



# Choice

## What role can it play in helping local public services evolve?

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# Preface

This pamphlet is the first output of NLGN's ***Making Choices*** project – NLGN's main project for 2003/4. The aim of this pamphlet is to pin down exactly what 'choice' means in the delivery of local public services.

The pamphlet looks at the concept of choice and the part it may be able to play in helping local public services evolve in accordance with the preferences of users and the community. It also tries to break down 'choice' into its different potential meanings; all may have a role in local public services. It looks as well at the problems of choice and ends with the big questions that the overall project will need to address. The pamphlet has benefited from discussion at a recent seminar where helpful papers were presented.

Drawing on examples from the UK and overseas, the overall project will go on to recommend policies and offer practical guidance on how increased user choice can be successfully implemented and managed. The project will map out the areas of local authority services where choice can be readily delivered and also looks at the implications for social cohesion. In doing so, we will examine the benefits, practicalities and implications of a concept that could pave the way to more effective and efficient service delivery. As a think-tank rooted in local issues and bringing together relevant knowledge from both the private and public sectors, NLGN is ideally placed to carry out this important work.

We are aware of course that 'choice' as a concept has many different interpretations and uses and that it is not without controversy. *Making Choices* will focus on local services where the public, as users, consumers and citizens, have real options - either individually or collectively, and either periodically or continually. To understand what this means in practice, the research is exploring case studies where services and quality of life have been enhanced by giving people a real choice. We hope to complete this work early in 2004.

In the first instance, however, we want to use this initial paper as a way of scoping out the key issues relating to both 'choice' as a concept and the role that it might play in helping local public services evolve. All feedback therefore, however supportive or critical will be gratefully received.

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# 1. The Concept

The idea of bringing choice into the delivery of public services is, in a sense, not that radical in that it simply tries to extend to the public sector what consumers are used to in the market economy. But in fact, as we know, it is a profound intellectual and practical challenge to our public services.

The idea itself is often misunderstood. Some worry that it represents an embracing of a consumerist approach to public services at the expense of more subtle and democratic citizenship approaches. So they often fear that it means the introduction of market forces fully into all services through use of private sector providers and/or through having markets govern the services that are delivered. On the other hand, the Government has tended to throw 'choice' into its mantra on public service reform as though it will solve all of its problems at a stroke with few difficulties along the way.

But there is a more fruitful way of trying to think about the concept of choice. That is that the concept only arises in public services because of the need for public services to evolve. In the private sector, evolution of services happens due to market forces. The freedom available to the consumer to choose between different brands and different services is, of course, the key way in which the market is able to respond so rapidly to changing needs. Changing needs lead to changing services, exits and new entrants.

In the public sector, these mechanisms have historically been absent and there are difficulties in introducing them even if they are desired. As explained below efforts to allow users and citizens to shape services in different ways have been enhanced in some areas but most public services are still delivered in a traditional way through one provider organisation with no mechanism by which the user could choose alternative non-public sector providers or indeed other public sector providers. Here the power of the public to shape the evolution of the service is often constrained by powerful provider interests. Furthermore, the service is usually offered in one version only, with a 'take it or leave it' attitude.

And yet public services that are not responsive to consumer and citizen demands and do not evolve in accordance with those wishes, will neither be successful or valued.

This line of argument leads us to search for methods of connecting service evolution closer to user demands. One major aspect of this is to give increased collective voice to citizens and users. This pressure has traditionally been exerted indirectly and rather generally through elected representatives in the council chamber. More recently, service users have been offered more influence through 'voice' mechanisms such as user group consultations, some local strategic partnerships and local referenda. However, their use and efficacy has been highly variable and has rarely played a truly significant role in the procurement and delivery of services.

A more powerful approach may be to enhance the role of *individual* voice. In this case a services user's desires are given a much higher weight in the decision making process than they are at present. Such a policy would put an onus on the public provider to first, find out what the individual actually would want in an ideal world; and second, to try and provide it. Many examples of this sort of approach would be likely to come from aspects of health and social care. For instance, the ability of an older person leaving hospital to make clear their preference between residential care, care at home or care at a local health centre. Clearly, this would also be influenced by issues of professional judgement and capacity.

The other major way of empowering users to shape public services is to bring in elements of choice into public services. Potentially, 'choice' offers far more direct and precise influence for service users than 'voice'. The Government has started to experiment with aspects of choice in public services, but this has mainly been restricted to education (choice of school) and health

where choice over hospital for some services is being developed. But despite its potential, choice has hardly figured in debates on the whole plethora of delivery of local public services, especially those that are the responsibility of local authorities. Indeed there seems to be an implicit assumption that their role is somewhat limited.

However, prejudging the possibilities of service user choice in this way, without any detailed research, may mean that some very valuable outcomes of enhanced choice are ignored. Most notable is the possibility that greater choice would help services to evolve more speedily and more effectively to the changing needs of users.

Thus the choice agenda that this project focuses on is about how choice can be factored into local public service commissioning and delivery – with the expectation that public services will then be able to evolve more effectively. Successfully introduced, it should enable us to ensure that:

- The local authority purchaser has more choice about providers
- Where possible, users have some sort of choice in exactly what service they use either via a choice of provider or choice of options provided by a single provider
- Any service delivered – especially where it is a monopoly – is shaped by the desire of users – either through consultation mechanisms or through market based ones.



## 2. What Benefits Should we See?

First, **productive efficiency** should be enhanced by competition, and choice can be a way of providing this. This is especially true with the 'contestability' agenda. Of course this is a contingent conclusion as there are issues to do with contract design, pressure on quality and on terms and conditions that have to be taken into account if services are to be enhanced rather than diminished.

Second, there is a belief that allowing choice - at the individual level, but also at the collective level - means that public services shape themselves more around what users, including individual users, actually want. In the sense that peoples' needs are met better there are **allocative efficiency** gains because resources go to where users most value them.

There is a third additional potential benefit of developing the different concepts of choice in public services. Although not central to the motivation for introducing choice, it may become, in time, one of the key benefits. That is, that users and citizens (and even purchasers on their behalf) would value having some sort of choice in itself not least for the feeling (and reality) of **empowerment** it might give. The evidence however is currently very limited.



### **3. Different Types of Choice**

To reflect the approach taken in our broader *Making Choices* project, we are using a broad definition of choice. This encompasses a wide range of mechanisms and devices designed to empower citizens and consumers to shape public services. Most importantly, we are not using a definition related solely to individualised choice – the most market-based types of measures.

However, there is a need to provide some structure to this broad concept of choice. As such, we have identified three distinct mechanisms by which choice could be exercised by users of local public services. These are not mutually exclusive in any sense but they do imply very different processes of implementation and raise different questions about their efficacy and wider impact.

#### ***Individual Choice of Provider***

Under this mechanism, an individual user is able to choose a provider from amongst a group with each offering differing and/or competing services.

This is, of course, the main mechanism employed in the private sector. However, it has been introduced into public services to some extent through parental choice of schools, patient choice over some elective healthcare and the direct payment scheme for those in receipt of home care.

In theory, it is possible to imagine a widening use of this mechanism through it being applied to any aspect of a service which is provided directly to an individual, family or household. As with the direct payments scheme, users could be offered cash or a voucher to purchase their own services from other public, commercial or voluntary service providers. The possibility exists that such a choice would have to be made from a list of providers who were approved and monitored by the local authority. It could be limited to areas where the public monopoly provider has failed, or used more extensively. The mechanism could be applied to many areas, for example: home repairs and maintenance for council tenants; some environmental services such as pest extermination and ad-hoc waste clearance; and aspects of social services such as ‘meals on wheels’, transport and home adaptation.

Notably, this is a system which does already exist in a comprehensive and dynamic form for those with the resources to opt out of public provision and choose from a range of private providers. In schooling, healthcare and some elements of social services, wealthier citizens have always enjoyed the benefits of the exit mechanism.

#### ***Collective Choice***

Under ‘collective choice’, a group or association of service users decide which provider to use and/or what the service should consist of and how it should be provided.

This mechanism has been used to a limited extent in public services. Examples include votes allowing tenants to decide whether their estates should be managed by the council or a housing association; and Business Improvement Districts which are a particularly complex version of collective choice over the provision and nature of services.

Once again, it is possible to imagine ways in which this mechanism could be more widely used. It would seem particularly apt to services which are provided to a community or area rather than an individual. Examples include: allowing residents or business associations to choose an organisation or company to provide their environmental services such as bin collection and street cleaning; giving disabled users of bus services the right to choose their transport provider;

allowing tenants or tenants associations an ongoing choice of providers of management services.

Collective choice is particularly appropriate for the extension of choice in those services that can only realistically be provided to a specific group or geographical area rather than on an individual basis. For example, bin clearance or housing estate management is not conducive to being subject to individual choice given the negative implications for strategic planning and the ongoing efficiency of the service.

### ***Choice of Service Options***

Under this mechanism, a monopoly provider (usually the local authority but equally a private or not for profit franchise holder), offers a range of options, or a more flexible choice, for the individual service user.

This mechanism has already been employed, as a matter of necessity, in homecare where users have a reasonable degree of choice over the timing, type and nature of care they receive. It is also playing a bigger part in housing allocation with potential tenants in some areas being given more choice over the location of their new home.

There is no reason, in theory, why choice of service options could not be extended to other areas. For example, residents could be offered extra services over and above normal bin collection such as bin cleaning or leaf clearance. Those receiving homecare or who are housed by the local authority could be offered a range of extra services including house cleaning, gardening or house maintenance. Indeed, any number of services provided by the local authority could be linked to the offer of a range of extra services.

The key issue for this mechanism is how the extra services are to be paid for. If it is through the method of user charges then this potentially raises the problem of maintaining equity in access and delivery referred to below. However, such charges could generate extra revenue for the council, provide cheaper services to those who otherwise could not afford them and may have a beneficial public impact especially through environmental improvement. It might also be a way for the local authority to discover what the public really values most so that in time core, 'free' services can reflect those factors.



## 4. Problems of choice

If choice in local public services was simple and had no offsetting problems we would undoubtedly have seen more of it! Some of the problems are practical and some are about the consequences of using elements of choice. Some, however, are to do with **culture**.

On the culture side, we may suspect that professionals on the whole feel that they are better placed to make the choices on peoples' behalf than are citizens themselves (although there is an issue about how much choice the professional is allowed to make on behalf of their client or community). Equally the drive to use the centre to push up centrally set standards can – ironically – be seen to have set up a culture that is the antithesis of an approach that wants and encourages innovation and choice.

These values can spread into the local government procurement process in general. Major private contractors acknowledge that they are not asked to build user choice into their tender proposals by local authority officers and can see no immediate commercial advantage from doing so. Contracts are usually narrowly drawn, often leaving little scope for experimentation or innovation in these areas – and user satisfaction is rarely a criterion for payment. This is especially ironic given that the extra capacity, which it is argued private providers can bring to public services, is drawn from their experience in the marketplace where choice and flexibility of service is so often a vital component of commercial success.

More profound, however, are the problems that arise from trying to create market-like mechanisms. These include the need to have a degree of **excess capacity** if choice is to really work and the need for mechanisms to **move resources around** quickly in response to differing user choices. E-government may be crucial here. The spread of Broadband in particular offers opportunities for increasingly speedy and sophisticated interactions between users and the service providers aiming to respond to their choices. Authorities such as Sunderland, for instance, are looking to co-locate more local public sector services while utilising the power of new technology.

There are also important potential implications for **equity and equality** that need to be looked at carefully. However, there are circumstances where choice can reduce inequality by giving those with lower incomes more power to use mechanisms that they could not otherwise use.

Choice may also have effects on **social cohesion**. To take a local example, if one were to introduce elements of choice through optional enhanced services with user charges applying (for example, a second refuse collection a week) then it is likely that better off areas would have it and the less well off would not. Social distinction would be apparent.

Finally, choice raises important questions about the relationship between service provision and **local democracy**. Choice in local service provision is partly exercised as political choice through the ballot box. If a citizen is unhappy with the services being provided then that dissatisfaction can, in theory, be registered at election time. However, if users are given the option to choose service providers more directly it might undermine the worth of this established local democratic process. Furthermore, there is a risk that users will pursue personal complaints through procedures offered by a service provider and no longer regard their councillors as a source of redress. This could weaken the important role an elected representative can play as a democratic voice for the aggregated grievances of citizens.

On the other hand, wider choice might reinvigorate local political debate by focusing attention on the authority's strategy for citizen empowerment and choice in service provision - and avoid

discussion of the minutiae of day-to-day provision itself. In addition, the rather blunt feedback mechanism of a local election which only allows a simplistic, composite choice to be made could be usefully augmented by service users registering their more precise grievances through choice mechanisms and the complaints procedures of service providers.



## 5. Choice at National Level vs. Choice at Local Level

Some of the arguments against choice may apply more at a national level or even 'whole authority level' than they do at very local level and this may be causing problems in this debate. For instance, choice of school is controversial not least because it tends to geographically segregate people. In addition, due to peer group effects there are arguments that if it leads to 'good' and 'bad' schools which is detrimental to overall educational attainment. This of course does not apply in all local services.

Choice may also have a strong link to the new localism agenda. Here it is argued that much more power and decision making should be devolved down either to local authorities or simply to local managers. One of the worries often expressed about this is that professional and producer capture will be much easier at this level without the 'benevolent' centre to see it off. In this case, any mechanisms that help avoid this become much more valuable and necessary.



## Some key questions

The issue of choice raises many questions that. It is worthwhile, therefore, establishing a typology of those questions to structure the debate. The following list is given under four headings, each of which is briefly defined.

### ***Rationale Questions***

*Questions about the nature or worth of choice:*

Can we define choice more precisely than in the current public debate?

What is the main impetus for widening user choice: empowerment of users; innovation in service provision; greater responsiveness to local and individual needs?

Why is choice not being used more already?

Are collective and individual choice alternatives or complements?

### ***Implementation Questions***

*Questions about how choice can be most effectively implemented:*

Which mechanism of choice would be easiest and most effective to implement?

Are different mechanisms appropriate to different services?

What changes would be required of local authorities to enhance choice?

What changes would be required of private and voluntary sector providers to enhance choice?

What opportunities for enhanced choice does IT and Broadband open up that were not present before?

### ***Context Questions***

*Questions about the impact enhanced choice would have on other aspects of governance:*

How does enhanced choice change the relationship between authorities and providers?

How would enhanced choice change the relationship between central and local government?

What impact would enhanced choice have on joined-up working between departments and authorities?

## **Consequence Questions**

*Questions about the unintended consequences of enhanced choice:*

How might the extension of user choice impact on equal access to services and equity of service delivery?

How would enhanced user choice impact on local democracy and the more conventional choices made through the political process?

What impact would enhanced choice have on social cohesion?

