



Public Administration Select Committee

Oral evidence: [Citizen and Public Services](#), HC 800

Tuesday 14 January 2014

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Written evidence from witnesses:

- [Sonia Sodha](#), Which
- [Sir Merrick Cockell](#), LGA
- Karen Jennings, Unison ([link](#)) ([link](#))
- [Clive Maxwell](#), Office of Fair Trading

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Members present: [Mr Bernard Jenkin](#) (Chair); [Alun Cairns](#), [Paul Flynn](#), [Robert Halfon](#), [David Heyes](#), [Greg Mulholland](#), [Lindsay Roy](#) and [Mr Andrew Turner](#)

Questions 1-100

Witnesses: **Andrew Haldenby**, Director, Reform, **Allison Ogden-Newton**, CEO, The Transition Institute, **Ben Lucas**, Chair of Public Services, RSA and **Sonia Sodha**, Head of Public Services, Which, gave evidence.

Q1 Chair: May I welcome our very first panel in this Inquiry into the public and public services? I would like each of you to identify yourselves for the record, please.

Andrew Haldenby: Andrew Haldenby, Director of the independent think-tank Reform.

Sonia Sodha: Sonia Sodha; I am Head of Public Services and Consumer Rights Policy at Which?, the Consumers' Association.

Ben Lucas: I am Ben Lucas; I am Chair of Public Services at the RSA and principal partner of 2020 Public Services.

Allison Ogden-Newton: I am Allison Ogden-Newton; I am Chair of The Transition Institute.

Q2 Chair: Thank you for coming today. We have two panels this morning and we need to get through by 11.30 if we possibly can. That requires my colleagues to ask short and crisp questions, and the answers to be given as shortly and crisply as possible. If you want to

disagree with each other, that is always helpful because it is interesting for us. Could I also just warn you that I will pull you up if you are talking too much? Do make sure that what you say is in the first sentence of your answer. There is a hashtag for those following on Twitter, which is #public services. If anybody wants to follow @commonspasc, they may do so on Twitter. It is always interesting; we sometimes get extra questions to ask through the Twittersphere.

Can I just start by asking a general question? The great challenge facing our public services is the context for public spending. We have had an announcement within the last 10 days that the Government is going to increase spending on pensions up until 2020 by another £45 billion. A great deal of the benefits system is protected. Schools, hospitals, overseas aid and, not often mentioned, our contributions to the European Union are all protected. That leaves this other announcement we had, a further £25 billion reduction in public spending after 2015, falling on all the other things like the science budget, universities, foreign affairs, defence and of course public services. What is your reaction to this context?

Andrew Haldenby: That is a big question to get some short answers. Some first points would be that in this Parliament there have been different levels of cuts applied to different public services. As you have just said, some budgets have been ring-fenced and some have not. What we have seen consistently in our work is that the services that have been exposed most to the financial pressure have been the ones that have been responding with new ideas, innovation, and creative ways to improve services and make efficiency.

I will just read out one very short quote—just one sentence—from a review of fire services that was done for the Government by Sir Ken Knight earlier this year: “I was struck in my conversations that the financial pressures of recent years seem to have been the driving force behind many of the changes and innovation I have seen.” I would like to suggest to the Committee that of course these cuts are a tremendous challenge; they are leading to a dramatic fall in the public sector work force. All of this has to be worked through, but it is in many places supporting the kinds of changes and progress that the Government would certainly like to see.

On your specific point about whether the services that are not ring-fenced can cope, because they have to face much bigger cuts because some services are ring-fenced, I am not sure I know exactly the answer to that. What I do know is that at least one person in the fire service, the Chief Fire Officer of Greater Manchester, is saying that there is a danger to his performance if there are greater cuts. He thinks there needs to be more reforms, in particular joining up his service with police and other emergency services, in order to keep providing the same kind of service or level of service.

Ben Lucas: At one level it is too early to tell because, as I think the IFS has said, only about one-third of public expenditure cuts have gone through the system so far. It will need a longer assessment to see what the actual impact has been for the public, and I suspect more of that will be to come. What is also true—and I think Andrew is right about this—is that the fact that different bits of the public sector have been treated differently has led some people to feel very beleaguered. The people who are in the front line of delivering services, often in local government, that have been particularly heavily cut find themselves in a situation where they are having to share conversations at a local level with other agencies that are not experiencing the same levels of pressure. That can make it hard to create the kinds of integrated efficiencies that it would make most sense to do, given the pressures that public services face.

Q3 Chair: But you do not accept the point made by Andrew Haldenby that these pressures actually drive innovation and creativity.

Ben Lucas: There is quite a lot of innovation happening, and there are instances of that all over the country. A lot of the work we do is with councils that are very innovative. At the same time, though, they are frustrated by not being able to innovate more, partly because they are working with agencies that are not under the same pressures as them. It is partly also because the timescales are so tight for them. The cuts they are having to introduce are so front loaded that they do not sometimes have the time in all areas to innovate as much as they would like to.

Allison Ogden-Newton: I would like to build on both those points because I do agree that one of the most profound catalysts for change has been the public-sector cuts. That has undoubtedly produced a great raft of innovation. In The Transition Institute we work with organisations that come from former public sector employees who set up as independent service providers, so in effect spin out of the public sector. That has definitely been encouraged through public sector cuts. We have also seen that, whilst there was at least at the beginning of the raft of public sector cuts enthusiasm for what could be a big motivator for change—and there was a lot of interest within employees for setting up these independent service providers—subsequently the lack of support and the kind of competitiveness they have experienced from large providers outside the public sector have led to a great deal of disillusionment. To reiterate Ben’s point, I think that enthusiasm to some degree has waned.

Sonia Sodha: I just guess I should kick off by saying that as Which? and the Consumers’ Association we do not comment on issues of public spending overall, because we represent the interests of all UK consumers. That said, we recognise that it is an extremely challenging fiscal context for public services, and that underlines the importance of some of the themes in the Open Public Services agenda around user control and greater user accountability. That becomes even more important as you get cuts filtering through on the ground to local services. Certainly, some of the work that we have been doing at Which? has been looking at, for example, how the social care system has changed on the ground as implemented by local authorities over the last five or six years. We found there are lots of differences in what that looks like. Different councils have tightened up eligibility thresholds to different extents; there are very different charging policies in place for home care. As you get these decisions being made at the local level, it is really important that local people, as citizens and consumers, are aware of the trade-offs and are inputting into some of those decisions.

Q4 Robert Halfon: To start off, could I just ask you what you think one means by citizen and public services? The inquiry is into “Citizen and public services”; what do you think that means in practice?

Allison Ogden-Newton: We did a survey of 54 independent service providers, of which about 10% had the consumers of their service on their board and had them integrated constitutionally within their decision-making processes. For me, that would be a very obvious and overt way of involving the community.

Q5 Robert Halfon: So you are saying you believe that citizen and public services means citizens on the boards of companies.

Allison Ogden-Newton: Of the service provider. The consumer has a role within the decision-making process of the service provider, which would obviously speak to a degree of ability to change the way in which that service is provided.

Ben Lucas: I think it has been fairly poorly articulated. There has been an interesting move away from the idea of the consumer in relation to public services to the citizen in relation to public services. I welcome that because I think that the consumer market analogy with public services was never a very good one. As citizens we are responsible for our own behaviour; we have wider social responsibilities that go a long way beyond the notion of being just a consumer. What I think we have not seen so far is anything like a concerted effort to create a public discussion about what a settlement would look like between citizens and public services, or what the responsibilities would be on either side.

The reality is that the value that is created that matters to all of us—whether that is improved health or better education performance—does not just come from the way in which an institution performs; it comes from the quality of the interaction between that institution and citizens. That is something that we have done a lot of work at the RSA about: what we call social productivity. What matters is the quality of the relationships, and that has been patchy. There have been some areas in which there has been improvement. There is clearly much more transparency; I think that is a good thing and something to be welcomed. In the other areas, though, I do not think there has been much of an honest discussion with the public—for instance, about the scale of pressures that public services are going to face in the future because of demographic change and, therefore, the need for there to be a different type of balance of responsibility between citizens, communities and services. That, to me, is not really happening at the moment.

Q6 Robert Halfon: How do you define public services? Are you just talking about the NHS and education or are you talking about utility companies, for example? Do you literally mean public sector? Can I just ask the Consumers' Association?

Sonia Sodha: At Which? in defining public services we look at services like what the Government defined in its White Paper as individual public services, so health, HE, education, childcare and social care. Those are the core services that we look at. We would not consider, for example, utility companies to be a public service. We think of that as a private market.

Q7 Robert Halfon: Why?

Sonia Sodha: I think because there are more elements of private markets. It is a private market in the energy industry. Which? has been very active in the energy space; there are real public interest goals in terms of how the energy industry operates when you are looking at things like the extent to which consumers are able to get a fair deal, but we would not define it as a public service in the same way as health and HE, for example. There is significant government involvement; they are either mixed markets or taxpayer-funded markets. There are certain elements of these markets that have specific features that mean we need to look at them separately to private markets.

Q8 Robert Halfon: I accept the fact that, if you take the example of utility companies, you have public regulators monitoring them. Some might argue they are a public service because they are essential services.

Sonia Sodha: I take that point entirely. We have been very active at Which? in thinking about the role of regulation, for example. It is not the case that it is a black and white distinction. We think actually we have a lot to learn in public service from looking at some of these imperfect markets like energy and utilities.

Q9 Chair: May I just press you on that? How much do you think public services are too preoccupied by the people that run them, the people that direct them and their political direction rather than concerned with their customers?

Sonia Sodha: That has always been a concern with public services. You get great variation in public services, so in the best public services that achieve the best outcomes, if you look at them they will almost always be focussed on the consumer.

Q10 Chair: Why do you not have exactly the same concern about utility companies that seem to worry more about their regulators and the legislative framework they are operating in than their customers?

Robert Halfon: Can I just come in on that and add that many people see the regulators as performing jobs like company secretaries rather than, dare I say it, as they should be, consumer organisations like you, acting on the interests of the consumer? That is why I ask whether or not that fits into citizens and public services.

Sonia Sodha: I absolutely think that it is a job of a regulator to be consumer-focused.

Q11 Chair: That is the problem. How can you make utility companies consumer-focussed if the regulator thinks it is the consumer?

Sonia Sodha: Absolutely. We would agree with you on that.

Andrew Haldenby: Perhaps it has something to do with monopoly as well or oligopoly. I am no expert on the energy market, but I hear that only a small number of big firms contribute to the sense that they are running things more in their own interests and looking up rather than looking down to the consumer. If I could perhaps slightly disagree with Ben for a moment, the sense of competition in many public services is also not very strongly developed.

Q12 Chair: The key question is: why should we treat utilities differently from public services? I do not understand the logic of that.

Andrew Haldenby: There are shades here rather than it all being black and white. Public services are largely funded by taxation.

Sonia Sodha: I would agree with that point, in that there are shades in the sense that, if you have a private market that is working imperfectly because it has features of monopoly, it does call for greater regulation and that regulation needs to be consumer-focussed. There are lessons from how we would regulate in energy for public services and vice versa. Indeed, at Which? we look across public services and private markets when we look at things like complaints, for example, and the way that ombudsmen and ADR schemes work.

Q13 Robert Halfon: At the moment the regulators have enormous independent power, in that they decide themselves what they want to examine and what they want to do, with a little bit of check and balance here and there from Parliament, but not very much. How would you engage the citizen to give the citizen direct, real input into the role of the regulators to make sure that they were more responsive to public pressures, whether it is utility, the price of petrol and diesel or whatever it may be?

Sonia Sodha: There are certainly things that you can do to make regulators much more user-focused: things like, for example, putting users on boards and putting users on inspection panels. The Ofcom model is an interesting one, with the consumer panel at its heart. In public services we are really supportive of some of the changes that have been announced to the CQC and the way in which it will do inspections. There are two elements to the extent to which a public service regulator is user-focused. One is the extent to which it involves users and the user views in terms of informing its inspection judgments. All the signs are that the CQC is going to take that more seriously.

Q14 Robert Halfon: Apart from putting the public on the board, would you actually give the public a real say, possibly having a vote over certain issues that they think the regulator should get involved in?

Andrew Haldenby: Not to disagree with the thrust of the questioning, but what is the right place to give the public a say here? Is the thing to do about parents and schools to give them an ability to move their children between schools as they wish and give them more opportunity to do that by opening free schools and so on, or is it to give them the ability, in a rather cumbersome and bureaucratic way, to feed in their views to Ofsted or one of the other school regulators, which is just never going to get anywhere? I think the way to involve the citizen in certain services like health and education is exactly that: allow them to have choice and then to allow the market to open up in a way that allows them to make more choices.

Ben Lucas: Just picking up on your analogy about parents and schools, it seems to me that the point we make in a lot of our work is that most of a child's time is not spent in school; it is spent at home. Public services need to be much better at working out how they can work with citizens, families and communities to get better collective outcomes. There are some schools that do that very well, but it is not a main thrust of education policy. We take it for granted when you think of health that health outcomes are going to be improved by patient behaviour, and yet in education I do not think that is anywhere near enough central to the way in which we think about education. If you talk about energy, it is obviously the case that if you want to achieve long-term change, part of that is the way that we as citizens consume energy, but you probably need a basis of trust that may not be

there at the moment between the companies and the individuals. There I think there is a real issue. If you take water, where clearly there is a need for greater investment in the long term in the sector, the public probably do not trust the companies to make that investment. There is a breakdown in that relationship at the moment, and that clearly does need to be fixed.

Allison Ogden-Newton: Very quickly, just answering that question and going back to your original question, Chair, I think this goes to the heart of the dichotomy that exists within the public sector, which is that the consumer is not the contract-holder. Within the public sector, we have to square that circle.

Q15 Robert Halfon: Just a final question—how do you judge the Government’s attempts in terms of the citizen and public services, and the consumer? Do you just see it as an updated version of the Citizen’s Charter of some years ago or do you think something real and serious is happening?

Paul Flynn: Or the Third Way, or the Cones Hotline.

Allison Ogden-Newton: There is a real opportunity here to talk about the founding principles of the social contract. I do think that a lot of misunderstanding comes from the consumer’s expectation from the public sector, and what those that lead and are responsible for the public sector feel they are duty-bound or, indeed, able to do. There is a real mismatch in that conversation; there is not often an honest conversation about what can be had. As public sector finance has changed dramatically over the last few years, you have seen an exposed pressure point where people have been asked to continue to deliver a high-quality service to quite a discerning consumer and, at the same time, do so far more competitively without really being able to renegotiate what it was that the consumer had the right to expect. I do think there is a need to have that conversation.

Q16 Chair: Just to summarise, how much do you think effective public services, effective utilities or effective anything actually depends on leadership that is engaged with the people that the service is seeking to provide for?

Sonia Sodha: It absolutely does.

Ben Lucas: Completely.

Andrew Haldenby: Sorry, not to take up too much time, but like Ben we seek out these examples of wonderful public-service delivery. They are nearly always or always led by an inspirational leader who is changing the way they do their business in the interests of the people that they are serving, whether it is a fire chief, a police chief, a head teacher or a hospital chief executive—whoever it may be. I always feel they are acting as if they are an entrepreneur. They are not motivated by business values, but they are acting like an entrepreneur: they are willing to change things and they are willing to turn things upside down, but it is always absolutely in the interests of the people they are doing it for. There is a slight sense that sometimes they are doing it despite the system of regulation and so on.

Q17 Chair: I am going to go straight on to the next question. What specific changes do you think communities are enjoying or are feeling that have occurred over the last three years as a result of the Government's policy? To what extent do you think service users are feeling the benefits of that kind of change in leadership in their local public services as a result of Government policy?

Andrew Haldenby: Can I make a distinction between Cabinet Office policy, or centre of government policy like the Open Public Services White Paper and that stream of work, and then the things that individual Departments and other public services are doing? I think that the Open Public Services White Paper and what has followed on from that has not been part of that leadership. It had a difficult birth; it did not carry senior members of the Government with it; it has not really led to active change and discussion within Government. After that, in our work we do not hear people referring to the Open Public Services work as a stream of Cabinet Office work. We have not really heard that since it has been launched. This Committee has talked a lot about the absence of a plan and a strategy in Government thinking, and I think it is fair to make that criticism of public service policy as a whole. Having said that, at the individual public service level, as other people on this panel have said, there is an explosion of change going on up and down the country, looking at individual public services—I will not go on in enormous length—fire services, police services.

Q18 Chair: It does seem a bit unfair not to give the Cabinet Office some of the credit for that.

Andrew Haldenby: I would go further and I would say that absence of a lead has probably held things back. Really contradictory stuff has happened.

Q19 Chair: May I just ask the other members of the panel how relevant the Open Public Services White Paper is?

Allison Ogden-Newton: It is not particularly relevant. The work on the Public Services Act, for instance, around social value was fantastic and showed tremendous leadership. Again, it set a direction; there was a lot of energy and excitement around it and how that could impact public sector commissioning, but then it sat in the Cabinet Office and it really did not travel far at all.

Q20 Chair: So the Act has not had much of an impact either.

Allison Ogden-Newton: No.

Ben Lucas: You mentioned at the outset that the context that will actually be in the minds of most people in public services is austerity. That has pretty much drowned out anything else in terms of people's headspace to hear another message. Whilst there was a degree of clarity, whether people liked it or not, to the previous Government's triumvirate message about choice, standards and contestability, the story now is much more diffuse. There are more elements of it, some of which are happening quite well. I think that work on transparency is, for instance. There is less a sense of the Government as a whole being behind one strategy. Although Open Public Services is fine and there are lots of things the Cabinet Office does that are very helpful and are probably appreciated quite a lot by

people in public services and their local government, there is a less a sense of the Government as a whole driving one strategy.

Sonia Sodha: I would agree with some of that. We are very supportive at Which? of some of the underlying principles of Open Public Services around giving users more control over their public services. We think that that agenda has been held back somewhat by a failure to engage with some of the barriers to consumer engagement in public services.

Q21 Chair: Such as?

Sonia Sodha: For example, the way that people feel about choice in public. We look at how confident people feel about making choices about different public services. We find that confidence in public services is lower than in private markets, in many ways as you would expect. There are real questions about whether people have the information and the advice they need to make good use of some of these choices that they have. That is one thing. A second issue is around some of the structural features of public services markets, which are always going to limit to some extent the extent to which choice can drive up quality improvement right across public services. Coming back to what Ben said, we think it is really important to look at the whole picture. Things like choice and feedback are really important mechanisms, but you also have to look at all the other levers that impact on the quality of public services for consumers, like the regulatory framework, like commissioning, which is absolutely key in terms of how it works, like professional networks and how they work in relation to regulation, and make sure that they are all aligned in favour of better services for consumers.

Q22 Paul Flynn: Does citizen-focused, as used by Government, mean rich, middle-class, articulate citizens getting the attention of a re-election-focused government?

Andrew Haldenby: No, I do not think so.

Paul Flynn: Sorry, could Sonia tell me—

Chair: Could we maybe have an answer before you come back?

Q23 Paul Flynn: He does not think so; he has given me an answer. Sonia, what proportion of your subscribers to Which? would you say are unemployed young people and how many of them are rich pensioners? Do you have some vague idea?

Sonia Sodha: I do not have those statistics off the top of my head. I will say that we are a charity and we are here to represent all consumers. You are right to pick up on the fact that some groups are much more likely to be engaged with the idea of choice than others. The answer to that is not to say that means that nobody gets choice. It is first of all to think about how we empower less engaged groups to become more engaged, but recognising that there are always barriers and thinking about what other forms of protection there are. There is an interesting parallel to draw here with the energy industry, for example. In energy, we know there are a small proportion of consumers who are extremely savvy, who switch and get a good deal from the market. At Which? we are not interested in limiting their choice, but we are interested in what sort of protections there are for consumers who are “less savvy” in that traditional sense.

Ben Lucas: Citizen-focused public services are public services that start with the citizen. You are right: if it were just left to whether or not, for instance, some people turned up at meetings or exercised some form of choice, that would certainly work in favour of the people who have the sharpest elbows. The much more imaginative ways in which some local authorities are thinking about this, for instance, is to focus on particular troubled families and work directly with that family about what that family's needs are and to look at it from their perspective. Similarly, there is some very interesting work with worklessness. One of the things that we are seeing is that, in some places, in some particularly deprived communities there are unemployed people being trained at a local level to start to survey their own area to understand some of the needs that families have in their place, so that they can then commission, at a neighbourhood level, services for their place. To me, that is citizen-focused public service.

Q24 Paul Flynn: Which authorities are those?

Ben Lucas: You will have a chance to talk to the LGA about this later, but I know that Oldham is doing that and Sunderland is doing that. They are only two examples that I know of.

Q25 Paul Flynn: Do you think it helps to engage citizens by all parties denying and reducing benefits to the young unemployed in order to pay unneeded benefits to the rich pensioners?

Ben Lucas: We earlier had a question about the public sector as a whole, and certainly there is a sense that some bits of the population are being treated differently from other bits. That is undoubtedly a problem that can erode trust in that engagement. Beyond that, what I would also say is that the reality of the experience of worklessness, for instance, varies so much from one place to another that to suggest you can simply have one national strategy and one national set of punishments and incentives to deal with it is to misunderstand the nature of the issue. Instead you need to focus much more on citizens, families and households, and build the right policies for them in the places that they live.

Q26 Chair: Can I just ask Mr Haldenby this question, which I think he reacted to? There is a tendency for price-comparison websites, utilities companies and things to be a haven for the middle classes and the well educated rather than for disadvantaged people who do not have access to computers. There are people who have difficulty navigating the very complex packages offered by mobile phone companies or utility companies, or indeed, classically, property owners buying the right house in the right area to go to the right school.

Andrew Haldenby: No doubt that is true, but traditionally provided public services were also completely skewed against people on low incomes because the information about them was not publicly available. It was basically shared by a middle class or upper class elite who, for example, in the health service would be able to talk to their friends who were doctors about which were the safe hospitals to go to and which were not. As you say, schools were very heavily divided between good schools in better-off areas and poorer schools in worse-off areas. Traditional post-war public services were very socially divided.

Q27 Paul Flynn: Russell Brand has 7 million followers on Twitter. He is regarded as a leader and a hero to young people. He suggested that young people should not vote. Is this not an example of the alienation under this Government rather than the engaging of citizens?

Andrew Haldenby: I am not sure that the Government can take any credit or blame for the behaviour of Russell Brand.

Sonia Sodha: I just wanted to raise this issue again of ensuring that disengaged consumers or consumers less informed about choices are empowered to make those choices. There are things you can do. For example, at Which? we are providing free consumer advice sites in areas of public services where we know people have questions. For example, we are just about to launch a new maternity choices website. We know four in five women do have a choice about where to give birth. It is something that women really value, but they lack the information—and this is particularly true of disadvantaged groups—about what some of those choices mean and what you might get in different types of maternity units. To answer that by saying, “Some people are disempowered so we should just shut choice down,” is quite a depressing worldview. We should be thinking, “How do we empower people and how do we give them information in an accessible form?” For example, if they are choosing social care providers and they are elderly and vulnerable, where do they get support to make choices through GPs, for example, who can act as a really important point of contact when you are making significant choices.

Q28 Paul Flynn: Do you think that people were more content during the war when there was no choice—nobody had anything but utility clothes; there were no cars, no telephones and everyone was on an even basis—than now, when people make choices and fret about what choices there are? The evidence seems to be that happiness is a world with few choices.

Andrew Haldenby: There may be a point of political difference here, but the citizens of North Korea are not happier than we are.

Allison Ogden-Newton: I would like to address your question quite seriously. It is this issue around giving communities and young people, particularly those that are experiencing the most poverty, choices about their public services. It is a very real challenge. We would like to see a mixed market within the public sector. We would like to see more choice, but what we are finding is that, aside from the rhetoric around choice, there is also a real economic drive towards meta-contracts and uniform services. Those are in effect taking away choice from any consumers. I do think there is a real issue here. Our experience, particularly through our members, has been that more young people can be encouraged—even those that are the most disadvantaged, as Ben was saying—to get quite involved and to start making some serious and good choices about some of the services that will dramatically affect their future. They get very quickly disillusioned, though, if their voice is not heard, and that has to be a really genuine process.

Q29 Chair: Can I just press on that particular point? How can their voice be heard if the frontline staff have not been empowered by the leadership to respond to what they hear?

Allison Ogden-Newton: They cannot, and that is exactly the problem.

Ben Lucas: There are instances where their voice is beginning to be heard. The interesting thing is that broadly the choice agenda seems to have run into a bit of a cul-de-sac. What I think you are seeing more of is citizen-focus, in the way I was mentioning before, which is about control as much as about choice. In other words, it is families and communities being directly involved in commissioning services for their place. We are beginning to see that emerging. By the way, I do not see that there is any problem with that sitting with choice; I just observe that that is one of the things that we can see happening. Part of the breakdown in trust that you alluded to and that Russell Brand and others have made a lot of hay with is to do with the fact that the national political parties are often not having an honest conversation with the public about the reality of public services. The IFS rightly said that none of the parties were honest in the run-up to the last election about what their plans were after the election with public services.

Q30 Chair: How are the public meant to engage with public services if the people that they deal with providing those public services are not themselves engaged by their leadership?

Ben Lucas: If we are going to go on to talk about the central/local issue, which I think is a really important one, then one of the areas where there has only been limited progress so far is in letting go. I think there needs to be much more letting go so that there is much less looking upwards through the system and much more local accountability for the delivery and the provision of public services.

Q31 Paul Flynn: Just to follow up the point that Robert Halfon raised, which is a popular one—the idea that nirvana will be achieved if we allow people to make their own choices and citizens to vote—the subject he mentioned was petrol, and I am sure that if there is a vote on petrol, there would be an overwhelming majority saying they want cheaper petrol. If there was a vote on whether they want more pollution—to be poisoned by the atmosphere—more congestion and more accidents, which are consequences of cheaper petrol, there would be a very different result. Is it not really a gimmick by politicians on the make to come up with this idea of citizen-focus, knowing that in five years' time we will see it buried with all the three-word gimmicks of Prime Ministers, like the Third Way, Cones Hotlines and the Citizen's Charter, over the years? We should not take these things seriously if we are going to have political policies that are fair and just for all our citizens.

Ben Lucas: It would be a great mistake to write off something that is hugely important just because of your suspicion of the motives of some of the people who promote it. In other words, the idea of citizen-focussed public services is surely a good thing, regardless of what the motives might be of some of the people who promote it.

Paul Flynn: I was rather surprised by you saying politicians were not honest at the last election. What an extraordinary charge that is.

Sonia Sodha: There is a really important issue to come back to here that you raised, Chair, around feedback and people feeling like the feedback they give to their public services is being used to drive real service improvements. If you look at the best public services, that is without exception what they do, but, as Robert Francis noted in his inquiry, that culture is still missing across broad swathes of our public services.

There is a real question when we take the average services in the middle, which are what most people experience, how do we make them look more like the top performers in terms of their responsiveness to user feedback and driving quality improvement? I think that has to be a combination of things. It has to be a combination of a bit of push—holding people accountable for the extent to which they listen to users—for example, through commissioning and making sure that is something regulators are looking at when they go and expect hospital trusts. I also think it is something about some of the pull, which is around the fact that we know there are evidence-based ways to use feedback to drive quality improvement and systems that boards can put in place. We need to look at what the best services are doing. It is an age-old problem in public service reform: how do we share the best evidence-based practice more widely across the public sector? There are no easy answers to that.

Chair: That was a quality answer, but it was very long. Thank you very much for that.

Sonia Sodha: Apologies.

Q32 Robert Halfon: I will use a specific example, which Paul will be pleased to know is not about petrol. You were talking about the poor being empowered particularly, in terms of public services. Unlike you, I do see utilities as a public service, because it is essential; people have no choice whether they use them or not. If you just take a recent example that I found out about over the last couple of weeks, 45% of the public do not pay their energy bills by direct debit. If you do not pay by direct debit, you pay extortionate amounts of money. Some companies charge £63 extra a year; some charge £350 a year. The individual has no say over this. That hits the vulnerable, the poor and the pensioners the most. If you were engaging citizens on public services, how would you deal with a problem like that?

Sonia Sodha: I am trying to think what that problem would look like in a public services context. We absolutely are aware of the issues around energy and direct debit versus pre-payment, and the penalty that some people pay. I am just trying to think what the implications of that are for public services.

Ben Lucas: You have seen some quite interesting examples of behaviour change where a number of different councils around the country have negotiated collective energy deals. There are two parts to that process. The first is to negotiate better terms. The second is then to convince people, their citizens, to sign up to that alternative that they have negotiated. There has been a lot of success in a number of places around the country in achieving both a better deal and persuading people to change their behaviour. A lot of that uses social media techniques and social marketing, which are related sometimes to direct debits. One of the things it would be good to do is to understand why those places have been successful. Maybe it is because there is a better basis of trust to start with or maybe because they have understood more about the patterns of behaviour—the ways in which people do things, consume things and pay for the things in their localities—than some of the big energy companies. I do not know. That is just a guess.

Andrew Haldenby: If what you are asking is what is to be done when people running public services act not in the interests of the consumer, of course that is the key question. We have already talked in this panel about giving people the opportunity to choose

different providers, regulation to step in for examples of really egregious behaviour, and greater transparency to allow both those things to happen. We have spoken about that. Coming back to the policy framework, all I would say is that I think there is not a consistent message from the heart of Government with that answer to your question. That is what I would say. Even the Prime Minister, talking about the health service, still talks about the growth in the number of doctors in the health service as a good thing in itself, as opposed to talking about a health service which is more citizen-focused, for example.

Sonia Sodha: I was just going to come back on your point, Robert, which is that there may be a parallel example with GP surgeries and taking away the catchment area for GP surgeries. That could deliver gains for all consumers, but it could also lead to problems for some particular groups of consumers. It all comes back down to: if you are allowing people to pick which GP surgery they go to, are they able to expand or are there still going to be limits on outstanding providers? If there were limits, you would get to a situation where savvy consumers picking their GP might do so to the detriment of poorer consumers.

Chair: I am stopping you there. We have got the point.

Q33 Paul Flynn: I have a final one to Allison. To what extent have the new public sector mutuals given service users greater involvement in their services? ?

Allison Ogden-Newton: I talked earlier about the involvement that they have given to their consumers on their decision-making boards, but there are plenty of very healthy examples of mutuals and social enterprises.

Q34 Paul Flynn: Could you give me one or two of those?

Allison Ogden-Newton: For instance, one of the larger social enterprises that is a leader in the field of leisure trusts, the GLL, has set up an academy to create new leisure managers of the future, specifically in areas of deprivation. They have put about 400 young people through those academies every year and that is entirely funded through the company, so that is a very real example of creating their own future workforce and also getting kids out of a cycle of deprivation.

Q35 Mr Turner: How far has the Government succeeded in creating a truly level playing field between public, private and voluntary sectors?

Andrew Haldenby: Not at all, in a way, because it is very different in different places. That perhaps comes back to the weakness of the overall policy framework that we were talking about. We could go through this, and I will try to keep it short. There are a lot of contradictions. In schools, for-profit providers are not allowed to deliver state education. In health, for-profit providers are allowed to deliver health, but the current mood music from Government is not in support of that. In the Ministry of Justice, let's say, probation contracts for many people on probation are being handed to private companies, but those contracts have been taken away from people running prisons. It is a very mixed picture.

Q36 Mr Turner: Is that a failure of the Government or is it sticking with someone intentionally?

Allison Ogden-Newton: I think it is a failure of understanding the role of capital. Where investment comes largely dictates the power with which any given group within society can operate. To understand the role of capital, particularly in the way in which the public sector has changed, a lot of capital has come from the private sector and that has given them an inordinate amount of leverage. The effect of that is felt in a very big way and in a very small way by citizens. To create a level playing field, you have to have all your players willing to make an equal investment and, if they are not, you will not create a level playing field.

Sonia Sodha: There are some interesting parallels here with the debate around government procurement. In some ways, if you look at what has gone on in procurement, it is not a surprise that in commissioning contracts are easier of public services there is some evidence that commissioning contracts are easier for larger providers to provide win than smaller providers. It has been an age-old debate in procurement that Government procurement of actually some quite simple services like pencils and computers has not happened very well. It has been to the detriment of smaller businesses and providers, and it is not surprising to me that we find that manifesting itself in public services, which are even more complex to commission than Government laptops.

Ben Lucas: I was going to largely agree with what has been said. It seems to me that there undoubtedly has been a big increase in private-sector delivery of public services. I think it was the PAC that recently produced a new analysis that showed that around about half of all public expenditure in non-income transferred public services is now delivered through the private sector.

Mr Turner: Sorry, what do you mean by that?

Ben Lucas: In other words, not benefits but direct public services that are delivered to people. A very small proportion is delivered by the third sector and the voluntary sector and also, actually, by small private-sector businesses—SMEs. As Sonia was saying, the system tends to be hardest to cope with if you are a small entity. I also worry that one of the consequences of seeing public services through one lens only—i.e. through the lens of efficiency of transactions—can lead you to perverse outcomes. You can sometimes end up with services that are more fragmented when, for other reasons, you might want to integrate them in order to achieve greater efficiencies. Sometimes you can find yourself locked into long-term contracts that, to some extent, militate against being able to achieve other types of efficiency. There needs to be a greater degree of flexibility of thinking about this and probably a reassessment of outsourcing, which is not to say that there is not clearly a role for contestability, but there needs to be more thought to how you create markets and what that means in particular if you want to have other organisations—voluntary sector, third sector and small businesses—as part of that as well.

Q37 Mr Turner: How do you look at the huge private companies—near monopolies—compared with the much more normal, day-to-day, smaller companies?

Ben Lucas: It is a problem; it seems to me it is a big problem.

Q38 Mr Turner: How do you solve it?

Ben Lucas: Through commissioning reform. It is a curious addiction government has to big. One of the interesting lessons that the two opposition parties formed from the NHS IT modernisation programme was that there was a huge amount of hubris in imagining that you could design one national IT scheme to solve such a complex problem. Lo and behold, three years later we are having exactly the same issue with Universal Credit. There is something about the way in which Government operates that it finds itself drawn always to single, national solutions. I think they are very often the wrong solutions.

Andrew Haldenby: I agree with that, but I am going to disagree with the word “monopoly” if I may. As I understand it, no contract held by Serco or G4S is going to be held in perpetuity.

Q39 Mr Turner: Sorry, you are talking about a contract. I was thinking about real, genuine, independent companies. They do not need a contract and yet they perform as a monopoly.

Andrew Haldenby: To me, the word “monopoly” means that they are excluding other companies from the possibility of ever providing that business. That is not the case. The work that they do is limited by time. There is a market in these services. Of course, the market—“dominated” is a pretty powerful word, so I must be careful what I say—has some big players in it, but those players can come and go. Regarding the monopoly players, take an NHS hospital; a big NHS hospital is going to be there for many decades to come, but it is not the same for the private companies you mention.

Allison Ogden-Newton: Nonetheless, we are seeing a trend towards the increase of larger players and that is because they can offer an attractive contract. Public sector procurers are looking at them and thinking, “They’re delivering across a wide range of services quite effectively,” and that does not represent as much of a risk as investing in small, local providers. Time and time and time again, even those people who have invested huge amounts of time and energy in becoming independent service providers are finding themselves not competing effectively with these larger companies. It is only because they time and again fail to deliver that the smaller, independent providers are still around, because someone has to pick up the mess.

Sonia Sodha: The point that Ben made was really key and it is worth stressing again. Contestability can improve services and user responsiveness of public services, but only in certain conditions. There has been too much of a blind faith placed in contestability without understanding what that means for the commissioning process. There is a long way to go in the commissioning process before it becomes user responsive and really intelligent in terms of responding to the needs of the people out there. In some ways, the irony of it is that in some ways it is more difficult to commission services than it is to provide them directly. I am not saying that means that there is not a big prize to be won through contestability, but a lot of effort needs to be put into commissioning reform if it is really to deliver what this government and previous governments have hoped for it.

Q40 Mr Turner: On the one side is the private sector and on the other we have charities. What is the cost of prioritising public service delivery?

Allison Ogden-Newton: In what sense? In enabling a more mixed market?

Mr Turner: Yes.

Allison Ogden-Newton: I would add to that that there are voluntary-sector organisations and charities; there are also mutuals, co-operatives and social enterprises that sit in yet a third space. The cost is to be far more effective in the way in which you communicate the set of choices that commissioning authorities have. At the moment I do not see any budgets around this anywhere at all, so people go with what they know. For the most part, people, particularly local authorities, are using the big four to offer their advice. They have very little understanding of these alternative service providers and even less faith. People are going for what they know, and if you want to create more of a level playing field and create more of a mixed market, you are going to have to communicate a lot more about the case studies and the success stories that have happened within the public sector.

Ben Lucas: Is the point not that, therefore, you have to approach that as a policy outcome you want to achieve rather than being neutral about it? If you just approached this as contestability as a purely neutral position, you will not achieve the outcome that you might want to achieve if you want a more diverse market, which is to have more voluntary sector mutuals and SMEs in that marketplace.

Sonia Sodha: I was going to add that I think there is another interesting dimension to this. In some markets it is commissioning that is the key thing. In other mixed markets, like social care, local authorities are going to have under the Care Bill this thing called a market-shaping duty. Then they are also significant purchasers of social care locally in the system. We have a very poor understanding of what fulfilling these market shaping duties would entail. Our understanding of commissioning is light years ahead of our understanding of how local authorities are going to fulfil this market-shaping duty. Are they going to ensure there is enough provision locally? How does that interact with their role as major local purchasers who often do not pay enough for the cost of delivering local care services? There are really important questions to unpack.

Q41 Mr Turner: Is that a responsibility of the Cabinet Office or relatively small local authorities?

Allison Ogden-Newton: It is something that all of them could contribute to. Going back to the question around leadership, there is a real role here. As Ben said, you can make this an objective and you can show leadership. You can square the circle, not just talking about what you would like to achieve, but then making sure people have the tools to be able to make better decisions. They might still decide to do one thing rather than another, but they will have done so having been faced by a plethora of choice. At the moment, in all of the authorities where I have been working, they do not feel like they have a choice. They did not feel informed about alternatives.

Whilst two years ago there was quite a strong culture of excitement around change and innovation, now there is a resignation that we have to go with what presents least risk. That invariably is the larger contracts. Most of the thinking has been around how to deliver those contracts rather than how to commission them much more effectively, which would have created a much more interesting market. What you are doing is cutting the ties to the community because some of these more diverse organisations are organisations that hold those relationships. I do not think even the larger contract holders would even

pretend that these are relationships that they have. You are throwing quite a lot out with the bathwater.

Chair: Thank you for that. We move on to the question of accountability.

Q42 David Heyes: Your concerns about accountability have been a thread in all of your evidence so far. For example, Sonia said regulation needs to be more consumer-focused. Ben Lucas said we need to work better with citizens. There have been those sorts of comments. You have all been critical of the oversight of public services delivered by private businesses and charities in one way or another. My question is: how can it be made more effective? What needs to be done? Maybe a concrete suggestion from each of you would help the Committee.

Sonia Sodha: In the evidence that we submitted to the Committee we included three concrete suggestions around improving accountability and the link between consumer complaints and regulation. That was around streamlining the complaints framework first of all and having a single public services ombudsman, which I know the Committee is looking at. Secondly, it was thinking about the direct link between consumer complaints and regulatory inspection. Some of the ideas that we included in our evidence are around user-triggered inspections—for example, ballots for inspections if you have a discrete group of users for a school or GP surgery. Lastly, we have made the case for extending the power of consumer bodies to make a consumer complaint on behalf of consumers in private markets, the OFT, to public services.

Ben Lucas: I would agree with all of that, but something else that we have found in a lot of the work that we have done, dating back to the 2020 Commission that we ran, is that citizens are very understandably confused about who is responsible for what in public services and how public money is spent. One simple suggestion I would make is that, unless there is a very good reason for them not to be, almost all decisions should be made at a local level with most of the responsibility financially also devolved to that level.

At the moment, you have a situation where the Lyons Inquiry found that people think that the council tax funds all public services at a local level and that it is too high, which is a frightening prospect, if you are responsible for delivering public services and recognise that it only accounts for about 20%. To me, what you do is simplify massively the system and make the units of public service accountability in an organisation predominantly local.

Andrew Haldenby: I would argue for consistency in policy. Take something like the Department for Education. For—whatever it is now—the 15% of schools that are academies, ministers argued very strongly that the accountability has to lie with the head teachers for things like defining the curriculum that the children are taught, for example. They will make a very strong argument for that. For the other 85% of the schools, they would argue just as strongly that the people accountable for the curriculum in those schools should be Ministers and officials in the Department for Education. There is absolute confusion there and I think you can see that mirrored across public services. I would argue for a greater consistency of approach between public services and their sponsoring Departments.

Allison Ogden-Newton: About two years ago, I think Britain was venerated worldwide as on the threshold of creating a very dynamic, innovative mixed market within the public

sector. We were being visited from delegations from all over the world, not just my organisation but many other organisations, looking at some of the exciting changes that were happening. That is no longer the case. We are now perceived as having opened a door that is now being pushed aside by much larger players, and that market is being dominated. I do not think we have lost the opportunity, but I think we need some very serious leadership that will set goals.

Whilst I agree entirely with Ben's point about making sure that far more decision-making is made locally—and if you involve consumers, you have to do it locally, as there is no other way to do it—at the same time, there is a real role for national leadership and setting some benchmarks about what it is you want the public sector to look like, and having a conversation around the social contract if you like, which those who are elected are then held accountable for.

Q43 Chair: Where would that leadership come from?

Allison Ogden-Newton: Where better than the Cabinet Office, but possibly elsewhere within central government—Number 10.

Q44 Paul Flynn: This time you say was a bit of a golden age, how long ago was that?

Allison Ogden-Newton: We developed quite an interesting market. There were some fairly strong social enterprises getting bigger and bigger contracts. There were large charities doing some really innovative and clever work within the public sector, and then, at the point when the public-sector cuts starting coming in about three years ago, there was an enormous wave of interest in setting up as employee-owned. That was a really exciting time at that point. You had Francis Maude setting a goal around a million public-sector employees falling within the category of independent service providers.

Q45 Chair: Why has it not happened?

Allison Ogden-Newton: Good question. I think I have just articulated the answer from my point of view.

Andrew Haldenby: We had people coming to our meetings at the beginning of this Parliament who were investors thinking that the market was going to open up and thinking that they might want to invest into these new companies. The policy framework was so confused and was changing every day, when we think of the NHS reforms collapsing before our eyes in 2011, that those investors felt that this was not a secure market in which to invest.

Chair: I am going to have to curtail the discussion—yes, I am going to let you in—but if any of you have further comments on that very specific question of why the mutuals market has stalled, we would be grateful for anything further you could submit to us in writing on that and any recommendations you think we should make.

Q46 Greg Mulholland: Do you not think that an issue with the whole concept of accountability of public services is that accountability is one of those rather meaningless terms that is now used, like “choice”? What do we really mean by accountability of public

services, considering we have a myriad of different providers, all with utterly different complaints procedures and then a range of ombudsmen, some public, some private, overseeing them all? When this is all supposed to be about public service, however and whoever delivers it, is that not a great challenge for accountability? It is something that everyone says is important, but what does it really mean and is there not a better way of doing it?

Sonia Sodha: That is the key question at the heart of the public-service reform debate, which is accountability is the way you get to better services, whether it is bottom-up accountability, so accountability to users, or whether, when users are not engaged, it is top-down accountability. Government targets are much maligned, but they do have some role to play. The extent to which accountability manifests itself, I think, determines the extent to which you see real service improvement.

In some ways, the reason why we have gone down some of the debates around marketisation and around choice is because policymakers have looked to private markets and recognised that that accountability is in-built in the way that private markets work because, if you do not do something that users like, bang, you are out of business in a perfect market. That is not to say that all the features of a private market are replicable in public services markets. We as Which? have said that things like choice are not the panacea to quality improvement that some might argue, although we think it does have things to offer. The way in which you mimic some of those accountabilities to the user helps to determine the extent to which public services do improve.

Ben Lucas: I think it is only part of the issue. There is sometimes a damaging obsession with accountability. We need more accountability. We certainly need to be clear about who is responsible for decisions, and that is one of the reasons why I was suggesting there should be a clearer delineation between what central government is responsible for and what local government is responsible for, but it seems to me to go far beyond that. I think that the consumer market analogy does not go anywhere near close enough to understanding the relationship between citizens and services.

If you think of the consequence of an ageing society, of the rise in chronic health conditions, of some of the major issues that are going to face our public services in the future, if we are going to respond to those as a society, we respond not just by what services do but by what we do as citizens and individuals, and how our own behaviour changes. A huge part of public service reform in the future is going to be about understanding behavioural change, understanding how social norms are formed and creating a different basis of trust. That goes way beyond accountability. Accountability is one part of it, but it is certainly not the whole answer, in my view.

Andrew Haldenby: I agree with that, but it is still terribly important. Your question is about confusion. You are worried about the confusion in accountability. It does not mean that the accountability is wrong. Headteachers who I know who run great schools feel completely accountable to the parents of the kids who are there. That is just very clear. It is fine. They face multiple other accountabilities, from the regulators and the people you just have said; they are able to manage that and focus on the people they feel properly accountable for. It is that clear accountability that is the solution to your problem.

Chair: We are going to have to draw a line there but, if you do have further thoughts, particularly on that question I asked earlier, please do send them in in writing. That would be

very useful. Can I thank you very much indeed for being with us today? They were very interesting contributions. We will have our next panel, please.

Examination of Witnesses

Witnesses: **Karen Jennings**, Assistant General Secretary, UNISON, **Clive Maxwell**, Chief Executive, Office of Fair Trading, and **John Tizard**, independent strategic adviser and commentator, and **Sir Merrick Cockell**, Chairman, Local Government Association, gave evidence.

Q47 Chair: May I welcome our second panel with the same restraints on length of questions and length of answers, please? Could each of you identify yourselves for the record?

John Tizard: I am John Tizard. I am an independent adviser and commentator on public services.

Sir Merrick Cockell: I am Merrick Cockell. I am Chairman of the Local Government Association.

Karen Jennings: My name is Karen Jennings and I am Assistant General Secretary for UNISON.

Clive Maxwell: I am Clive Maxwell. I am the Chief Executive of the Office of Fair Trading.

Q48 Chair: Just as an opener, are there any comments to add to the opening question about the general pressure on spending on public services because so many of the other programmes are protected?

Sir Merrick Cockell: I think you listed the pressures. There is one you might add, which is of course the Chancellor's declared wish that the economy goes into surplus. By definition, that will mean we will need to save more money than we might actually need to save, if we are going to go into surplus. The position that we see from representing the whole sector is that next year is going to be pretty tough. Most of you will be familiar with your local authorities, and they are setting their budgets at the moment. It may be difficult, but they will be setting budgets successfully.

The following year, 2015-16, is the crunch year, because a lot of things are coming together. We are about halfway through at the moment the savings we have to make. It is about a 43% reduction in grant, and we have saved collectively about £10 billion, with about another £10 billion to go. A lot of things are coming together in 2015-16 and, as I say, that is going to be the crunch year. From our analysis, which is a few months old now and is changing the whole time, we think there are about 54 councils that are not going to go bust or some sort of easy term like that, but we would describe as being at risk of failing to provide statutory services. That is pretty key.

Chair: Anything other members of the panel would like to add?

Clive Maxwell: Just very quickly, I would largely agree, but I would add and stress that the question the OFT tries to address is what the opportunity is for competition and choice to help improve the productivity and efficiency of delivering public services. The need to do that is enhanced by the fiscal situation that we are in. That pressure can help drive some of the sorts of innovations that some of the previous panel members talked about.

Karen Jennings: Could I also very briefly say that Government policy has put markets at the heart of public services rather than citizen or user involvement?

Q49 Chair: What is the difference between the two?

Karen Jennings: There is a whole range of policies that, as a result of the market, are excluding citizens from being involved—transparency, around accountability—

Chair: Markets do not work unless they are transparent.

Karen Jennings: No, that is not true because, if you look at business interests, they overwrite the public interest so, therefore, you cannot always get the information that you need because of competitive interests.

Q50 Chair: Do the interests of public services sometimes override the interests of citizens as well?

Karen Jennings: In terms of citizen involvement, what I am trying to get at is that the policies that have been put in place have actually excluded citizens. The market is at the heart of that.

Chair: Can you give an example?

Karen Jennings: For example, you will be very aware of the changes in the NHS. At one time, Foundation Trusts had membership. The role of those members has been reduced since the Act just to electing board members, so they have no say, for example, in mergers or the extent of privatisation. They have no say in whether they have confidence in the director or the chief executive. If you look at shareholders, you can sack your director.

John Tizard: Can I just pick up on what Karen said? It seems to me that the introduction of greater use of market and outsourcing in particular has led to less transparency and less disclosure. The Freedom of Information Act, for example, does not apply to private-or voluntary-sector providers in the way it would have done and did for the public sector. There is a lack of disclosure often hiding behind, both by public sector client and provider, the idea of commercial confidentiality. It seems to me that, if we want to have the citizen at the heart, they need to be well informed. If we are going to have a greater role for private business and social voluntary sector providers, there needs to be, to quote a previous question, a level playing field and the same level of disclosure and transparency of performance, financial and operational, and money transfers.

Q51 Chair: Can I just focus on this question for a second? We made this recommendation that we should abolish commercial confidentiality in our procurement report, which came out in July. This has also been endorsed by the Government's Chief Operating Officer, Mr Kelly, in the Cabinet Office, in evidence to us, and by my colleague, Margaret Hodge, Chair of the Public Accounts Committee. Does all the panel support the abolition of commercial in confidence, so that we have public contracting like the American system, which is all in the open? All the figures and profit margins are in the open.

Sir Merrick Cockell: Provided it is once the contract has been let, obviously not in the negotiation process, because that simply would not work. You have to have confidentiality in anything as you are negotiating, whether it is with the public sector or the private sector.

Chair: But that is the same in the United States, is it not?

Sir Merrick Cockell: I believe so, yes.

John Tizard: What I would add to what Sir Merrick has said is that there is no reason why a public body that is going to go to competition and outsourcing should not be obliged to disclose its business case, in order that there can be an informed decision, debate and consultation on why they have chosen that route. I agree that once you are into procurement and contract negotiation, that would need to be commercially sensitive at that time.

Q52 Chair: Karen Jennings, how much would that address your concern about the lack of transparency?

Karen Jennings: We would certainly support businesses being open to freedom of information questions and being subject to the same public sector regulations around equality, employment and so on.

Clive Maxwell: In principle, yes, but I just add one caveat that you might want to think about. That would be circumstances where detailed knowledge about what a competitor is willing to do something for or the price they were willing to accept might well help collusion in certain types of markets. That is just one area that it is important to think about, especially where products are being re-tendered quite frequently. Depending on the nature of that market, you might just want to be careful that you do not allow the conditions for collusion to develop.

Q53 Chair: How much can that be addressed by reverse auctions, for example?

Clive Maxwell: It could, exactly.

Q54 Robert Halfon: Could I just ask what progress you think the Government has made in opening up public services to new providers, particularly given the Social Value Act that was talked about earlier?

Karen Jennings: We know that there is something like £82 billion worth of contracts that have gone out to the private sector, so it is considerable and it is growing. Clearly, there is momentum towards greater use of the private sector in the NHS, with any qualified provider and the commissioning process. The concern for UNISON is what is happening

to quality at a time when there are also the austerity measures taking place. We do not see austerity as a panacea to the market and reform.

Q55 Robert Halfon: The Social Value Act was primarily meant to be about social value to look at charities and voluntary groups to offer a social benefit. Do you think that has happened in any way?

Karen Jennings: UNISON has about 1.3 million members, and 60,000 of those are working in the community, voluntary and charity sector. What we are quite clearly seeing, and we have given evidence to you on, is that charities are under severe strain—that their delivery of services is now at breaking point. They are being gagged because of fear of losing contracts, and service delivery itself is declining. We see the current developments as contrary to the Social Value Act.

Q56 Robert Halfon: Sir Merrick, has this Act been worth the candle? Is it making a difference?

Sir Merrick Cockell: It is clearly showing a move in the right direction, but what you cannot underestimate—no one can underestimate—is just how the austerity that we are going through has become the focus of frankly everything that we do in local government. For even the most innovative councils—as a former leader for many years, Kensington & Chelsea and Tri-borough are probably some of the most innovative councils along with others that one can quote around the country—innovation will probably account for half of what they have to save. The Leader of Westminster told me a few days ago that, with all that, she still has to find another £100 million in a couple of years' time and she does not know where that is going to come from. When you have that as your prime focus, frankly day to day, it is very difficult perhaps to take greater risk or to be able to look to the voluntary sector in innovative risk-taking ways.

Q57 Robert Halfon: The previous speaker, I think it was from Reform, said that when you have to make cuts, it does make you think differently, because needs must.

Sir Merrick Cockell: It does make you think differently, but some of this takes a lot of time. It takes time to get the savings out. Looking to a multiple range of providers to do that, when quite often a single provider, one of those large private-sector companies, could take it out of your hands and guarantee those savings, does not encourage you to look to a multiplicity of providers. Having said that, we do spend collectively in local government, and this is with the National Council for Voluntary Organisations, about £6.6 billion with the voluntary sector broadly, so there is a lot of money being spent there and a lot of work being done, at literally community levels, to make it easier, but the system does not actually help.

John Tizard: If I could add to that, Merrick is absolutely right; the preoccupation of every local authority leader and chief executive I know is how to make cuts now and over the next two years. Innovation and doing things differently takes time and money, as well as risk. There is a real focus. We are seeing in some places almost a return to some of the worst aspects of compulsory competitive tendering, of using the market to drive down

price in the short term, irrespective of quality and impact, because it is seen as the quick way.

In terms of the voluntary and community sector and the wider social sector, as one of the previous witnesses said in the earlier session, there is a huge gap between policy and rhetoric and procurement practice. If we want to see a greater role for the voluntary community sector, whether it is in national schemes or local schemes, there has to be real political leadership that makes it absolutely clear that the process must lead to that outcome.

Q58 Robert Halfon: In my experience of procurement, in terms of local communities, whether it is the county council or local council, the contracts tend to go to huge massive charities or massive private-sector organisations that then subcontract them out to the smaller organisations, so it does not seem to me to really add any social value.

John Tizard: I think that is what I was saying, in a sense, Mr Halfon. It is that gap between the policy objective stated and then, when the procurement process starts, you get somewhere else.

Q59 Robert Halfon: How do you get to the right position?

John Tizard: Again, it is a cliché, but it needs leadership and you need a very firm policy. I would suggest that in the local authorities that are doing their best, and I am sure Sir Merrick would agree with me, the political leaders are very clear about what they want. They are engaging the community and voluntary sector before they go out to commission or procure, so they understand what is possible and what is available and make much more collaborative arrangements.

I think the Social Value Act has enormous potential, just to pick up on your earlier question, but not in terms of an act for compliance. It has very few teeth. It can be used to change behaviour, thinking and attitude. It gives those who want to take some risks with the voluntary and community sector some comfort in doing that. It seems to me that, in a sense, those authorities and public bodies that are using the Act effectively were probably already being very close to what the Act was about. For those that were not, it has not necessarily moved them to change their behaviours.

Q60 Robert Halfon: Can I just ask the regulator how you would make the citizen more engaged and make the regulators more responsive to the consumer and to the citizen?

Clive Maxwell: To make the regulators more responsive, firstly you can introduce competition at two levels in the market. You can either have competition for that market, which is typically done through the tendering-type process, where the state in some sense procures that service and chooses between different providers; or you can have competition in that market, where the user, the citizen, the consumer, is in a sense making the choices there. If you are going to go down that second route, the best outcome is one where you empower that citizen or consumer to make the choices and that those choices themselves are driving the improvements in that market in the future. If that is not working well, then you bring in regulation, control and other mechanisms like that, and then you clearly need to make sure that the regulator is influenced by those concerns of consumers.

To make that better, you need to make sure that regulators are consulting with consumers. The discussion earlier identified the fact that it is very difficult to have that sort of interaction in lots of cases, in particular with certain groups of vulnerable consumers. We as an organisation, and I know other regulators do, will therefore tend to use representative organisations like Which? For example, we carried out work looking at the mobility scooter market. We talked to organisations representing elderly and disabled people, because they had a particular perspective on it. They are the sorts of steps you need to take.

Q61 Robert Halfon: As you know, we battled on the petrol issue—very courteously, I should add. If you are a member of the public who is one of the many hundreds of thousands who have signed petitions or whatever it may be and believes there should be a full inquiry, not semi-inquiry, into the price of petrol and diesel—let us not get into the issue itself, because I understand the decision you made—that member of the public feels that they have no power. These very important decisions are made by a few people like you on something that affects millions of people in this country—to look at the competitiveness of the petrol and oil sector. Do you not agree that is a problem and needs to be looked at? The consumer needs to have more say over perhaps some of the decisions that you would make or other regulators would make.

Clive Maxwell: Regulators generally need to have credibility and legitimacy with the public. That involves and includes being seen to respond to public concerns and have an answer to them. I would perhaps divide it into two areas. The first role of many regulators is around enforcing the law. When you look at all sorts of law enforcement agencies, whether it is the police or regulators, a core bit of their decision-making process has to be the evidence, and their legitimacy comes from running well-run enforcement investigations, which use the evidence and bring the right people to book. They need to be able to look at that evidence and make decisions themselves, I believe.

In terms of other sorts of work regulators do, that can involve having broader views about how markets are working. It can involve having a view about designing the rules themselves for how a market operates. I think it is important that regulators are out there talking to the public in the ways that they can to see what the priorities should be.

Q62 Robert Halfon: Would you give citizens any direct engagement into the role of regulators and, if so, how?

Clive Maxwell: If I look across the regulatory community, there are some ways you can do that. You can, of course, consult. I have to say I think you only get a very partial set of views through consultations very often. For example, the OFT consults on its annual plan each year. Most of the responses we get come from trade organisations and the like. You could also consult on very individual bits of work you can do and you can do consumer surveys, for example, so that when you are proposing a set of new rules in a particular market, you can talk to people who use that market and you can go off and get very detailed answers from them. That can be very useful. As I say, you can find representative organisations, which I have found often to be the most effective way of getting some views on the difficulties.

Q63 Robert Halfon: Do you think there could be an appeal mechanism, whereby, if a group of citizens felt that the OFT or whatever it may be had not done what they thought it should do, they would have an appeal system?

Clive Maxwell: In terms of the enforcement work, I do not think that will work. If a regulator is taking enforcement action, which is a prosecution or akin to a prosecution, they have to be driven by the evidence, like a police force would be. Consulting on that is not the right thing to do. We in the OFT do have a mechanism already that gives those powers to representative bodies. For example, Which? can make super-complaints to the OFT and we have to respond to those. They are done fairly sparingly, but we do respond to those. That is the sort of recommendation that would achieve what you are interested in.

Chair: Moving on, in passing may I just thank the OFT for taking up our recommendation that you should conduct an inquiry into what some have described as the cartel of IT systems integrators? It was a recommendation we made some time ago and we are grateful that you have taken that up.

Q64 Alun Cairns: Mr Tizard, can I come back to a comment that you made earlier about financial constraints on authorities limiting the opportunity for innovation? Can I suggest to you that financial constraints effectively will drive innovation, unless there is of course pioneering leadership? In a time of plenty, the easiest thing to do is to carry on the way we always have. Therefore, I would assume that few organisations have got pioneering leaders—and that is not a criticism—and therefore financial constraint is the driver from the other direction for innovation.

John Tizard: Inevitably, financial constraint and other pressures, demographic pressures in particular, are encouraging and incentivising public bodies, local authorities in particular, to innovate and do things differently. If you are facing 43% budget reduction, as Sir Merrick spoke about, you have very little space or time to consider innovation or major change, if you have not already initiated it. You are getting into a position of making traditional cuts and, in some cases, still salami-slicing, which has never been a strategic or sensible approach, and stopping doing things. The speed and the depth of the cuts have left many public bodies unable to use innovation as a way through. Some are, and those are the ones with pioneering leaders, which actually were anticipating this and had started the process some time ago.

Karen Jennings: May I come in on this one? It is just to say that the evidence is demonstrating that there is truly a race to the bottom in some areas of care, particularly if you look at homecare provision, because of the cuts. Far from innovation, what we are starting to see is a very limited amount of time provided to individuals in their home—15-minute visits. The carer going in is very poorly trained, although may be a longstanding loyal employee. Very often there are breaches of the minimum wage happening. This is happening right across the country. There is no payment for travel between clients.

Some of the innovation that we are starting to see you may be referring to might be in Lancashire, for example, where they are starting to develop what is called an ethical care charter. Rather than having a plethora of providers crossing over one another in terms of providing the care, they are fine-tuning that down to a small number of providers, where

they are acting much more as a team. That is not about increasing the level of competition; that is about reducing it down.

Sir Merrick Cockell: Local government's view is not just simply that the Government cuts a grant and looks at local services to innovate. I have explained the position that we are in now. We are not saying that the end of the world is nigh. We are saying to Government, "The system is bust. We have to change the way that we provide public services." It is as much Government having to innovate, pass power down and take risk, and look to accountability more at a local level, as it is looking to us and saying, "We've cut your grants. Now, let's see evidence that you're innovating." We can give you that evidence, but the change must come throughout.

Alun Cairns: I accept that, but I am making the point that financial constraint is a driver of innovation.

Sir Merrick Cockell: I would agree with you.

Q65 Lindsay Roy: Good morning. The Government says it is committed to devolving power out of Whitehall into communities. To what extent is that really happening?

Sir Merrick Cockell: The Government is committed, through the Localism Bill and other legislation. It is the direction of travel. It is patchy so, in some Departments of State, clearly passing those powers down is happening more effectively and quickly than in others. We think the time has now come for a major shift, and part of that is driven by people, by the data that we have, the polling that we do, the evidence and satisfaction ratings that we see, which are clearly showing a very interesting trend that is not uniform throughout all the services we provide. It is showing that, in the last five years, people are broadly as happy or even happier with the local public services that they receive. Whatever the political party is or whatever the Government is, that is saying—and the evidence asked the question, "Who do you trust to take decisions: the centre or areas close to you?"—they trust the areas closest to them. We think that is the mood, but not only is it the mood of people in the country; we can show clearly that we can save money, provide those services better and make them more accountable, at a local level, than the one-size-fits-all government department model.

Karen Jennings: In health it is a different story. I would suggest that there is quite a bit of interference from government locally. For example, the Torbay Trust, which is a Care Trust, has been in existence for 10 years, working incredibly well as an integrated service. It is looking to merge elsewhere and is being told it cannot; it has to go out to competition. There is a whole range of other examples. For example, Monitor obviously wants to encourage local competition in the market, whereas we know that there are clinical commissioning bodies that have known providers they would like to work with and, yet, this rub exists, because of what central government wants.

John Tizard: I think Sir Merrick is absolutely right. If we are going to have greater localism, and I would certainly support that—all the evidence is you get efficiencies and greater effectiveness—Whitehall across Departments has to have a common agenda and a common approach. That was not the case when the last Labour Government introduced Total Place and it still is not with the current Government's Community Budgets. Both Total Place and Community Budgets demonstrated that, if you have a greater opportunity

to use the total public resource in a locality, you can get much better outcomes; citizens can be more engaged, there can be greater local accountability, and you reduce expenditure for the same level and quality of outcome. We do not have that in place currently. It seems to me that there is a real opportunity to move towards the logical position to which Community Budgets and Total Place would have taken us, which is a much greater level of devolution, both of resources and local democratic control of the use of those resources.

Q66 Lindsay Roy: In summary then, what needs to be done to make this big breakthrough?

Sir Merrick Cockell: I talked to all the political parties, as we look to manifestos in the next general election, and I do not see any of them saying we are going to follow what I have just been saying, which is to let go and to trust people to take a greater risk. Actually, it is to follow what everybody agrees. To the Government, with the Labour Party's support, the integration of adult care and the NHS makes good sense, with £3.8 billion going into it so far. If we have something that we have proved and we know works, let's stop trialling it and let's get on with it. I would say, dealing with the public health argument, make Health and Wellbeing Boards at the local area truly accountable. Make sure that they fully represent the whole of the health economy in those areas, and then give them far more decision-making power over the integrated health and care budgets.

Clive Maxwell: This is probably a slightly broader answer than you are after, but I want to talk about the four things we see as being necessary to open up markets and make choice and competition more effective. The first is about getting the market design right. The second is about tackling barriers to entry, to expansion and to exit of existing providers. The third problem in some markets is concentration and the fourth is making sure there is adequate information there for the people who are making the choices and the decisions about those markets.

Q67 Lindsay Roy: To what extent are you impeded by the silo mentality in central government and local government?

Sir Merrick Cockell: We are, and our report *Rewiring public services* tells you all about it. Where silos have been broken down and are beginning to be seriously broken down, like health and adult care, again you can see the evidence of how it works. We could point to Jobcentre Plus work and others where, when you begin to break it down, the opportunities are there and you get much better outcomes.

Q68 Lindsay Roy: Sir Merrick, you have called for a new framework. Can you tell us a bit about what kind of framework and how it would work more effectively? That is the LGA.

Sir Merrick Cockell: It is around passing power from the centre—that accountability from the centre to local communities. It is not a sort of power grab by local government. We are saying, which goes back to the earlier discussion, that you should take decision-making as close to people, individuals and communities as you can. It is not that the power should come from the centre and be held by local authorities. We know that we

have to move it down as close to people as possible. Even though there are problems with new technologies, I think we may be moving so that people will be able to access some services in a way that suits their lives, rather than a way that suits bureaucracies.

Lindsay Roy: Any other comments on that?

John Tizard: I think that is absolutely right. I think it was the previous Local Government Minister who talked about government devolution, and it is devolution from Whitehall to town hall, town hall to communities. It is doing the right activity at the right level, but there is a real pressure, again going back to financial pressures of course, to look for economies of scale, which can, if you do not get it right, be in conflict with decentralisation and empowering communities.

Q69 Chair: Can I just ask one question? Do we think in England we have anything to learn from the devolution settlements in Wales, Scotland and Northern Ireland?

Sir Merrick Cockell: Absolutely, we do. It is what we have described, in a rather grand way, as the English question. Certainly, it is our English question. That is, how come what is seemingly perfectly acceptable in Scotland and is now being offered to Wales—the Prime Minister’s speech in Wales very recently—is not really happening in England?

Q70 Chair: What is the answer to the English question?

Sir Merrick Cockell: In our view, we have picked up no real serious support for an English parliament. We think it is trusting local communities—not every council or every small area. It would build on some of the arrangements that are already there.

Q71 Chair: That does not deal with the legislative imbalance that the United Kingdom Parliament spends most of its time discussing English things.

Sir Merrick Cockell: It is not quite my pay grade, but I do not think it does. There is an important element of accountability in this. I do not know whether you are going to question us on it, but the organisation the Centre for Public Scrutiny is promoting the idea—one that I personally am very interested in—that there could be an area public accounts committee, with details to be filled in as to who would lead that and what independents would be on it. That sort of scrutiny at an area level, of all public services—that sort of forensic following of the money at area level, be it a city, a county or whatever—could help to ensure that true accountability and that democratic accountability for public money.

Clive Maxwell: I am not going to answer the English question, but one interesting issue that comes up from having different approaches in England, Scotland, Wales and, in some cases, Northern Ireland is actually seeing that diversity of different ways of trying to tackle common problems. Certainly, if you believe in choice and in innovation taking place, having those different things going on is itself a potential source of ideas. The question then is if you can find ways of delegating responsibility within those areas and, in particular, England to make sure again that there are different approaches being taken in different places and you can get lessons learnt for the other countries, if that is acceptable to the Committee.

Karen Jennings: I do think Scotland has demonstrated inclusivity, a civil society, the trade union movement and considerable partnership in policy development within each of the public sectors and, I would suggest, in health in particular. Also, we need to think a bit more about hurtling towards policy development in this area when we know that there is evidence around failure around commissioning and procurement—huge lessons to be learned. What are we going to do about that now? If you look at what is happening in relation to police and justice, and the probation service, we are moving at a rapid pace towards outsourcing elements of that, and yet we do not have our procurement processes refined enough to be successful.

John Tizard: I am not going to answer the English question. I do think we have an opportunity to learn and share across the four nations of the United Kingdom, and I do not think we do that sufficiently. I would suggest there is an issue of scale too, in Scotland, Wales and Northern Ireland even more so, where, in a sense, there is so much closeness, England being so much bigger. That has some impact too on the relationship between local, national and central.

Just to pick up Karen's point, it is really important that we do not conflate or confuse public service reform with marketisation. The role of a market may be a means to public service reform in some cases, but it is not the same as public service reform. There is a huge amount of reform that goes on within the public sector and across the voluntary sector, and I think we should recognise that.

Q72 Lindsay Roy: Let us get this into perspective. The devolved government in Scotland is highly centralised. I do not know if you are aware of that. I want to ask one final question: why do you think there has been very little publicity about the success of the Government's Big Society project?

Chair: Any volunteers?

John Tizard: I think it is very difficult to judge something that was not properly defined, so what are we judging it against?

Chair: Sir Merrick, I like the short answers.

Sir Merrick Cockell: The thing is how you define Big Society. When it was announced, a lot of us looked and thought, "Hold on a minute; in my council, when we let our tenants have control of housing and run the company, that sounded like Big Society to me." It may just be that the term has dropped out of use and Government does not use it very much, but actually it is something that is quite familiar territory to a lot of us.

Lindsay Roy: It was already there.

Q73 Paul Flynn: Sir Merrick, what remedies are in place for the day when a local authority cannot perform its statutory functions and goes bust?

Sir Merrick Cockell: Part of it is knowing early on where there are problems, and I referred to that earlier—the fact that we do a very detailed financial analysis with our members who are, bar two local authorities, every single major council in the country. Part of it is an alarm system, so that we know where there are problems and what we can

do to help collectively to alleviate those. We work closely with Government; they are aware of councils that are in difficulty.

In the past when Government would intervene in councils—I could quote Doncaster for instance—it would take Government intervention as the solution. Frankly, the evidence, and I do not think that anybody would disagree with it, was that has not worked. Another council that got itself into major difficulty was the Wirral. Actually, by the sector working very closely with Wirral Council, positively, it was a two-year process from identifying the problem to sign-off of Wirral, which is absolutely through that process. As I said, we work very closely with the Government Departments on being aware of those problems and we are talking to them about steps, work that may be done and some of the problems in district councils. Somerset, for instance, recently has been part of that ongoing work with DCLG.

Q74 Paul Flynn: As citizens are 10 times more likely to be impoverished by someone in a smart suit selling a financial product than they are likely to be robbed by a burglar or a mugger—endowment mortgages, private pensions mis-selling, mortgage mis-selling, PPIs, annuity swap deals, and it goes on—do you think that people feel more alienated from power over these major financial transactions than they ever were? Has any progress been made to give people any sense of empowerment on the financial market?

Chair: I am being advised this is a little off the point, but if somebody will give a brief answer to Mr Flynn, I would be very grateful.

Paul Flynn: If you lose most of your family fortune, as people did in that swap deal, it is rather more important than which refrigerator you buy.

Chair: Unfortunately our inquiry is about citizens and public services.

Paul Flynn: Equally, it is about public empowerment. I will correct you, Chairman.

Clive Maxwell: I will give you a quick answer to it, which is to acknowledge that levels of trust in financial services providers are very low and have fallen. The financial crisis was an important part of that, so has been the misbehaviour of a number of financial firms in the way that you describe. I see it primarily as the responsibility of those businesses to change their behaviours to restore public trust, but it is also the responsibility of the regulators involved to make sure that they are tackling those problems within those businesses and to make sure that the system of regulation is adequate to restore trust.

Q75 Paul Flynn: Are we in a brave new world of new regulation from where we were in the 1980s?

Clive Maxwell: I think financial regulation is changing since the financial crisis, yes. Has it changed far enough? I think we will have to wait and see.

Q76 Paul Flynn: What role do you think citizens should have in the design of services? Is it a utopian ideal, hopelessly impractical, or can it happen?

Karen Jennings: Yes, I think it can happen, and it does happen and has happened. Very often, if you look at the shaping of maternity services and hospices, there is a whole range of community developments that demonstrate that providers have listened and shaped their services to the needs of the vulnerable and so on. I am afraid I have to go back to the argument that I have been making all along: that gets lost when small providers are seen

as, to use the term, bidding candy for much larger providers, which can provide services across the piece. For example, we have in local communities cleaners who work in a hospital in the morning and clean schools in the afternoon, under the same employer. I am not sure that is a particularly healthy thing to be done, but that is what these big providers can offer, and they can outbid much smaller providers in relation to providing those services.

Q77 Paul Flynn: You have given some helpful examples but, as usual in politics, between the dream and the reality falls the shadow. We have these promises, and this sumptuous Big Society does not seem to be happening as promised. Could you give us some other examples of successes? You have quoted a number.

Karen Jennings: Other than maternity and beginning-of-life and end-of-life care, you mean? There are all sorts of examples that happen in hospitals, where there are surveys of users of services that end up shaping those services, but the context at the moment is just very difficult, because staff themselves are feeling concerned about their own futures and about the direction of travel for the employer that they are working for. As I have mentioned earlier, in the community and voluntary sector, there is a real crisis emerging as a result of the mechanisms by which providers have to bid.

Q78 Paul Flynn: We seem to be doomed to live in perpetual hope and eternal disappointment. Is the Big Society healthy? Is it in a deep coma or is it stone dead?

John Tizard: There always has been a strong civil society. I do not see any evidence that civil society is diminishing, and there are very strong voluntary organisations, large, small and community organisations, with people volunteering to support, supported by local authorities and others. It seems to me that there is a strong civil society. I think we need to strengthen it and it needs to have a greater role.

In terms of the role of citizens in public services, as Karen said, if the procurement process and the financial constraints are squeezing out many voluntary organisations, which are very responsive, maybe member-led or user-led, that is going to diminish that role. There is also the opportunity, whether the services are delivered by the public sector, business sector or third sector, for the relationship between the staff at the front line and service users. That is often where you get bespoke personalisation. Every school has a personalised approach to teaching pupils and students. The same occurs in good social care. The same occurs in the National Health Service. It seems to me that is a very good engagement where staff can respond and actually co-produce a solution with their service user. That needs to be encouraged and staff need to be empowered. If you are delivering home care in 15-minute slots, that becomes very difficult to achieve, I would suggest.

The other is, again, we talk a lot about the citizen as if citizens were consumers of public services. We should also bear in mind, Mr Flynn, Chair, that of course public services also have a wider community benefit. Sometimes the service users are the wider community, rather than individual service users.

Karen Jennings: Potentially strengthening the benchmark around procurement may assist in enabling local communities, staff and providers to come together to have a discussion about shaping that service. For example, we need to strengthen the audit and the scrutiny function. We need to scope out all of those challenges around procurement decisions, and

we need to strengthen the accountability and ensure best value around services. Then, we also need to build in sharing and learning the lessons of failure. From there, you can then start to consider a whole range of other elements, such as whether it is so awful to have an in-house bid. You can look at ways, through procurement, to maximise the involvement of users and workers, in terms of shaping that service. We have to use better the mechanisms that exist and to benchmark them and set them out.

John Tizard: I want to make two very practical points, just to add very quickly, Chair, to what Karen has said. One is users and their representatives can be involved in procurement processes and ought to be involved at all stages. Secondly, if you are going to have an outsourced contract, there is no reason why some of the provider's reward should not be contingent on user satisfaction and user feedback.

Q79 Paul Flynn: Possibly the most impressive example of people working mutually for a benefit to a community has been the trade union movement. Do you find that your value is appreciated by this Government and used to its full extent?

Karen Jennings: Certainly we were very successful in our negotiations around changes to pensions. We worked very collaboratively with the wider trade union movement, TUC and in negotiating with the Cabinet Office on that. May I just say that UNISON, as I have said, has got 1.3 million members? 1 million of them are women; 160,000 of them are retired members; all of them are working right across the community. We are unique in that we represent every element of the public service. I say public service rather than public sector, because public service is now in the community and voluntary sector and in the private sector, and there is an unfortunate definition that continues between the public sector and the private sector. We span every single occupation, other than doctors and dentists.

Q80 Chair: Sir Merrick, do you share the view that the unions are part of this network of involvement?

Paul Flynn: A successful Big Society.

Sir Merrick Cockell: I am not going to get drawn but, as far as local government is concerned, we work effectively at my level with trade union leadership, particularly around pensions and areas of mutual interest, in a perfectly sensible way. We negotiate on opposite sides very often, as we are the employers in union negotiations.

John Tizard: I would just say that the trade unions are a key element of civil society.

Q81 Mr Turner: Mr Maxwell, what do you see as the three main priorities of OFT's public service work?

Clive Maxwell: We are there, firstly, to take enforcement action where organisations are not complying with consumer or competition law. We have done very little of that in the public service area to date, but there are some examples I can talk you through if you would like. The second area is analysing and assessing markets, and understanding how they work and, as a result of that, providing recommendations, in particular to Government in the case of public service markets, because it is often Government that has the controlling hand over the way that they operate. The third area I would mention is around looking at merger cases in the public service arena. Again, we have had relatively

limited involvement in that to date, but we have some examples again. Those are the three examples I would talk about.

Q82 Mr Turner: Thank you very much. What is your response? You have told me your response. Your response is to say it is too small; we cannot really sort out something like the ferries crossing the Solent, because legislation would be required, and legislation is very difficult to get into the queue. How do you solve that problem for people living on the Isle of Wight?

Clive Maxwell: If I could generalise slightly, if I may, very often when we look at markets, firstly, we find examples of where businesses are breaking the law. If we think it is serious enough and suchlike, we can take action if the evidence stacks up. In other cases, we find markets are dysfunctional often because of the way that that market has been designed, if it is a public service market, or because you have got to a position where businesses are no longer really competing with each other. They have reached not necessarily an unlawful sort of agreement but have just fallen into a set of behaviours that rather suits them and means they are not competing with each other in practice.

In those sorts of circumstances, if it is about market design, you can make recommendations, as I say, to Government or to other organisations that are involved, somehow, in the way that market works. In some highly regulated sectors like financial services, we as an organisation can make recommendations to the specific sectoral regulator to change its rules to heighten competition and the tension there. If it is about concentration in other ways, there may be opportunities to look at, in the most extreme cases, like the British Airports Authority, breaking up existing businesses to increase competition. There are certainly some markets where there may only actually be space in the market for one provider. In those sorts of markets, it is difficult to know what to do.

In certain circumstances, you can look at ways of regulating prices, for example, in some monopoly situations, but they are difficult ones to solve. That is why we, very often, if we are thinking about public services, would like to get involved early in helping to assist the market design phase, because that can avoid those circumstances arising.

Mr Turner: Right, so we will see whether it is a public service if conducted by the private sector in the Isle of Wight.

Clive Maxwell: As we heard the previous panel say, there is a spectrum of definitions of what a public service is, but certainly many public services are provided by private businesses.

Q83 Mr Turner: More generally, how effective has competition been in improving public services?

Sir Merrick Cockell: If you look back to competitive tendering a very long time ago and all the various changes over the years, I think it has been a very positive effect on public services, because it has introduced that element of challenge. Whether in the end one has gone down the road of what might have been called in the past privatisation, commercialisation, bringing in commercial partners or joint ventures increasingly, nowadays the challenge is from not only the commercial sector but voluntary sectors and others to established practices, comfortable ways of doing things—things that you might

be able to put a social value on and see that as actually being more important than the financial value, when really it should be a true balance, because this is public money and, when there is less of it, we certainly have to get the best value for it.

As the relationships have changed from what we were talking about earlier, those large conglomerates that have taken on public services and still do—there is lots of stuff in the papers about some of them at the moment—certainly at local government level, there is the move away from giving those sorts of all-encompassing contracts, very constrained by the legal documentation, to a far more ongoing relationship, often increasingly a joint venture relationship so that the public authority does not let go and still keeps a direct involvement and investment in it. It is the logical extension of many years of experience of how working with other providers and getting the challenge from other providers has improved, not only through working with them but, actually, when we have not worked with them and just when the public sector has continued to provide those services, it has done it much better. That forensic examination by the private sector has opened up the opportunities that are there.

Q84 Mr Turner: Very quickly from each of the three of you, perhaps the four of you, you are taking about having local arrangements rather than something like national, but how much of that localism is done with national companies rather than local companies? Could you each say very quickly?

John Tizard: Before I answer that, can I just pick up your earlier question? The evidence of the use of competition is very mixed. It is mixed across different services and in different sectors from the public sector. In a sense, it is quite difficult to generalise in the answer. We have seen over the last few years that, in moving competition into more complex services, where a whole range of agencies or organisations need to be part of the solution, it becomes much more difficult—or where the outcomes are much more difficult to define. For some transactional activities, it may apply much more effectively than it does for some of the more complex areas.

Merrick is absolutely right: there is a move in many authorities, but not all of them, away from these mega-contracts, wanting to have a more collaborative arrangement with the local voluntary community sector, maybe with local SMEs. One of the reasons you would not go for traditional outsourcing in the current state of mind is it takes time and is costly to do. If you have an inflexible contract in a period of uncertainty, that is not very clever. It seems to me, in a sense, that model is probably more historic than it is for the future. In terms of local, the NAO report that the Public Accounts Committee considered just before Christmas demonstrated that, in some markets, there has been a real concentration with a small number of conglomerate large firms that Sir Merrick referred to. Again, if the policy is to have greater competition and a greater role for both business and voluntary sector organisations, there needs to be a very firm leadership role and procurement role that actually opens up the systems to a much more diverse set of players.

Q85 Chair: Can I press Clive Maxwell on that point? It is presumably way beyond your remit to provide for that degree of competition in the provision of public services.

Clive Maxwell: At the very local level, we certainly do not provide it ourselves, but we do get interested in it.

Q86 Chair: How can we promote that kind of competition?

Clive Maxwell: Let me give an example. You referred to our work on public sector ICT, which we are currently doing a market study on.

Chair: That is very much at a global level, not the micro level.

Clive Maxwell: Yes and no. If you look at the way in which ICT is purchased by local authorities in certain cases, such as buying systems for housing benefit or running Council Tax revenue systems, you will find that there are a couple of hundred different purchasers for those systems. It is quite interesting when you look at those sorts of markets; I will not use the word “dominated”, but a high proportion of those sales are by a very small number of businesses. It is interesting to ask the question why that is happening and why you do not get those sorts of changes. I used the ICT market because that is one I happen to know more about at the moment, but I suspect there may well be other services like that as well.

Karen Jennings: In response to Andrew’s question, if I may, Chair, I think you are right. We see more and more national firms winning local contracts, and we see that in all sorts of ways, whether it is through NHS ambulance transport services.

Q87 Chair: How do we address that?

Karen Jennings: We go back to the issue of standards and benchmarks in procurement and also potentially adopting the European directive on procurement, around looking at social and environmental factors, ensuring that they have good practices in terms of employment, their history and so on.

Q88 Chair: The more regulation you provide, the more it is going to squeeze competition out of the market. Do you not accept that?

Karen Jennings: We have to look at standards. At the moment, in the absence of that, we have a race to the bottom. You just have to look at some of the most vulnerable people who are being cared for in society.

Q89 Chair: In childcare for example, there is a very strong body of opinion that we are now so over-regulated we have the highest-cost childcare available to consumers in the European Union. That degree of regulation is actually a race to nowhere.

Sir Merrick Cockell: And we have one of the safest systems of child protection in the world.

Chair: It is a balance to be struck, is it not?

Sir Merrick Cockell: Can I just follow your question about competition and being able to do business locally with more providers? The instinct of local government is to do things locally if they can. It obviously would be the case, because it would generate local jobs and economic growth, and even a sliver of business rates and all those sorts of things.

Q90 Chair: How do you prevent your local contracts being taken over by large national providers?

Sir Merrick Cockell: That is exactly the split that we have between an instinct and then the experience. For instance, if you look at audit, which has been controlled by the Audit Commission, that is all now provided by the private sector, but, by a single contract broken down into a regional differences, a uniform 40% cut was found in the audit bill for local government and many hundreds of millions of pounds from that. There you have the impact of working collectively.

Now, you have talked about ICT and the regulator has talked about ICT as being a few providing services to hundreds of authorities. It is not alone in ICT; you could look at care—adult care and care for the vulnerable. There are one or two providers that might well have a relationship with the majority of local authorities, but each one is negotiating a different price. That is actually an area that the Local Government Association is now literally at the final stages of looking at, and whether we, representing the sector, should be having a far more overt presence to see whether, by working on behalf of and with the sector, we can drive down prices.

Q91 Chair: This all sounds rather academic. What would you say to a group of people who want to provide social services care in their own group of streets, in their own neighbourhood? How would they be involved in providing local services to their local community?

Sir Merrick Cockell: They need to talk to their local council. If they go on the website, they will find almost every council has how SMEs can provide services.

Chair: They have to go through a rather complicated bidding process with pre-contractual qualifications.

Sir Merrick Cockell: Absolutely, which is not designed to help them.

Q92 Chair: How many pages of documents would they need to read to provide social services?

Sir Merrick Cockell: It depends. If it was a formal contract, there would be a lot of processes to go through, no doubt.

Q93 Chair: This is anti-competitive. This is very anti-competitive, is it not?

Sir Merrick Cockell: Certainly, it does not make it easy for small businesses or small groups.

Q94 Chair: What do we need to do about it?

Sir Merrick Cockell: We need to look at minimum levels. Local authorities need to look at risk.

Q95 Chair: Is this something that could be better devolved to local authorities rather than regulated from Whitehall?

Sir Merrick Cockell: If it was not just the responsibility devolved but actually the flexibilities, but in care you have picked a particularly difficult area.

Q96 Chair: What recommendations should we make in our report?

Sir Merrick Cockell: It depends. If you are talking about all services, then I would say that you should certainly make it easier for local authorities to be able to take, in a sense, greater risk, balanced risk, and to be able to look for much simpler tendering processes and much simpler documentation.

Chair: With a shortage of time, maybe you could write with a considered view in answer to that question.

Sir Merrick Cockell: I will, certainly. At the moment, it is involved in care. There is a crucial element in this, which is different from ICT.

Chair: That is why so many people want to be involved and they naturally wish to contribute locally, in their local community.

Karen Jennings: Chair, if I may just also ask the Committee to consider what cost the market is in relation to legal challenges, bringing in lawyers to help you do those contracts and so on.

Q97 Chair: Is that in your evidence?

Karen Jennings: It is, yes.

Clive Maxwell: In a sense, we agree about having simpler contracts, being very clear about what the procuring organisation's objectives are and sticking to those, not changing them over time—larger firms are probably much better able to deal with that sort of risk in the way that they run a contract than a small one—and trying not to put too much weight on past experience and past records of doing business. Again, that can act as a barrier to entry to newer types of firms. It is also about trying to be open-minded about the types of business models that are going to be used to achieve things, because again you will find new entrants are more likely to be innovative than existing ones.

John Tizard: We have said it and the previous panel said it too. It is about aligning procurement with policy. If you have clear policy objectives for a greater role for local SMEs or the local voluntary and community sector, you want certain standards, whether in diversity employment standards or equality; you are building those into your procurement process. I think we are often the victim of the procurement community, which scares us. They are risk-adverse. I think local authorities have been quite creative and imaginative in the way that they apply those.

Q98 Chair: Do you think local authorities could put conditions in their contracts that require providers to recruit local people to provide local social services?

John Tizard: I am not an expert on European procurement law but, in reality, you can, and there are ways of achieving that. Many local authorities are doing that.

Sir Merrick Cockell: It happens in contracts, and indeed contracts can often be involved in how recruitment is done, giving local people priority, and so on and so forth.

Chair: Not just giving local people priority, but allowing the people in the vicinity to look after the people who live in their own vicinity.

Karen Jennings: With respect, that is exactly what happens right now. The local economy is based on local people working for the community and voluntary sector public services.

Chair: You talk to charities that would like to provide that kind of service and they are shut out of the market by the big providers, with people driving miles and miles around the countryside to provide services at great distance.

Karen Jennings: Yes, that is true.

Q99 Chair: How can that be prevented?

John Tizard: A good local charity and a good local authority will be in regular dialogue. There is the right to challenge, which is clearly now a legal right, that the voluntary sector has—to challenge to supply. If there is good dialogue, well before any procurement is considered, that should happen.

Chair: Good procurement practice should deliver this kind of outcome.

John Tizard: It is good commissioning and procurement practice, and good dialogue, and that not being squeezed because commissioning departments are being reduced in size. Again, it takes us full circle back to the financial constraints.

Q100 Chair: Any last thoughts?

Karen Jennings: We need an ethical approach to commissioning as well.

Chair: Any last thoughts? If you have any further thoughts as a result of this, please do send them in in writing and we will publish them as evidence. I am most grateful to you for being with us today. It has been a long session but very worthwhile.

