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PUBLIC MANAGEMENT AND POLICY ASSOCIATION

Review

The Newsletter of the Public Management and Policy Association

Investment, Partnership Working and Service Redesign – the Keys to the New Public Service Ethos?

In his speech in Newcastle last month, calling for a new public service ethos, the Prime Minister called for investment and reform across the public sector and these themes are reflected in this issue of *Review*.

We lead with two articles on PPP/PFIs. In the first, Dexter Whitfield of the Centre for Public Services argues that we should resist the call for more blue-skies thinking and, instead, should rigorously evaluate the likely impact of PPP/PFIs on public service provision. Whilst accepting the potential of PPPs/PFIs, properly managed and carefully introduced, to lead to better services he suggests that the long term impact on broader issues of public policy and management should be assessed as a matter of some urgency. In the second article, Tim Russell explores some of the lessons – applicable across the public services - the Higher Education sector has gleaned from its experience of PPP/PFI projects.

In calling for change Tony Blair made it clear that, in his view, it will take more than an injection of cash to bring about fundamental, sustainable change. He talked about the need for services to be redesigned 'around the needs of the consumer, making them fit for the new age of high expectations in which we live'. He went on to say that, '... customers are all different. They have different needs that can't be second-guessed by central government', and to praise a range of local initiatives designed to build services and communities in partnership with users.

This theme is central to the next three articles which focus on local communities, local services and partnership working. Roger Sykes outlines the findings of the Local Government Association's research on local authorities' responses to the community leadership agenda. This is followed by Hilary Russell's piece on Local Strategic Partnerships that considers what makes for a successful partnership, what the implications of this are for partner organizations and what the government can do to facilitate effective partnerships. Finally, in this section, Naomi Eisenstadt explores the lessons from existing Sure Start programmes and what this has to say about partnership working and mainstreaming services.

In 'Lessons from the dot.com world' Dan Harrison and Veera Johnson-Birt propose 'seven ingredients for success' in realizing the enormous potential new technology offers and in implementing e-government. This is a theme we hope to return to in future issues.

Although the phrase 'joined-up' government is perhaps used less than once it was it is, nevertheless, an enduring theme and backcloth to many of the proposed public service reforms. Richard Veryard's article considers some of the prerequisites for successfully joining up services.

Both these articles reflect on the importance of understanding individual customer needs and of echoing these in service design and delivery.

The final article in this issue traces the history of the role of Financial Ombudsman and compares the service with the more traditional route to dispute resolution – the courts.

This issue also gives advance notice of our forthcoming lecture programme, details of our annual conference and feedback from last year's membership survey.

Forthcoming Lectures

Our series of early evening lectures in central London continues with:

Andrew Pinder, e-envoy – 12th February

Wendy Thomson, Head of the Office for Public Services Reform – 9th April

Jay Walder, Managing Director, Finance and Performance, TfL – 7th May

PMPA members receive advance notice and priority booking at all PMPA events.

This year's PMPA Conference, 'Delivery, delivery, delivery – are the right people doing the right things?' will be held in Brighton on 12th June. More details are given on page 16.

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PPPs – Where We Will Be By 2010?

Dexter Whitfield
Director, Centre for Public Services

There is an ominous lack of debate and assessment of the longer-term consequences of the continued expansion of the Private Finance Initiative (PFI) and Public Private Partnerships (PPP).

Why is there such a reluctance to examine the future? In the age of public policy outcomes, why are PPP outcomes focused almost exclusively on individual projects? The issue is not simply about delivery nor the cost of PPPs. PPPs could mean better services, value for money, innovative design and improved management.

However, the longer-term consequences may also include the:

- erosion of democratic accountability linked to a continued lack of transparency and disclosure
- loss of flexibility as a contract culture increasingly dominates public provision
- marginalization of key issues of social justice and equality
- increased charges for users and more constraints on the community's use of facilities
- a two-tier workforce with a consequent negative effect on local and regional economies
- absence of innovation and restriction of modernization
- cost increases as the PPP market matures.

These are not marginal questions but fundamental to the future of the welfare state and public sector policy making.

Implications for public management

The continued growth of PPPs has major consequences for the capacity of the state to exercise its duties and responsibilities. Public sector functions could be reduced to taxation and funding, contract monitoring and reviewing services. This, in turn, could result in a large-scale exodus of senior management and skilled staff to the private sector. A career in private management could become the only show in town causing a spiral of decline in the reputation, ability and skill base of public management.

The longer-term corporate impact of PPPs on the organization of central and local government is another key issue. We do not need more blues skies thinking. Rather, more comprehensive and rigorous impact assessment, monitoring and evaluation of current projects and the cumulative effect of the increasing use of PPPs, is urgently required.

The way projects are assessed must be radically changed; for example, by replacing the Public Sector Comparator with a much more rigorous assessment together with in depth evaluation of completed schemes on a sector and geographic basis at city, regional and national levels.

Evaluation Needs to Take the Long-View

By early 2002 the total cost of PPP projects, either committed or in the planning and procurement stage in health, education, transport, housing, the criminal justice system and defence, is over £150 billion. In addition, there are already over £3 billion of local authority multi-service strategic provider partnerships. Outsourcing under the guise of Best Value is escalating together with Local Education Authority (LEA) support services. Presenting only the capital costs of PPPs, which on average account for less than a quarter of the total cost, conceals the true cost of PFI.

The rate of growth in PFI/PPP is likely to accelerate as it moves from individual projects to service-wide provision. By 2010 the private sector could effectively own and operate the bulk of the public sector infrastructure. This will have far reaching implications for core services, public management, users, staff and trade unions. Opportunities for social enterprise and community provision are likely to be small.

In the last few months, glowing reports from the National Audit Office and Pricewaterhouse Coopers have extolled the virtues of PPPs. Significantly, they have relied almost exclusively on the evidence of PPP project managers, consultants and private companies who have a vested interest in their continued growth.

The purpose of these reports is, in the light of increasing public hostility, to demonstrate that PPPs are working. Yet they studiously avoid the longer-term consequences. The earlier Institute for Public Policy and Research Commission on Public Private Partnerships report[i] suffered the same shortcomings.

Core Services

The justification underpinning current policies is based on claims that the government and public bodies do not need to own public buildings in order to provide services; that buildings can be better serviced by the private sector; that operational support services such as cleaning, catering and transport are more efficiently supplied by facilities management firms; and that the private sector can provide more innovative back office services such as information and communications technology, financial, human resources and property management services at lower cost. Even when these services are provided by private companies, professional staff such as teachers and doctors, except in so-called failing schools and hospitals, are still expected to be public employees. This raises some key questions:

- Can the ownership and operation of buildings be separated from the core services delivered within them?
- Is the private sector only interested in the design, building, financing and operation of public buildings, or is it inevitable that they will also want to provide the entire service?
- Is partnership merely a temporary position that will be obsolete once the private sector owns and operates the bulk of the infrastructure? Will the private sector want a partnership once they are established as the main provider?

These are only a few of the questions that should form part of impact assessment of the likely PPP scenario in 2010.

New Labour's concept of public service is that so long as the state finances services then they are public services, so why should the professional classes such as teachers and doctors be a special case? But who will be left in the public sector to defend and support this position but teachers and doctors? In turn this would provide more evidence of professional self-interest and alienate the public still further from public service providers.

The private sector will clearly benefit from the extension of PPPs to local authority-wide and (sub) regional contracts. By 2010 the PPP sector is likely to be dominated by a handful of owner-operator multi-service transnational companies. The potential global implementation of the World Trade Organization's General Agreement on Trade in Services (GATS) will initially accelerate PPPs followed by new privately financed and operated services. The PFI/PPP industry will become more powerful whilst the capacity of the state will continue to decline.

These potential developments mean that rather than, as appears to be happening, developing policy on PFI/PPPs in a piecemeal fashion it is a matter of urgent public interest that the longer-term and broader impact of PPPs is subjected to rigorous impact assessment, monitoring and evaluation. ■

References:

i The Commission on Public Private Partnerships, *Building Better Partnerships*, London: Institute for Public Policy and Research, 2001.

Private Finance and Higher Education – Can They Work Together?

Tim Russell
PPP/PFI Adviser, Higher Education Funding Council for England

The higher education sector in England is a diverse one, made up of 130 universities and higher education colleges. Each higher education institution (HEI) is autonomous and can develop its own distinctive mission. The Higher Education Funding Council for England (HEFCE) distributes public money for teaching and research in universities and colleges. The bulk of these funds is provided as a block grant, which HEIs can distribute internally as they wish to support teaching, research and related activities.

PFIs/PPPs Encouraged Within the Sector

The independent status of HEIs has meant that the higher education sector has never been subject to any regime of compulsory testing of projects for Private Finance Initiative (PFI). Public funding for higher education is, however, limited and needs to be used in ways that provide value for money. The HEFCE is interested in encouraging the spread of PFI as a procurement route that, in some circumstances and when used appropriately, can offer better value for money. For the same reason we also encourage HEIs to consider other innovative forms of procurement which fall under the general heading of Public Private Partnership (PPP) such as joint ventures, innovative ways of contracting out services, levering in private finance and selling services into wider markets.

One of the ways that the HEFCE has encouraged the spread of PPP is by promoting its pathfinder scheme. This aims to identify and promote examples of good practice. We recognise that, for most HEIs, undertaking a significant PFI or PPP project may be a 'once in a lifetime' experience. We therefore look for a range of project types and sponsoring institutions where the lessons learnt can be shared with the sector. For each selected project we would expect to contribute up to 50% towards the professional fees incurred up to the point of signing a contract with the preferred PFI or PPP partner. Our experience of pathfinder projects has taught us a number of lessons and the rest of this article highlights some of the most important which, while they are drawn from our experience in one particular sector, may usefully be applied across the public services.

Focus on Outputs

The need to think in terms of outputs rather than inputs represents a real mind-set change. It is all too easy for clients to specify, or even over-specify, what they want in terms of what they are doing now to live with the problem, rather than setting out the problem so that the private sector can help them solve it. HEIs must recognize that it takes some time to