the reform of local governance will appear in late 2002/early 2003.

Gerry is currently involved in an ESRC-funded project that looks at why participation rates seem to be higher in some places with the same socio-economic profile than others and a DTLR-funded project on consultation methods around local government finance.

Gerry has been Chair of NLGN since its creation in 1996, and his previous NLGN publications include *Money Talks: creating a dialogue between taxpayers and local government* (NLGN, 2001) and *Beyond PSAs: the case for 'forerunner' councils* (NLGN, 2001). He is a member of the 'sounding board' advising the Minister for Local Government and the Regions, Nick Raynsford, and was a member of the ippr Commission on Public-Private Partnerships. Gerry has a wide range of experience in undertaking research projects and is well practised at presenting findings to practitioners and policy makers as well as academics.

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foreword Rt. Hon Charles Clarke MP

Public services are not just structures, they represent the values of our society. They put into practice the principle of social solidarity by reflecting our common responsibility to each other. When Tony Blair recently described public services as “social justice made real”, he showed the Government’s core belief that we achieve more together than we do alone. This belief has been vindicated in the 20th century. History has shown that by pooling resources to provide healthcare, education or even just a local park, we can create a better quality of life for all citizens – not simply those who are able to pay.

It is not the method of delivery that makes this true, but the provision of services to all on an equal basis. Access is the lynchpin of equality, not the mechanism by which it is achieved. If we forget this, we forget who public services are supposed to serve and risk losing sight of why such universal provision is necessary. Indeed, it is the experience of the consumer that reveals whether services are accessible and accountable, and thus whether social justice is being delivered.

To see public services as the foundation of social justice is not to believe they should be cast in stone. Time does not stand still, and it is inevitable public services built to suit the nation fifty years ago will be out of touch with the needs of the contemporary age. The lack of investment in public services under the previous administration compounded these problems, creating services that were incapable of meeting the needs of a new era. The Government has taken the first steps towards tackling this by providing proper funding. Whilst others seek to cut their spending on public services we are the only major European country increasing our spending on public services as a percentage of national income.

But we know too that money alone is not enough. The authors are right to say we have to be honest about the need for reform. The problems facing our public services go beyond a lack of money. They reflect the difficulties in meeting the diversity of needs present in the modern age. As part of the process of adapting our public services to meet those needs, we must look at all options – including the involvement of the private sector. Those who would seek to polarise the debate between no private involvement in service delivery and privatisation do all of us a great disservice. They pay more attention to the method rather than the delivery of services, resulting in much hot air but little regard for those who depend on public services.

I welcome the chance to move the debate on from whether private sector companies can contribute to public services to how we can judge their potential contribution and use them to serve the public interest. Indeed, the evidence given in this paper of the pragmatic approach the vast majority of the public take to this issue confirms it is not just politicians who wish to move the debate on, but consumers as well. It is in this process that this pamphlet can play an important role. It sets out many of the issues people will face in the process of reform of public services whether they work for them, use them or fund

them through taxation. It should be the start of a debate within society about the role of public services, what we want from them and how best to achieve those aims given the resources we have available to us. The evidence given in this pamphlet of the concern the public has about the future of public services makes disconcerting reading. It shows such a debate is both timely and necessary and has resonance across the nation.

Throughout this debate, we must not lose sight of the core belief that guided us to create public services – to their role as social justice made real. Thus we need a way of analysing the contribution any organisation – be it public, private or voluntary – can make which advocates this principle. It is in this process that the concept of public service ethos can provide a way forward. Through making explicit what is expected of a service designed to deliver social justice it is a way of scrutinising the participation of all agents in public services and proposals for reform. The ethos of public service is as intrinsic to public service as the practice, helping to create and manage the expectations and aspirations of all stakeholders. Without an ethos based on social justice, there is little hope of a reality which delivers it.

We know reform will not be easy or comfortable for everyone, but we also know that no change is not an option. The challenge is for Government to find the best ways to reform public services so that they meet the needs of the modern age. This pamphlet is an important staging post in that process.

Rt. Hon Charles Clarke MP

Minister without Portfolio and Labour Party Chair

executive **summary**

This pamphlet argues that:

- The Government's reform programme for transforming public services is in part dependent upon the creation of a diverse supply market of public service providers. This has ignited a debate about the impact of these new providers on the 'public sector ethos'.
- Given the emergence of a range of service providers it is now time to begin a debate about how we can build a common public service ethos (as opposed to a public 'sector' ethos) that all deliverers of public services from across the public, private and voluntary sectors can commit to.
- There are five elements of a new public service ethos that should be adopted by all providers of public services:
 - **A performance culture** A strong commitment to service for individuals and the community, reflected in world class service delivery and reinforced by training, support and systems to ensure a sustainable service culture and continuous improvement.
 - **A commitment to accountability** An emphasis on open access to information both to individuals and to groups of interested citizens with strong public accountability to the electorate at large.
 - **A capacity to support universal access** Recognition of a special responsibility to support the rights of all service users in an environment where their choice of service is restricted.
 - **Responsible employment practices** Well-trained, well-managed and well-motivated staff who act professionally and are fairly rewarded.
 - **Contribution to community well-being** A recognition of the need to work in partnership with others across the public, private and voluntary sectors to contribute to the promotion of community well-being and to meet the needs of individuals.
- These five elements need to be translated into action. Public, private and voluntary sector organisations all face considerable challenges in creating and sustaining a new public service ethos. We therefore propose five practical steps to advance a new public service ethos:
 - **Step 1** The development of a charter endorsed by all key stakeholders and social partners that expresses an agreed and concise vision of a new public service ethos for the 21st century.
 - **Step 2** The development of accountability arrangements including stakeholder involvement in service governance and scrutiny systems that would be applicable irrespective of the service provider.

- **Step 3** The provision of a set of best practice materials to enable all organisations engaged in public service to ensure that they can draw the right lessons about the operation of a public service ethos.
- **Step 4** That the evaluation of a public service ethos should be incorporated into the procurement process so that public authorities are able to test potential providers and in-house provision against the criteria outlined above.
- **Step 5** That the Office for Public Service Reform (OPSR) and others examine how to create a cadre of public service leaders and managers who can sustain a public service ethos across all providers that values operational effectiveness as well as policy formation.
- All of these steps taken together will help to create a new culture within public service based on 'can do' and 'will do', one that is able to manage risk more appropriately and put an end to a blame culture. We need a new public service culture that is more entrepreneurial and outcome focused. The creation of a modern public service ethos will help to ensure that public services respond to the expectations and needs of consumers at the start of the 21st century.

chapter 1 introduction

Both your authors are involved in public service and yet we have very different backgrounds. One has been an academic all his life and manages budgets running into the heady heights of thousands of pounds. The other is the executive chairman of a FTSE 100 company that employs over 14,000 people. We work in different sectors of the economy but we share an understanding of what needs to be done to transform public services to meet the expectations and needs of consumers in the modern age.

No one disputes that public services are in need of substantial reform. A step-change in provision is required if modern public services are to meet the demands of the consumer age. Additional investment will need to be sustained over decades but this will not be sufficient on its own. Indeed increased expenditure without reform will lead to disappointment and further public concern about whether this country will ever have world class public services.

The Government has a vision and ambition to transform public services and to increase the range of public service providers to challenge monopoly provision, stimulate innovation and drive greater efficiencies through the system. With the creation of a plurality of providers comes the challenge of developing a new public service ethos at the start of the 21st century to guide the reform of public service in the future. The fact that your authors share similar ideas from different vantage points makes us believe that it might be possible to develop a broad consensus about the cultural values that underpin the performance of our public services as we embark upon this journey of reform.

It is difficult to have a debate about the creation of a public service ethos without first trying to understand what defines a public service today. The world into which public services were born has changed irrevocably. The ideological, social and economic imperative that led to the post World War II era of collectivism and created public services designed for that era, seems a distant memory for many.

In the modern age what defines a public service is increasingly complex and blurred. For example, many would argue that bus services remain an essential public service but they are almost entirely provided by the private sector, whilst the role of the regulator assumes the mantle of defender of public service outcomes in critical areas such as electricity supply and telecommunications.

Public services were created to improve the quality of people's lives. Keeping the user at the forefront of the debate about modern public services is vital. Today, we believe that a modern public service can be defined as one that:

- Relies upon an element of taxpayers money (even in the short term) to establish or sustain the service through part or whole subsidy in order to contribute to community well-being.

- Accepts a different and extended type of accountability. Politicians and managers of public services have to justify why they allocate and ration resources in the way that they do and those services in turn are subject to a form of democratic accountability and scrutiny.
- Has a defined customer base. Most public services are unable to choose their customers and most customers are unable to choose their public service supplier.
- Often exists where there is or can be no adequate market provision.

Valuing public service

In valuing our public services, the case should not rest alone on meeting contingencies for market failure or because the service cannot easily be made a divisible good. Rather the case for public services should be made for two positive reasons.

First, public services provide the infrastructure and support mechanisms that we all need to live our lives to the full. Whether it is education, social care or transport, public services at their best enable people to achieve their personal goals and fulfil their potential. Second, public services should be celebrated as an expression of our solidarity and community. They are a practical recognition that we live in society together and owe a level of support to each other.

Despite their changing and evolving nature, public services continue to be a vital component of a healthy society. They are, as the Prime Minister stated at his speech to the 2001 Labour Party Conference “social justice made real”. Public services contribute to the creation of a fairer, more just and equitable society. They offer security and protection to all, especially the most vulnerable and disadvantaged. They are the defining factor of a civilised society.

It is important that we avoid adopting too consumerist approach to public services given their broader contribution to the community. The citizen has a complex set of relations with public services. They interact with public services as users and taxpayers but most importantly as citizens, electors, members of the community and of the wider society.

If we value public services then we must be honest about the need for reform and what is required to bring about a step change in performance. The Government has responded to this challenge by pledging unprecedented and substantial increases in public service investment as part of this year’s budget. However, there continue to be real challenges about improving public sector productivity and driving through a performance and service culture that places the customer at its heart. In the best examples the public can now access a range of services from banking to shopping on a 24/7 basis from home, work or the high street, by phone, on line or in person. They are offered choice and clarity about comparable performance and cost. They expect to be able to do the same when they access public services.

The challenge for public service reform is not therefore just to run services better but to fundamentally transform the nature of the product so that a new relationship is established between citizens, their services and public bodies. Public services need to be re-engineered so that they are driven by the needs of the individual and a more direct democratic relationship between the individual and public bodies is established. At one level the politician may act as the surrogate consumer and champion of higher standards. Politicians at the local and national level have a responsibility to raise public expectations about the standards of public services but they also have a responsibility to manage expectations honestly and openly.

In future public services will need to be reformed in a way that empowers individuals and communities to have greater choice over the packages of services that they receive and where they receive them. This has happened with telecommunications and energy supplies. It has happened to some extent in education and greater patient choice is being introduced to the NHS. More needs to be done however and ICT can offer the means of achieving this. We wish to see an enhancement of both citizen and consumer empowerment in the procurement and delivery of public services: one that is reinforced by democratic accountability. There could be opportunities for neighbourhood as well as individual procurement and standard setting. The national, regional or even local government unit may not be the best equipped to make such decisions or to allocate resources in a manner that meets customer needs. This might be best achieved at an individual or neighbourhood level.

The attainment of world class public services will reduce the incentives for individuals to purchase their core services from outside the universal system. Unless we deliver a transformational service experience with a new public service ethos at its heart, we run the risk of enhancing inequality and inequity - the very contradiction of the values that underpin the essence of public service.

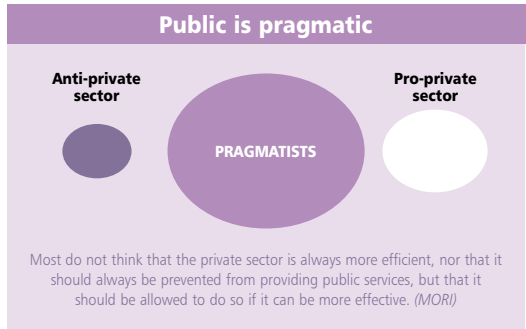
Public services therefore need to be in a perpetual state of modernisation. A failure to take advantage of the new opportunities and challenges presented by ICT and modern customer management will inevitably lead to a loss of public confidence in the effectiveness of public services. Just as importantly, this may provoke a loss of confidence in the wider values of civil society and the very consensus upon which public services have been built and maintained.

The public's view

It would appear that the public sympathises with the view that public services are in need of radical transformation. A MORI survey conducted for NLGN in September 2001 found the public to be doubtful about the effectiveness of public services: 66% felt they were under-funded, 41% thought could be they could be described as bureaucratic and 23% felt they could even be designated as infuriating. Less than 1 in 10 thought that

public services were good value for money, honest or open. Moreover, since 1998 there appears to have been a drop from 23% to 11% in those prepared to refer to public services as efficient, from 37% to 20% in perceptions of the friendliness of public services and from 31% to 17% in terms of perceived keenness to help displayed.

As to the role of the private or voluntary sectors in public services it would appear that the public wants to see the benefits of what will emerge in practice. Some 20% appear to assume that the private sector will always be better and a small and defiant proportion of the population (approximately 11%) are opposed to private sector involvement in public services (even if it is proven to be more effective). However the vast proportion of the public, roughly 7 out of 10, remain non-ideological and pragmatic about their involvement. To that extent the public appears to be singing from the same hymn sheet as the Government on the issue. Such findings challenge all who argue that public services must be provided and managed within the state system.



The opportunities and challenges for diversity

Diversity and contestability in public service provision is important because it provides those who are responsible for procuring public services with an overriding focus on representing their clients and the choice to work with appropriate provider organisations. Properly regulated and managed, a diverse supply market in public service provision creates a system where the dynamic for continuous improvement and a performance culture is built in. It also enables the provider organisations to sharpen their particular skill sets and to be clear about what they bring to the improvement agenda. Unless they add value they should not be engaged.

We are clear about how progressive private and voluntary sector organisations can add value to the performance of public services. They can help to deliver economies of scale, provide investment and expertise, performance management and a customer service focus. They often have the capacity to manage and stimulate major change beyond that available in the public sector. Private and voluntary sector organisations can therefore make an important contribution to public service provision.

Contestability and competition challenge tradition, stimulate innovation and maximise the best use of limited resources. Public service reform requires more contestability. Public sector procurers and commissioners should adopt an approach of competitive neutrality to enable them to choose the best option in every case in terms of who will provide specified services. A pluralism in service delivery does not require any move from universal access nor universal collective funding of these services but it can help to provide greater choice and enhance quality.

The banking and retail revolutions referred to earlier in this pamphlet were driven by customer demand and by the power of competition and the need to ensure commercial security. The power of competition and the disciplines of the commercial sector are drivers for improvement usually missing from the public sector.

The process of tendering a service can often assist the commissioner to be clearer about their aims and objectives and measurements for assessing the performance of the partnership. The same disciplines should apply even when the public sector body itself delivers a service in-house. Modern service delivery partnership contracts should include incentives for improving performance as well as penalties for under performance.

chapter 2 advancing a new public service ethos

Those who are critical of the moves towards encouraging a greater range of public service providers have sometimes suggested that the motivation of people working in the public sector is somehow more 'pure' than that of people who work in the private sector. We believe that this argument is flawed on two counts.

First, to suggest a 'purer' motivation for public sector staff is to denigrate at a stroke the motivation of the millions of people that work in the private sector who will have a variety of motivations for why they do their job. Maybe they enjoy their job, are provided with more freedom to innovate or simply need to earn a living. None of these reasons makes their motivation any less 'pure'.

Second, such an assertion flies in the face of what is actually happening on the ground. Over 1.5m people are employed in local government, performing a wide range of tasks from the collection of rubbish, conducting land searches to providing social care. The mixed market service provision that has been generated in local government and other parts of the public sector during the past 15 years means that today, public and private sector employees often work side by side to achieve common goals and objectives. Many thousands of people have transferred successfully from the public to the private sectors both voluntarily and involuntarily. These people often have the opportunity to grow professionally, to advance their skill sets whilst maintaining and enhancing their commitment to public service.

The example of the recent development of a diverse market in education support services illustrates this point well. The creation of an education market has involved a significant recruitment of public sector managers to the private sector. Those critics who allege a more 'pure' motivation of public sector staff should be asking themselves, 'what drives those senior managers to work in the private sector?' Are they driven by a less 'pure' motive than their colleagues who choose to stay directly employed by the public sector? These people are of course continuing to make a very important contribution to delivering public service outcomes. What is likely to motivate them is a desire to have access to more resources, space to experiment and more opportunities to export their vision of raising educational attainment to a wider audience. If the public regards some public sector workers as 'heroic' it is more likely to be in sympathy with the poor and stressful conditions within which they are expected to work.

Critics have asserted that the pursuit and existence of profit compromises the motivation of those employed by the private sector to deliver public services and inhibits the achievement of a public service ethos. This assertion is again flawed, and on five counts:

- Profit has always existed in parts of the public services. If a school had been built under a traditionally procured contract profit would have been made by a variety of different organisations such as architects, engineers and builders. Only a handful of people today continue to suggest that central government should 'nationalise' the entire supply chain that public services need to access in order to deliver a service.

- It fails to recognise the fact that most public sector organisations that operate on the scale of multi-million pound businesses, need to function as a business with, in theory, the same disciplines, performance management frameworks and customer responsiveness.
- Profit is not wrong. It is the source of funding for innovation, staff development and infrastructure investment which drive up standards.
- The existence of the need for a return on investment is a clear incentive mechanism for continuous improvement in public services and for the private sector to deliver on the outcomes or outputs that the public authority commissioner has set. Indeed we would argue that public investment should be subject to effective investment criteria including demonstrable rates of return including social and economic returns.
- Profit is nearly entirely recycled back into the local and national economy. A proportion will be paid in tax, a proportion to shareholders (80% of whom are either large pension investors or individual members of staff) and the remainder re-invested into the company.

We do not believe that profit is a barrier to the delivery of effective public service or the advancement of a public service ethos. What matters is that the taxpayer receives value for money for all public expenditure on public services irrespective of who is providing and managing them. All public investment should demonstrate a return equivalent to that required in the private sector. There should be no ethical justification for poor service performance or inefficient use of public funds on the grounds that it is a public service managed within the public sector. Too often those who question profits in public service also seek to protect public sector failure.

The ingredients of a new public service ethos

If public services are to meet the needs and aspirations of the customer and the wider community then the people employed in public service delivery want to be able to offer the best possible services to their customers and want to be empowered to do so. We want public servants not to be motivated by a sense of self-sacrifice but rather the provision of appropriate work conditions, levels of remuneration, training, development support, and a culture that values performance and service.

What motivates public servants is a complex issue. There are countless examples of frontline staff such as nurses or teachers who give so much of themselves mentally and emotionally or backroom staff who stay on late at work to make sure that the right support systems are in place to get the job done. People giving 'their all' in response to some sense of commitment to serving the public is one way of defining the public service ethos. We know such motivation exists but we also know that it does not exist in all people involved in public service all of the time. Indeed precisely because it has the quality of people who are prepared 'to go the extra mile' it is an unsustainable element in maintaining effective public service delivery. There are countless examples of staff working in the private and voluntary sectors who regularly

'go the extra mile' for the customer. In addition Britain's long hours culture is in part a testament to that level of commitment as well as poor management practices. We wish to see greater productivity rather than longer working hours.

One thing is certain: staff cannot be expected to keep going the extra mile. We need to build our commitment to public service on a firmer footing that can be sustained on a daily basis and not in response to a crisis. What is required is a commitment that can be established through training, support and good management practice rather than being seen as the mysterious product of a self-sacrificing career choice made by heroic individuals. To rely on altruism would be wrong and unethical. It would not lead to better public services. We need to separate the proper and positive contribution of volunteering from unreasonable employment practices. Volunteering should be encouraged and fostered and can make an important contribution to public services.

We propose that all service providers regardless of sector should be prepared to advance a public service ethos that has five elements:

- **Performance culture** A strong commitment to service for individuals and the community, reflected in service delivery and reinforced by training, support and systems to ensure a sustainable service culture and continuous improvement.
- **A commitment to accountability** An emphasis on open access to information both to individuals and to groups of interested citizens with strong public accountability.
- **A capacity to support universal access** A recognition of a special responsibility to support the rights of all service users in an environment where their choice in their use of the service is restricted.
- **Responsible employment practices** Well trained, well managed and well motivated staff who can act professionally and be fairly rewarded.
- **Contribution to community well-being** A recognition of the need to work in partnership with others to contribute to the promotion of community well-being and to meet the needs of individuals.

Delivering performance

Performance is dependent on investment, effective processes, motivated staff, good management and leadership, and a customer orientated culture. These are essential in all sectors for the delivery of first class public services.

Progressive companies ensure that performance management is an integral part of everything it does and that its practices are underpinned by robust systems that reward successful staff and managers. High performance requires well-motivated staff. Capita, for example, spends over 2% of staff costs on training and development. This figure compares with a local authority average of 1.1% of staff costs that are committed to staff development. Spending nearly twice as much on staff development and delivering a

performance culture suggests that some private companies are very well placed to deliver on the performance element in our vision of a public service ethos.

The reputation of a private or voluntary sector provider makes an enormous difference in a competitive supply market. A private sector provider has to compete in the market place and the fear of loss or damage to their reputation should not be underestimated. A track record of poor performance, failure to meet contractual requirements or poor employment practices will severely limit the ability of companies to win further public sector business.

An effective provider will achieve high performance when they combine clear leadership, performance management systems, staff development and empowering employment practices with investment. Leading private sector companies can often bring these factors into play more readily than the public sector. They can usually design and implement service programmes faster than the public sector. This is critical when Government and the public are seeking early returns for massive public investment.

If the transfer of a public service to private sector management can result in service improvement, investment, revenue expenditure reductions and a financial return for the operating company (without changes to employee terms and conditions) then there is clear evidence of serious inefficiency in the original public sector arrangements.

Accountability

Public service procurement and performance must be subject to democratic forms of accountability and scrutiny regardless of whether the service is provided by the public, private or voluntary sectors.

There are currently different types of accountabilities in the private and public sectors. One of the private sector's greatest attributes is that it has a form of accountability that is in many ways much more direct than that of the public sector. The public sector is democratically accountable to the community but all too often there is no direct relationship between votes and performance - especially at local level. That mechanism in many communities has all but broken down completely and local elections all too often continue to be a referendum on the performance of national government.

On the other hand companies have a direct and stringent form of accountability to their shareholders who will often include the employees of the company and public sector pension fund holders. Even if a company has delivered unparalleled growth for many years, senior directors are very aware that if at any point they stopped delivering what shareholders expected then these shareholders would take radical action. This form of accountability is not only very direct but also very public. A public company reports to shareholders twice a year on performance, and this is constantly assessed by shareholders against other companies with whom they could choose to invest. This makes performance transparent and focuses senior managers on delivery. In the public sector such direct accountability for senior managers (especially those engaged in policy development) is far rarer than in the private sector.

Critics argue that strong shareholder accountability is incompatible with public service accountability and that the inevitable tensions can only be reconciled by one taking supremacy over another. Well-procured and managed public service contracts should be able to accommodate both forms of accountability. A company's first accountability will be to the contract that it has signed with the public sector procurer. Failure to deliver will not only result in penalty clauses but a damaged reputation that will spread quickly throughout the industry. Shareholders will be acutely interested in the extent to which the company delivers on the contract that it has signed with the public sector and its reputation within the sector.

Organisations providing public services should be subject to effective scrutiny by local authority scrutiny committees and Parliamentary Select Committees. In these circumstances there will inevitably be tensions between an organisation's accountability through their contractual relationship with the client partner and that required when subject to such public scrutiny. These challenges will only be overcome through new and mature approaches and attitudes from both client and provider partners. We advocate the development of a clear set of protocols to address and promote good practice by the scrutinizers, as well as the client and provider partners. Preferably there should be an identical approach to the scrutiny of all public service policy, client management, procurement and service performance irrespective of who provides or commissions them.

Throughout the life management of public-private partnerships, accountability for service delivery involves the development of a complex set of relationships, structures and cultures between the provider and client. Public sector authorities may be able to partner with the voluntary or private sector to achieve service improvements but they are not able to 'outsource' accountability to the public for the delivery of that service. At the same time, the private or voluntary sector must be prepared to accept an enhanced level of accountability to their client, the wider public and service users.

In order to facilitate improved accountability and ensure that partnerships are contributing to the wider community interest many leading commercial companies and public sector bodies have developed a Strategic Partnership Board (SPB) model to oversee the management of the relationship between the partners and to provide enhanced clarity about accountability channels for performance. In a number of cases the SPB comprises equal representation from the private and public sector bodies. It is the custodian of the relationship and is able to overcome the split that sometimes occurs between purchaser and provider as well as providing a clear point of accountability both internally and externally. The basis for this type of partnership is one of trust and common commitment to shared objectives. We need to consider the appropriate legal status for these boards.

Effective accountability is more likely to be secured and sustained when partnership between the public, private and voluntary sectors is able to encompass:

- Shared objectives agreed and understood by the partners
- A realistic set of commercial relationships and contractual terms

- Partnership accountability arrangements including possibly a Strategic Partnership Board
- An open book accounting approach
- Transparent performance management leading to improved outcomes
- Reporting lines to Council Cabinets and to the private sector Group Board
- Minutes of those meeting being public documents

Equity issues must be addressed

Most public services are rationed either openly or covertly, through, for example, the application of 'eligibility criteria' in key public services such as health and social care or simply poor service quality that drives customers away. Often the quality of service will vary enormously within one public sector organisation at the expense of the most disadvantaged members of society. We believe that there needs to be much greater equity of public service provision and far more openness and public debate about priorities for spending and for determining eligibility. This applies to all services regardless of who provides them. There can be no ethical justification when a public service fails the most disadvantaged in society.

The responsible public sector body should set the eligibility criteria for access and entitlement criteria for public services that are delivered by private and voluntary sector providers through partnerships. This should not be a matter to be determined by the provider. For example, companies and voluntary bodies that operate council tax and housing benefit services for local authorities are required to enforce an eligibility criteria and access policy that is rightly determined by local authorities and the Government. There is no reason why a non-public sector service provider would provide any less equitable access than a public sector provider in these circumstances.

Good employment practices are key

The creation of a new public service ethos is dependent on committed and professional staff. Successful public services can only be delivered when there is a valued, motivated and well-rewarded workforce that is empowered to act professionally. Staff must be fundamental partners in the delivery of public services. Better public services and public service reform is more likely to occur when employees and their trade unions/representative groups are fully engaged in the strategic and tactical decision making of both public policy through to service delivery at a provider unit level. This requires the development of comprehensive and meaningful systems of social partnership at national and local levels.

Employees should be involved at every stage of a service review including procurement. They need to be consulted when decisions are made that define service standards in a partnership contract. Staff must be encouraged and enabled to contribute their ideas and experience to achieving service improvement. Often they can lead the development of best practice but are prevented from doing so by poor management.

We believe that the creation of a single public service career that transgress all sectors would greatly assist the building of a public service ethos. This should guide staff in their careers between and in all sectors and create much more fluidity between sectors and services. Barriers to moving between sectors need to be dismantled.

Progressive companies have demonstrated that non-public sector employers who deliver public services can be excellent employers, offering staff TUPE protection together with fair and reasonable terms and conditions with pension entitlements for all new recruits. Unless staff are respected, receive investment in training and are properly rewarded it will be impossible to maintain a quality service. Staff training is not an optional extra if we want to sustain a public service ethos and public service reform. It is essential that all public service delivery agencies commit to high quality staff development as a priority.

Reform must be accompanied by proper rewards for employees. There should be no excuse or justification for reducing terms and conditions of employment as a result of partnering with the private or voluntary sectors. Improvements in remuneration need to be accompanied by continuous improvements in productivity. In many cases a company will be able to maintain and grow their head count whilst increasing productivity through the deployment of new business to sites where the core contracts are based. This not only protects employment at a time of productivity improvement but also offers new career opportunities for the staff that have transferred.

Contributing to the wider community

All public service providers must recognise their wider social and community contribution. Where companies play a significant role in public service delivery and become a major employer of staff in different localities then they do have a special obligation to behave in a socially responsible way. There is a challenge for the private sector partner to demonstrate a public service ethos in both its contractual service delivery relationship and its longer-term commitment to the community.

It is important that public services contribute to wider community well-being and that the creation of a public service ethos involving all deliverers of public services recognises their broader role within the community. The private and voluntary sectors have to adopt new ways of working and styles if it is to establish the confidence of the public sector and the public at large.

Modern responsible organisations, particularly those providing public services, must be willing to act in a socially responsible way and bring value to communities beyond contractual agreements. Progressive companies are creating partnership contracts where there is a commitment to job creation, local community and economic development, support for local schools, community charities, recruitment and training of local labour, and the purchase local supplies and services. Companies and public sector bodies delivering public services should promote and facilitate a culture within their organisations that encourages employees to make significant contributions in their communities.

Private sector providers can as easily co-operate across agencies to provide a joined up approach. For example at Blackburn with Darwen Borough Council, Capita is a member of the Local Strategic Partnership and is working with local schools, the NHS and employer organisations to address local needs and to support the implementation of local community plan objectives.

chapter 3 from vision to reality

If the public, private and voluntary sectors are to build a new public service ethos in the way that we have outlined above, then all sectors will face considerable challenges in creating and sustaining this practice in reality. We propose five practical steps to advance a new public service ethos from a vision to reality:

Step 1

The development of a charter endorsed by all key stakeholders and social partners that expresses an agreed and concise vision of a new public service ethos for the 21st century.

It will be important to try and capture a positive statement about the values and vision that underpin this new commitment to building a public service ethos. Public servants, whether employed by the public, private or voluntary sectors, should be bound by a collective statement of ideals and practices that capture the essence of public service and its value to society.

Step 2

The development of accountability arrangements including stakeholder involvement in service governance and scrutiny systems that would be applicable irrespective of the service provider.

We have argued for greater accountability for those responsible for the commissioning and delivery of public service. We need a more inclusive approach to the governance of public services with meaningful stakeholder involvement and effective scrutiny practices.

Such accountability should include the clear publication of comparative performance and costs so that the public will know if it is getting value for money. It should also include enhancing the link between performance and democratic elections; a move where possible towards greater consumer choice and contestability in public services; and effective scrutiny and independent inspection of both commissioning and service delivery. These issues are relevant for all public sector agencies and not just local government where the new political management arrangements could make an important contribution. The development of a plurality of service providers and greater inter-public sector partnerships further adds to the need for change and enhanced transparency of performance and accountability especially to service users.

We recommend that the Government and the other key stakeholders should establish a task group to identify the means to reform public service accountability, stakeholder involvement in governance arrangements, effective scrutiny involving councillors, MPs, the media and others, and models for greater consumer choice and contestability including easily accessible comparative performance across all sectors.

Step 3

The provision of a set of best practice materials to enable organisations engaged in public service to ensure that they can draw the right lessons about the operation of a public service ethos.

The creation and implementation of a public service ethos will require a capacity to learn far more rapidly and openly than we currently do from each other about operational and performance effectiveness across sectors. The current tools for evaluating what works and how it works are limited and there is a weak understanding at both the centre and within devolved organisations about how change is stimulated and supported.

The public service modernising agencies and other stakeholders should develop learning and personal development systems together with self-evaluation and peer review processes to support public service reform based on the advancing public service ethos.

Step 4

That the evaluation of a public service ethos in practice should be incorporated into the procurement process so that public authorities are able to test potential providers and in-house provision against the criteria outlined above.

Procurers of public services should be given the evaluation tools to assess whether an existing public sector provider or a potential private or voluntary sector provider has the skills, competencies and capacity to commit to a public service ethos in the delivery of a service. Today it is common for public service contracts to be tendered for 10-15 years or more. Before public authorities embark upon a long-term partnership with either the private or voluntary sectors or decide to remain with a public sector provider, it is essential at the procurement stage to test their commitment to public service and the operational culture of the organisation in practice.

Audit and inspection processes should also test for a public service ethos in all public services irrespective of who manages them.

Step 5

That the Office for Public Service Reform (OPSR) and others examine how to create a cadre of public service leaders and managers who can sustain a public service ethos across all providers that values operational effectiveness as well as policy formation.

Historically a premium has always been placed upon public servants who work within Whitehall on the formation of public policy. Little emphasis has been given to operational effectiveness. The delivery of world class public services requires the harnessing of operational capacity and innovation across the public, private and voluntary sectors. This in turn necessitates the breaking down of traditional barriers in recruitment and training practices between these sectors. A national training and development programme for leaders

involved in policy development, commissioning and operational delivery of all public services is urgently required.

The creation of a public service leadership cadre in the future should be built around a single public service career path, a public service graduate management programme and a public service college that together promote the concept and application of a public service ethos in practice. Such opportunities should be open and available to public service managers and staff from across all sectors.

Leaders (be they politicians or senior company executives) and their managers across this diverse range of providers will need support in translating the aspirations of a vision and statement of values into action so that an operational culture is embedded with the values of public service. This should not be regarded as some mystical goal but a practical and realisable objective that can be supported through appropriate training materials developed in a variety of forms and supplied through the major staff development agencies such as the NHS Modernisation Agency and the Improvement & Development Agency. There is a case for the creation of one Modernising Agency that would embrace local and central government and the private and voluntary sectors.

conclusion

Some claim¹ that a public service ethos can only be established and maintained in the context of a permanent and traditional form of public bureaucracy. Only the prospect of having a permanent job, working in a unified administrative culture and following a set of rules supported by years of tradition can provide the conditions for employees to adopt a public service ethos. An ethos needs permanence, unity of organisation and tradition to sustain it.

Our reaction is that it is right to claim that a public service ethos needs to be institutionally supported and channelled. That is what we are arguing for in the final section of the pamphlet. However, as we have made clear we see no reason why a range of public, private and voluntary organisations cannot sustain a public service ethos. All organisations whatever their sector must have a sustained commitment to their staff and customers if they are to operate effectively. The commitment to a public service ethos does not require the trappings of traditional public bureaucracies to be established. Informal absorption of the right way to do things, underwritten by years of tradition, can be valuable assets but they are not the only way (given modern training and management techniques) that a healthy ethos of public service can be maintained.

Moreover, given the very informality, converse bureaucracy and networks of the old style public administration, the public sector is not without its pathologies and problems, as even its supporters recognise. Public sector ethos has sometimes been little more than producer self-congratulation and justification. We put our faith in programmes of training, staff support, leadership and learning within all organisations that provide public services.

Our position then is not a simple out with the old in with the new. We want to see public services improved and reformed but we accept that running a public service involves realising values as much as the healthy 'bottom line'. We believe that the values of public service can be shared and sustained across all organisations involved in providing public services, whatever their sector.

The creation of a public service ethos that all deliverers of public service can commit to at the start of the 21st century is an essential component of the reform strategy to build modern public services. Public services continue to be a vital part of healthy, progressive society that recognises individual need within a broader commitment to others. In this pamphlet we have sought to build a theoretical and practical bridge between aspiration and implementation of a public service ethos. We recognise that it is a long-term project to embed a culture of performance and accountability across a diverse range of providers but we are confident that it can be done and must be achieved if Britain is to truly achieve the goal of world class public service delivery.

¹ See M. Painter 'Contracting, the Enterprise Culture and Public Sector Ethics' in R.Chapman, *Ethics in Public Service for the New Millennium* (Aldershot: Ashgate, 2000) for a subtle and developed statement of this line of argument.

THE **next** PHASE

The Government has a vision to transform public services and to challenge monopoly provision, stimulate innovation and drive greater efficiencies through the system to meet the demands of consumers in the modern age. With the creation of a plurality of providers comes the challenge of developing a new public service ethos to guide the reform of public service in the future.

In this timely pamphlet, two authors involved in public service and sharing similar ideas from the very different vantage points of academia and a FTSE 100 company explore how we might develop a broad consensus about the cultural values that underpin the performance of our public services. In doing so, the authors outline the practical steps necessary to advance a new public service ethos.