

The UK "Open Public Services" White Paper: An analysis and lessons for New Zealand

Date:	19 July 2011	Report No:	T2011/1584
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Action Sought

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Prime Minister (Hon John Key)	Note the lessons for New Zealand from the UK's Public Service White Paper	5pm, Monday 01 August 2011
Minister of Finance (Hon Bill English)	Note the lessons for New Zealand from the UK's Public Service White Paper	5pm, Monday 01 August 2011
Associate Minister of Finance (Hon Simon Power)	Note the lessons for New Zealand from the UK's Public Service White Paper	5pm, Monday 01 August 2011
Minister of State Services (Hon Tony Ryall)	Note the lessons for New Zealand from the UK's Public Service White Paper	5pm, Monday 01 August 2011
Associate Minister of Finance (Hon Steven Joyce)	Note the lessons for New Zealand from the UK's Public Service White Paper	5pm, Monday 01 August 2011

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Cheryl Barnes	Manager, State Sector Strategy & Reform Secretariat	<i>Withheld under section 9(2)(a) of the Official Information Act</i>	✓
Andrew Kibblewhite	Deputy Chief Executive, the Treasury		

Minister of Finance's Office Actions (if required)

None

Enclosures: Yes (attached)

The UK "Open Public Services" White Paper: An analysis and lessons for New Zealand

Summary of the White Paper

1. This report provides an outline and analysis of the British government's "Open Public Services White Paper" outlining the intended direction for the public service. It is for your information only.
2. The foreword to the Open Public Services White Paper from the Prime Minister and Deputy Prime Minister, and the subsequent paper, firmly position the proposed changes as an equity issue. The core argument for reform is that the quality of public services varies significantly across the country, and those who are most at need of good public services are the least likely to receive them. We have provided you with some of the key quotes from the foreword to give you the flavour.

Key quotes from the foreword:

"There is an overwhelming imperative – an urgent moral purpose – which drives our desire to reform public services. We want to make opportunity more equal."

"We are also reforming our public services. Because it is only by tackling the unfairness's and inefficiencies which still exist in the public sector that we can play fair by all."

"The better our public services, the more we are helping those most in need. That is why those who resist reform, put the producer interest before the citizens' needs, and object to publishing information about how services perform are conspiring to keep our society less free, less fair and less united."

3. The paper sets the goals of the reforms as enabling:
 - **Individuals** to have more choice, particularly in areas such as education, health and housing which they care about.
 - **Communities** (parish, town or neighbourhood) to have control over things that matter to their locality (recreation services, parking, licensing).
 - **Local government** to have greater freedom to reprioritise central funding to meet needs.
 - **Public servants** to have greater discretion and opportunities to innovate.
 - **Independent providers** from any sector (including the private sector) to have the opportunity to compete for the delivery of public services.

4. To achieve these goals, the Government has developed five key principles for change – and for each of these provided some indication of what changes will be sought both in general terms and by providing some examples that either are already happening or which they intend to consult on. (Appendix 1 summarises these examples. We can provide you with some more information if you are interested in any of them, though in some cases the information is limited.) The five principles are:

- **Choice** – Wherever possible enable choice with funding following the choices made.
- **Decentralisation** – Power should be decentralised to the lowest appropriate level.
- **Diversity** – Public services should be open to a range of providers.
- **Fairness** – Funding should enable fair access to public services by recognising that some people require greater funding to achieve equality. Many of their new programmes seem to be equivalent to our existing programmes (for example the pupil premium is similar to our decile funding though calculated at an individual level, school admission codes to our rules around zoning, rural access funding to the rural broadband initiative, and the health premium similar to our health deprivation funding).
- **Accountability** – Public services should be accountable to users and taxpayers. There are three interdependent streams in this area.
 - Increasing the availability and usability of information so that consumers can make informed choices and taxpayers can assess value for money. The main initiatives are opening data on school performance, health outcomes (including safety, effectiveness and patient experience)
 - Encouraging a greater role for independent “champions” for the consumer such as the equivalent to our Consumers’ Magazine *Which?* and the independent charity monitoring health performance called *HealthWatch*
 - Increasing the role of Accounting Officers who in the UK system generally have personal responsibility to parliament for expenditure. (In government departments they are mainly the Permanent Secretaries)

5. The principles for introducing choice, decentralisation and diversity of service providers have been further developed depending on whether the particular service is targeted at an individual, neighbourhood or all-of-nation service. They also provided principles for the ongoing role of the public servant and the use of alternative providers. These principles and the ongoing role for central government are:

- a. **For individual services** (like schooling, housing, aged care) the government has said that the current systems should be restructured so that:
- funding follows the individual’s choices
 - the funding regime ensures fair access including through targeting of funding, selection criteria, and funding premiums
 - the government provides a robust framework for the choices on offer and ensures that the choice is informed through the provision of adequate information

The government's ongoing role will be to have a role in setting and enforcing minimum quality standards and to ensure adequate safeguards are in place against any inappropriate "top-ups"

- b. **For neighbourhood services** (like planning, policing and social services) the government will give local people the chance to take over and run services themselves.
- They will consult on new rights for neighbourhood bodies and local councils including the community right to buy public and private land of community value, to take over or build community facilities, and to have public involvement in key planning, police and social service meetings.

The government's ongoing role will be to establish a national framework for local schemes and move towards Community Budgets that enable those at local levels to determine how central government funding is spent.

- c. **For national services** (they called these Commissioned services) they propose:
- The default would change from the government provides the service itself to where the state commissions the service from others
 - The government would encourage a purchaser/provider split as a means of encouraging innovation and diversity of provision
 - They will introduce "open commissioning" in specific areas where those doing the commissioning could be challenged on the future state of the service and propose new ways of doing it

The government's ongoing role will be to ensure better commissioning through establishing credible accreditation bodies and to provide encouragement to local authorities to go further in commissioning their services.

- d. **For the public service there will be a process of deregulation which will include:**
- Launching a "Red Tape Challenge" and other initiatives designed to reduce the level of red tape both within and outside of the public sector
 - Using a "right to provide" or a "right to challenge" to enable public employees to gain autonomous status through trusts, public corporations, public sector mutuals
- e. **To break down the barriers to alternative providers there will be a process of:**
- Reducing the barriers to using alternative providers and increasing the transparency of costs in the public service to enable both others and the staff have the information on which to exercise the choice to challenge
 - Clarification of the rules that force new providers to take over existing staff on the same terms and conditions
 - Establishing independent bodies where needed to consider complaints from potential alternative suppliers
 - Strengthening the rules to ensure that small and not-for-profit providers are not disadvantaged when dealing with government.

The Government's role will be to ensure that there are adequate continuity regimes to ensure that service failures do not disadvantage the population, but that these continuity regimes also are based on the overarching principles of the new system.

Analysis

6. The White Paper is ambitious in its scope and a significant change from the British policies of recent years which have stressed central target setting and high levels of accountability to these targets. The paper is clearly a strategy document and as such some of the risks embedded in the changes are not highlighted. For instance, at no stage does the government outline its view on the inevitable variation in service levels which will arise with decentralised decision-making (with the resulting risk of "postcode" lottery) nor the risks associated with guaranteeing the new staff mutual's continued operation regardless of performance. However, there is no doubt that if they are successful they would reduce the scope of what the public service produces significantly, even if the changes will not in themselves address the issue of the overall cost of what the government pays for.
7. Compared to our State Sector Reform package, the UK proposed reforms has a greater focus on decentralisation to local levels and contestability and there is almost no focus on amalgamation and gaining the value of co-ordination. We think this is a reflection of the different starting points of the two countries. In particular, compared to New Zealand, Britain:
 - Starts this reform programme with a far more urgent need to reduce its fiscal deficit¹, and so part of the goal of using others is to find ways of reducing funding from central government. On their visit to Britain, the members of the State Sector Reform team were struck by the extent to which the urgency for reducing government expenditure was driving policy choices. By contrast, New Zealand has the opportunity to focus more on improved performance in the longer term.
 - Starts this reform process with a smaller number of government departments² and a decade of using formal targets to drive performance. This government has explicitly moved from this central target setting mode, and while that is in part political, it may also reflect that much of the gains from centralisation have already been achieved. By contrast, New Zealand has a much more fragmented public sector and has focused less in the last decade on achieving cross-agency coordination.
 - Has a longstanding tradition of significant local government production particularly in social welfare meaning that central/local coordination has been a key issue³; This means that the local government already has in place many of the necessary systems to take over central government operations. By contrast, New Zealand has a very small local government

1 The UK's fiscal deficit in 2010 was 10% of their GDP; New Zealand 's was 3.34%.

2 17 departments in Britain compared to 32 in New Zealand according to the OECD criteria

3 28% of all Government expenditure is by local authorities in Britain compared to 12% in New Zealand and their local authorities are involved in key areas such as social housing, welfare, policing and schooling

sector, which historically has had little involvement in social welfare provision, and which (except now in Auckland) is working on a much more micro-scale than in Britain. The opportunities for using local government are, therefore, less.

- Has achieved lower performance compared to other countries in many of their high profile public services such as schools and hospitals.⁴ This means their focus is on implementing policies that could improve performance, such as competition. New Zealand, by contrast, performs well in these areas, and so more of the attention has gone on the lower costs that may be achieved through greater coordination.
 - Finally, New Zealand has had a far more open policy with both information and data than Britain. While there are places where it would be appropriate to go further, one of the lessons from our trip to Britain is that opening up data can be a costly process (both in terms of time and resources), and we think the government could be more deliberate than the British proposals about where it uses this tool.
8. The report does, however, have some very interesting framing around the different types of services provided by the government and a range of specific ideas, (particularly in options for introducing contestability) which the State Sector Reform team will be considering further as part of their work.

Cheryl Barnes
**Manager for State Sector Strategy & Reform Secretariat
For Secretary to the Treasury**

Hon Bill English
Deputy Prime Minister

⁴ Such as their PISA scores and tertiary qualification rates in education, life expectancy in health. In many cases the regional disparities have also been more stark.

Appendix 1 Specific ideas in the Open Public Services White paper

Note: We can provide more information on any of these – though in some cases our information is limited.

Area	Options either being introduced or being considered	Is there already a NZ equivalent?
Introduce funding per unit delivered	<ul style="list-style-type: none"> • Further and higher education; • NHS tariffs for acute activity and expanded further; • Moving to allowing 'any qualified provider' to treat for same tariff; • Per patient funding for palliative care; 	<ul style="list-style-type: none"> • SAC funding • Not equivalent • No • No
Allow for personalised budget held by the recipient	<ul style="list-style-type: none"> • Adult care; • Sufferers of chronic health conditions; • Special education needs and disability; • Social housing Universal Credit (spent in any sector); • National Home Swap scheme; • housing for vulnerable people; 	<ul style="list-style-type: none"> • Some • No • No • Accommodation • Supplement • Unknown • Yes
Funding following demand	<ul style="list-style-type: none"> • School funding; • GPs; 	<ul style="list-style-type: none"> • Yes • Yes
Payment by results	<ul style="list-style-type: none"> • Back-to-work services; • Prisoner rehabilitation services; • Drug and alcohol centres; • Sure start children's centres; 	<ul style="list-style-type: none"> • Some • Unknown • Unknown • No equivalent
Funding for fair access	<ul style="list-style-type: none"> • Pupil premium for those with free meals; • School admission code; • Differential support levels for higher education; • Health premium and performance payment; • GPs premium for deprived patients; 	<ul style="list-style-type: none"> • Decile funding • Zoning regs • Student allowance • Deprivation funding • Yes
Holding to account	<ul style="list-style-type: none"> • Office for Fair Access; • Right to data; • School data; • Health outcomes data for both GPs and hospitals; 	<ul style="list-style-type: none"> • No • No (OIA for some) • No • Health targets for DHBs
Clearer minimum standards	<ul style="list-style-type: none"> • Minimum standards for schools; • Early childhood education and tertiary education; • Minimum health standards for NHS and others; 	<ul style="list-style-type: none"> • National standards • Minimum • No
Democratic accountability	<ul style="list-style-type: none"> • Public meetings; • Consumer champions; • Scrutiny committees; • Departments providing information on per unit costs; • Unit spending data on all central government expenditure; • Open Government licence for data reuse; • Public Data Corporation; • Crime data on a street-level; • Real time transport data; 	<ul style="list-style-type: none"> • No • No • No • Some (BASS) • No • Underway • Not equivalent • Unknown • Unknown

Area	Options either being introduced or being considered	Is there already a NZ equivalent?
Diversity of providers	<ul style="list-style-type: none"> • Contract Finder – to make government contracts more accessible; • Autonomous status for public sector providers; • Right to provide for public sector workers mutuals and cooperatives; • Post Office and Civil Service Pensions mutuals; • Modernising commissioning; • Targets for using SMEs as providers; • Independent back office services; • Free schools; • Using private sector for visa approvals, and possibly combining with other countries; 	<ul style="list-style-type: none"> • Yes • No • No • No • Underway • No • No – BASS benchmarking • No • No
Reducing barriers	<ul style="list-style-type: none"> • Lower vetting and barring of individuals for risk; • New forms of external finance (eg social impact bonds and joint ventures and the Big Society Bank); 	<ul style="list-style-type: none"> • No • No

Note: Where we have no information we have listed this item as “unknown”.