

Reconstructing public services

Chapter 6, *In Place of Austerity: Restructuring
the economy, state and public services*



**European Services
Strategy Unit**

(Continuing the work of the Centre for Public Services)

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Dexter Whitfield, Director
Adjunct Associate Professor, Australian Industrial Transformation Institute,
Flinders University, Adelaide
Mobile +353 87 7055509
Tel. +353 66 7130225
Email: dexter.whitfield@gmail.com
Web: www.european-services-strategy.org.uk

The **European Services Strategy Unit** is committed to social justice, by the provision of good quality public services by democratically accountable public bodies. The Unit continues the work of the Centre for Public Services, which began in 1973. Research and strategic advice for public bodies, trade unions and community organisations includes analysis of regional/city economies and public sector provision, jobs and employment strategies, impact assessment and the effects of marketisation, privatisation, public private partnerships and transformation.

CHAPTER 6

Reconstructing public services

The third part of the reconstruction strategy makes proposals for public service and welfare state policy changes, the case for in-house provision, a new public service management strategy, and public infrastructure investment. The proposals are an integral part of the strategies in Chapters 4 and 5.

Alternative economic strategies rarely tackle the means of implementation. Yet public management of the NHS, education and other local government services determines the degree of shift between policy design and implementation and determines whether four million staff are directly employed or outsourced. This effects their terms and conditions, pensions, equalities and diversity and level of trade union organisation. If staff and trade unions are not engaged in service delivery, then it is highly probable that service users and community organisations will not be involved to any significant extent. Public management has suffered from a series of neoliberal ‘fads’ over the last three decades – compulsory tendering, performance management, best value, champions and leadership and partnerships, with efficiency savings again having priority. More widely, local government has an important role in democratic governance. Local and sub-regional economic strategies have renewed importance given the abolition of Regional Development Agencies.

The strategy for the welfare state must build on the principles of social solidarity, access to a basic income, elimination of inequalities, redistribution of resources, and universal provision. Long-term visions are limited because policy making and implementation can radically change objectives and their impact. Rigorous critical analysis must be undertaken of innovation proposals, stripped of rhetoric and vested interests – how is collective provision improved, what are the socioeconomic costs and benefits, who designs and delivers, how is mid- and long-term provision of public services affected?

The demand for a ‘level playing field’ (competitive neutrality in commissioning language) has been described as ‘arrant nonsense’, because the structural differences between the public and private sectors are not taken into account (Whitfield, 1992). The public sector has statutory, democratic, economic, social and environmental responsibilities to deliver and regulate public goods and services. This limits the extent to which government can benefit from economies of scale, diversification and withdrawal from service provision. The public sector has public service principles and values in contrast to commercial values in the private sector.

The private sector has none of these responsibilities, and has the freedom to start and stop activities, expand and diversify, take over or merge with other companies. It can abandon contracts at short notice to reduce losses. The private sector’s claim to corporate social responsibility is tokenistic and minimalist. Accounting differences between the sectors are significant, particularly the treatment of trading surpluses in the public sector whereas the private sector has no such restrictions and can spoon and ladle between subsidiaries, submit loss leader bids, cross-subsidise contracts, and take advantage of tax regimes through transfer pricing.

The public sector must adhere to statutory democratic procedures and standards of accountability and ensure a degree of transparency and disclosure that, except for meeting company law, are absent in the private sector. The structural differences mean that the public sector has duties, responsibilities, costs and operational constraints that are not borne by the private sector. Furthermore, the private sector benefits from economies of scale by spreading costs between contracts and companies and can raise capital more

freely. It can source the cheapest goods and services globally, whereas the public sector is committed to supporting local economic development, SMEs and sustainable development.

Public service and welfare state policy

Decommodification

The process of financialisation, personalisation and commodification must be reversed. This will not happen overnight, but a number of initiatives are essential to stop further application, beginning the process of reversal and replacement with methods of new service delivery. Charging for 'additional' services in health, social care and education should be stopped immediately, together with payment and monitoring systems. Service specifications should also be changed. New funding systems should be designed to replace payment-by-results and payment follows- patients or pupils. Proposals should be developed to replace fee-based provision, such as tuition fees. Service users and community organisations that organise non-payment campaigns should be supported by trade union non-collection action.

The abolition of commissioning and termination of options appraisals, business cases and procurement to outsource services, will provide an opportunity to redesign service delivery. Individual budgets should be closed for all but the high-dependency users for whom the scheme was originally designed. This is likely to be a difficult process, because some service users are likely to resort to legal action.

Policy changes

The following is only a sample of the policy changes necessary in each service or sector.

Health: Primary Care Trusts should be transferred to local government and combined with public health functions to form a new health division under democratic control (accountable to elected members, subject to scrutiny and other forms of accountability). Monitor's regulatory function should be abolished with statutory requirements amended so that Foundation Trusts are accountable to local government and Parliament (as proposed by Keep our NHS Public and NHS Unlimited). Independent Sector Treatment Centre contracts should be terminated, and where not immediately feasible, renegotiated to ensure patients and the NHS obtains the maximum benefit for the remainder of the contract. Public health: The relocation of health and public health to local government would afford an opportunity to get genuine joined up housing, transport, leisure and sport, planning, environmental health and other services.

Education: Academies and 'free' schools should transfer back to local authority and community control. New local authority or sub-regional education plans would set out proposals to enhance pre-school, primary, secondary and 14-19 education and adult education. They should focus on skills and training. Schools and colleges should be required to develop principles and values of collective provision and innovation to address social needs. This would be an alternative to the 'every child a capitalist entrepreneur' programme for schools to set up their own businesses.

Citizenship courses would be redesigned to include modules on pupil/student investigation of public policy, plus organising and strategy skills. Tuition fees in England would be abolished and a living grant reinstated for further and higher education students. Adult education would be expanded with increased funding for a more extensive programme (Workers' Educational Association). Local authorities have a key role in the development of an effective education system (Campaign for State Education, 2011).

Childcare: A national programme of full and part-time good quality public sector childcare and early childhood education is needed with a national network of children's centres and nurseries. Individual and direct payments should be limited to those requiring high levels of

social care, with legal certainty established, so that service users can use local authority services. Other individual and direct payments for health and other services and voucher schemes should be abolished.

Social work: Rethinking social work must have “..prevention at its heart and recognise the value of collective approaches.” User movements have brought innovation and insight to ways of seeing social and individual problems and “...emphasises that social work needs to engage with, and learn from, these movements in ways that will allow partnerships to form and new knowledge bases and curricula to develop ... no return to a past of professional arrogance and that progressive change must involve users and all front line workers” (Social Work Action Network, 2010).

Housing: A three–part housing programme should begin with the termination of the ‘right-to-buy’ and ‘right-to-acquire’ council and housing association homes. The drastic consequences were forecast by ESSU, tenants federations and trade unions (National Union of Public Employees/SCAT, 1978 and SCAT Publications, 1980); stock transfers of council housing should be terminated together with PPPs for building maintenance departments; the sixty council Arms Length Management Organisations (ALMOs) should become directly accountable council services.

The second part would be a programme of new council housing for all who want and need it, making first class council housing a tenure of choice, with funding at level of need, so every council can deliver and maintain decent affordable homes. Improved standards and a retrofitting programme should be introduced to increase the energy efficiency of council housing. These initiatives would be undertaken by directly employed building workers and apprentices in new building maintenance units.

The third part will protect existing secure tenancies and low rents, abolish fixed-term tenancies and plans for up to 80% of market rents, and no eviction of tenants in arrears due to housing benefit cuts. Subsidies to attract first time buyers into homeownership via schemes, such as Firstbuy, should be scrapped – they can lock buyers into negative equity and are exploited by developers. New democratic governance arrangements should ensure a minimum 40% tenant representation on housing association boards and council housing tenants’ representation on local government committees. Council housing and housing association rents should include a small weekly levy to finance tenants’ federations.

Public transport: Significant progress towards a fully integrated public transport system linking rail, bus, tube and urban light rail networks. There is a strong case for renationalisation of the rolling stock companies and termination of the rail franchises, and with Network Rail already public owned, this would provide the opportunity for a new railway system integrating routes and timetables, the planned electrification of key routes and a new High Speed line to Scotland. Congestion charging should be based on the ability to pay and investment in public transport.

Community Reinvestment Programme: A six-part programme would, firstly, require local authorities to re-invest in community organising and development strategies and re-instate funding of local projects that tackle the effects of rising unemployment, local employment initiatives, social and youth projects, and provide other key services.

Secondly, resources currently allocated to the transfer of public services to social enterprises should be re-allocated solely to developing enterprises in private industry and commercial services (see Chapter 9). Mutual and social enterprises should only be considered an option in the delivery of public services if they commit to the key criteria such as: economic and social additionality for the local economy; proposals to extend democratic governance, accountability and participation of users and staff; good quality employment conditions including pensions, training, learning and trade union facilities; a non-competitive agreement with other public bodies; organisational regulations to ensure continuing local

base and lock-in arrangements, to secure public ownership of assets in the event of takeover/merger or wind-up.

Thirdly, training a new generation of organisers and leaders to have the broad knowledge, wisdom, skills and effective strategies through Community and Social Change Studies as a recognised field of studies in academic institutions. This will require “...creative, paradigm-shifting new partnerships between people in higher education and practitioners in social movements and non-profits so that the educational programs can skillfully combine theory and practice, classroom and experiential education, applying a ‘clinical’ approach to learning as medicine and other professions do so successfully. Unlike most university-community ‘partnerships’, these must be truly equal, showing equal respect for what grassroots leaders, other practitioners, and academics can bring to robust educational programs for community change agents” (Mott, 2010). Community Learning Partnerships has pilot programmes in New York, Los Angeles, Minneapolis, Detroit and several other cities.

Fourthly, insistence on new arrangements for community organisation and service user/staff and trade union participation in the design, planning and delivery of public services.

Fifthly, a review should take place of the operation and performance of leisure and community trusts operating libraries, museums, and art galleries to draw up a programme for their return to public provision.

Finally, genuinely independent technical and strategic support should be available for trade union branches and community organisations to prepare alternative proposals and to critically assess local, national and EU policies. The European Services Strategy Unit (previously the Centre for Public Services and Services to Community Action and Tenants, originating in 1973), provides technical and strategic advice, training and high quality research based on key operating principles. The combination of experience of frontline staff, branch leadership, action research and community organising, drawing on national/global analysis from independent strategic advisers, can be a powerful tool. It would be jointly funded by the trade unions, government and foundations.

The case for in-house public provision

It matters who delivers services and there is a powerful economic, financial and democratic case for in-house provision. Economic case: The economic case for in-house options and bids takes account of future needs, innovation and improvements such as long-term value for money, better coordination and integration of services, avoiding unnecessary transaction costs, cost transparency, supporting the local economy and jobs and more effective citizen engagement. A full cost comparison that takes account of client costs, contract management, the cost of variation orders over the length of the contract (for additional work or changes to the contract), transaction costs (procurement, consultants, and contract management costs) and other costs borne by the public sector, plus comparable employment costs, will usually demonstrate that in-house services can provide services at lower or equal cost (ESSU, 2010). This is reinforced when the cost of contract disputes, reviews and/or terminations and the wider economic, social and environmental impacts are taken into account. A higher degree of cost transparency would be another advantage.

Democratic accountability: In-house services are directly accountable to elected representatives with more effective scrutiny of performance. Outsourcing imposes a contract culture, thus reducing direct democratic control and community influence. Users can be more effectively engaged in the planning, design and delivery of services thus avoiding the vested interests of contractors. The public interest can be better safeguarded

and enables a public body to retain and enhance public service principles and values.

Improved quality of service: Properly resourced in-house services provide a higher standard of service, are more responsive and flexible to changing needs and circumstances, and provide continuity and security of provision. In-house services focus on meeting local needs, have the flexibility to respond to changing needs and conditions. The integration of commissioning and provider roles, and avoidance of the procurement process, minimises the role of market forces in shaping the design and delivery of services.

Quality employment: The skills and aptitude of staff, delivery processes and working methods are key determinants of the quality and effectiveness of services. Good quality jobs, terms and conditions, avoidance of a two-tier workforce, better compliance with health and safety regulations, workforce development, family friendly policies, training and learning opportunities are vitally important. The public sector has a much better record for continuing and sustainable involvement of frontline staff and trade unions in the planning, design and delivery of services. Public sector workplaces have, on average, three times the level of trade union membership compared to private sector workplaces, with higher wages and better terms and conditions compared to non-organised workplaces.

Social justice: The public sector is committed to tackling inequalities and social exclusion, improving access and to taking action to eliminate or mitigate adverse impact. It has a much better track record in addressing equalities and diversity in the workforce.

Sustainable development: In-house providers are committed to creating and maintaining local and regional supply chains that support the local economy. They have a better track record in preventing environmental damage, taking initiatives to safeguard and enhance natural resources and a commitment to improve public health to minimise pollution, improve standards of hygiene and cleanliness, disease control, and enhancing community well-being. Public bodies must retain the capacity to critically examine the potential impact of government, EU and business policies from a public service and local economy perspective.

Improved service integration: Public policies and service delivery increasingly require a multidisciplinary, coordinated approach. This requires integrated teams, the pooling of skills, experience and resources between directorates. It requires joined-up government, not quasi joined up contracts. Identifying, assessing and prioritising social needs, as well as planning, allocating resources and operational management are integral to the quality of service. It is essential that public bodies retain ownership and control of the public sector's intellectual capital (the knowledge and information about the infrastructure, geography, and rationale of services and how they work).

Public interest: The prime purpose of in-house provision is to meet local economic and social needs and achieve the council's objectives and priorities. The prime priority of private firms is to ensure profitability for shareholders and to meet the demands of the marketplace. Procurement and commissioning can lead to 'collusion' between client officers, politicians and private firms who place the needs of the procurement system over social and community needs. Graft and corruption appear to have few boundaries. The greater the involvement of private firms in the delivery of public services, the more likely there will be corruption and collusion, particularly as contracts get larger and longer-term.

New public service management

The way that policies and projects are developed and implemented critically depends on the principles, skills and capabilities of public sector staff in local and central government, the NHS and other public bodies. A radical approach is needed to erase the neoliberal ideology, which has infested public management education and the allegiance to

competition, choice and marketisation. This will not be easy or rapidly achieved. A change in public management practice is a medium/longer term project and will inevitably encounter resistance, so it is essential that a retraining programme be vigorously pursued. New management teams will be needed to replace neoliberal management practices in key services.

The new public service management should recognise differences in administrative law, the distinction between public and private management and role of the state across Europe. It has five components – democratic governance, public planning and investment, management practice, new operational systems and flexible and accountable organisational structures (Table 5).

Public service management deliberately places emphasis on management and operational practices rather than organisational issues. Public sector modernisation in Britain has repeatedly focused on organisational change (Whitfield, 2001). The recent infatuation with performance management addressed only one element of public management and did so in an over-indulgent manner that was eventually discredited.

Public service management and training must be extended deep into public sector bodies and not just targeted at a handful of would-be mandarins or high-flying civil servants. Leadership, collaboration and innovation are important but they are not the only attributes or skills required. The consistent applications of public service principles and rigorous application of holistic impact assessment of policies and projects would make a big difference. A comprehensive public management education and training programme must be located outside of business schools in order to change the ideological framework.

Criticism of large hierarchical public sector organisations usually goes hand in hand with comparisons with ‘new era’ organisations such as Google, Apple and IBM and the ‘explosion of social innovation’ in the ‘civil economy’ discussed in chapter 2. Lessons can be learnt but a comparison of local and central government with transnational companies is misguided. Innovation that addresses social needs is rare in the private sector. Contractors and consultants usually only address social needs from a commercial perspective, and are not democratic, participative or transparent to the extent that public bodies are required to be.

In future public management will have to manage significant growth in demand for health and social care, select and apply technology that improves service quality, address the social justice agenda to reduce poverty and increase equity, adapt infrastructure and services to climate change, and confront increasing commercial vested interests. This will require managing public bodies to be more innovative, yet fulfil their statutory responsibilities to deliver services and functions, improve democratic accountability and scrutiny to give greater priority to organisational learning and facilitate service user/staff participation in the planning and delivery of services. Some claim that public management will have to manage a more complex public-private interface, advanced commercialisation of the public sector and procurement, but this reconstruction strategy is intended to minimise these developments.

Democratic governance

The consolidation of arms length companies, trusts, off-balance sheet companies and quangos is essential to improve governance, accountability and participation. Public bodies must involve service users and community, civil society and trade union organisations in the public policy making process in a substantive and meaningful way on a continuing basis. They should have access to financial resources to obtain their own technical advice.

Table 5: A radical public service management

| Democratic governance |
|---|
| <ul style="list-style-type: none">■ Democratisation and consolidation of public sector to transform governance and accountability at city and regional level.■ User/community organisation & staff/trade union involvement in design, planning and delivery on continuing basis.■ New disclosure and transparency regulations to broaden availability of evidence in policymaking and evaluation.■ Continuous monitoring, evaluation and reporting of policies and projects.■ Rigorous scrutiny with wider powers and resources to investigate and assess evidence. |
| Public planning & investment |
| <ul style="list-style-type: none">■ Develop capacity and project management skills for direct public investment for infrastructure and services.■ Design and manage a new public sector contract for infrastructure projects.■ Comprehensive impact assessment and evaluation framework (economic, social, equalities, health, environment and sustainability) for key policies and projects.■ Resource planning, budgeting and auditing.■ Whole life asset management of public assets.■ Clean-energy economy compliance in all projects. |

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Quality management practice

- Public service principles, values and ethical standards embedded in policies, programmes and projects.
- Increased public sector management education and training programme to build capability and knowhow.
- Delegation of responsibility, staff briefings, workshops and involvement in projects and improvement initiatives.
- New controls on role of consultants with requirements for training and knowledge transfer built into contracts.
- Quality employment, learning, training & family friendly policies and industrial relations framework.
- Quality of inputs, processes, outputs and outcomes built into policies and monitoring.
- Sharing of good practice within and between public bodies.

New improvement strategies

- Integrate client and contractor functions, terminate or re-negotiate remaining contracts.
- Public provision re-established for services, functions, development, infrastructure, welfare state, and public health and termination of market mechanisms.
- Service design, access, delivery, administrative and organisation innovation through lean systems, ICT and other techniques.
- Bi-annual service review process for improvement plans with full and continuing user/community organisation and staff/trade union involvement.
- New regulation of markets to protect public health, labour standards and user legal rights.
- Rigorous management and monitoring of supply contracts with regular reviews to maximise public benefit.

Flexible and accountable organisational structures

- Flatter management structures having self-managed teams with organisational learning culture.
- Consolidation of trading, arms length and special purpose companies into public body.
- Internal organisational structure to ensure regular flow and effective working of democratic processes in executive, select and scrutiny committees.
- Effective working between planning and provider functions to ensure maximum integration of services.
- Organisational structures to ensure effective implementation of community and trade union participation arrangements.
- Organisational review to address problems/conflicts and respond to proposals from community, civil society and trade union organisations.

New disclosure and transparency regulations would broaden availability of evidence in policy making. Freedom of Information (FOI) channels should supplement genuine transparency and disclosure of documents in the planning, procurement and policy-making processes. Scrutiny Committees should have wider powers and resources to investigate and assess evidence including contracts, decision making processes, governance arrangements and be able to obtain evidence and to require officers, contractors, trade union and community organisations to give evidence. Advancing democratic governance, accountability, participation and transparency must be the core of a continuing agenda. Rigorous monitoring, reporting and reviewing has a key role in improving service delivery, holding service providers to account, assessing employment policies and learning from users and staff about the effectiveness of working methods and processes.

Public planning and investment

Direct public investment in infrastructure and services will require properly resourced in-house services to be responsive and flexible to meet changing needs and circumstances. Identifying, assessing and prioritising social needs, as well as planning and allocating resources and operational management, are integral to the quality of service. Infrastructure planning and project management, including access to technical resources to design and manage projects from inception to completion, should minimise delays, cost overruns and improve quality. Public sector ownership will require whole life asset management and planned maintenance programmes.

Rigorous impact assessment of policies, spending cuts, infrastructure projects, local/city plans, regeneration projects, outsourcing and privatisation proposals, and economic development investment are essential. They should assess the economic, social, health, social justice and environmental impacts of projects so that all costs and benefits, advantages and disadvantages are transparent. They provide the basis for effective demands, give confidence to challenge proposals and provide the motivation to organise. Detailed evaluation frameworks are available for options appraisal, infrastructure and PPPs (Whitfield, 2007a and 2010a).

Impact assessment objectives should identify the additionality of projects, the national/regional economic impact on particular sectors, the effect on the local economy including job creation/job loss; equalities, social justice and sustainable development; identify unintended consequences and expose double counting and inappropriate assumptions and forecasts.

Multipliers are often used to forecast the economic and employment impact of projects. This avoids carrying out detailed analysis, which may produce only marginally different figures. Multipliers quantify further economic activity stimulated by the direct consequences of policies and projects. They take two principal forms: an income (“induced”) multiplier, which is associated with additional income to those employed by the project (income multipliers) and a supply (“indirect”) multiplier, with local supplier purchases (supplier multipliers). Multipliers averaged 1.45 for a mix of services and functions ranging from 1.36 for people and skills, 1.40 for regeneration and physical infrastructure and 1.51 for business development (Department for Business, Innovation & Skills, 2009).

There are two important caveats. Firstly, output or expenditure multipliers, such as the proportion of public expenditure that is spent locally, are usually too vague and do not identify the full impact and effect of policies on jobs and the local economy. It is important to identify the total number of jobs. The use of Full Time Equivalent (FTE) indicates the total stock of employment, but compresses part-time jobs, thus under-estimating the total number of people employed in the local or regional economy.

Secondly, the use of national multipliers for local analysis can result in overstating the impact. The workforce concerned may have a higher proportion of low-wage and part-time employees than the national average. Consequently, the proportion of direct expenditure and induced spending that occurs in the local economy will be reduced and will vary between cities/subregions and towns/rural areas depending on travel to work patterns. For example, if the jobs affected are primarily low paid with a higher than average proportion of part-time employment, the multiplier will be reduced to about 1.15–1.20. Local multipliers are inevitably lower than regional or national multipliers because they reflect only that part of economic activity taking place in the local economy.

Impact assessment must take account of deadweight (the proportion of total outputs/outcomes that would have been secured without the investment in question); displacement (the number or proportion of outputs/outcomes that reduce outputs/outcomes elsewhere in the target area for the intervention); leakage (the proportion of outputs/outcomes that benefit those outside the target area of the intervention); and substitution (a negative effect that arises when a firm substitutes a jobless person to replace an existing worker to take advantage of public sector assistance).

Four types of public costs should be quantified and taken into account in policy and project impacts. (a) Transaction costs include officer time in options appraisal, business case and procurement process, consultants advisers and lawyers, cost of staff transfer, cost of setting up companies or organisations, cost of reviews and legal action during contract. (b) Corporate knock-on effects include the financial effect on other directorates in the authority because outsourcing could have an impact on their economies of scale and costs. (c) It should include the long-term costs to the public body and the indirect costs borne by the government or other public bodies. Direct public costs include the additional work required by other directorates or other public bodies required to support the contract, changes in local supply chains that lead to changes in number of local jobs, and additional training provided for employment of local people. (d) Indirect public costs, such as the cost of increased unemployment and other benefits and the loss of tax revenue, should be taken into account.

Equality impact assessments must engage service users and staff and be part of a social justice assessment examining the broader socioeconomic implications of policies and projects. Governance arrangements must be part of a wide-ranging assessment of the impact on democratic accountability, transparency and participation, together with the effect on civil society organisations.

A US study highlighted the difference in economic impact between public investment and tax cuts. Direct spending and infrastructure have the biggest increase in economic activity (\$1.75) for a one-dollar increase in the deficit. Expenditure on unemployment insurance and food stamps, aid to States and tax cuts to low and middle income taxpayers increases economic activity by \$1.45, \$1.25 and \$1.05 for the same increase in the deficit. In contrast, tax cuts for high-income taxpayers and corporate tax breaks only increase economic growth by \$0.40 and \$0.20 respectively (Economic Policy Institute, 2011).

Impact assessment should identify changes in sourcing goods and services, the effect of changes in fees and charges for services, the effect of early retirement and redundancy payments, and must systematically assess visitor or user forecasts together with the knock-on economic, social and environmental impacts.

Policies and projects must be assessed under ten headings in Table 6. The level of analysis will depend on the scope and size of the project. Evaluation must be an evidence-based analysis, not a tick-box exercise.

Table 6: Evaluation and impact assessment criteria

| Evaluation Criteria | |
|---|--|
| <p>1. Core requirements and objectives</p> <ul style="list-style-type: none"> ■ Needs and objectives ■ Design, vision and scope ■ Forecasts of demand ■ Quality of service/development ■ Long-term asset management <p>2. Financial assessment</p> <ul style="list-style-type: none"> ■ Long-term cost analysis including client and transaction costs and corporate impact ■ Risk assessment and allocation ■ Sustainability of savings <p>3. Public costs</p> <ul style="list-style-type: none"> ■ Public costs borne by government ■ Cost of support & indirect subsidies <p>4. Economic costs and benefits</p> <ul style="list-style-type: none"> ■ Direct, indirect and induced multipliers ■ Local economy impact ■ Added value and community benefits ■ Economic development issues ■ Sustainable development ■ Effect of changes in market forces ■ Cost benefit analysis <p>5. Quality of employment</p> <ul style="list-style-type: none"> ■ Staffing levels and forecasts ■ Terms and conditions and pensions ■ Training, learning and family-friendly policies | <p>6. Quality of services</p> <ul style="list-style-type: none"> ■ Technical assessment of delivery plan ■ Quality of service and performance ■ Service transformation, innovation & integration ■ Management practice ■ Urban-rural provision and access ■ Phasing of projects <p>7. Democratic governance</p> <ul style="list-style-type: none"> ■ Governance structures and accountability and transparency ■ Participation and involvement ■ Social and organisational impact ■ Impact on service users and civil society ■ Monitoring & regulatory framework <p>8. Social justice</p> <ul style="list-style-type: none"> ■ Equality impact assessment (users and staff) ■ Socio-economic impact – redistribution and improving life chances, reducing inequalities, eliminating discrimination ■ Poverty reduction ■ Assessment of 'social transformation' proposals <p>9. Health and Environment</p> <ul style="list-style-type: none"> ■ Public health and community well being ■ Environmental Impact Assessment <p>10. Public sector capability</p> <ul style="list-style-type: none"> ■ Changes in capability & intellectual knowledge ■ Public interest |

Source: Whitfield 2007 and 2010.

Public management practice

Public service principles and values should be embedded in policies, programmes and projects. It is essential that public bodies retain ownership and control of the public intellectual capital. A public sector management-training programme should build capability and expertise to enable authorities to respond to changing demands and circumstances and emergencies, and to critically examine the potential impact of government, EU and business policies from a public service and local economy perspective. Contracts must include knowledge transfer, capacity building, commitment to public service principles and

rigorous monitoring. The quality of inputs, outputs, processes and outcomes should be valued as they are key to achieving integrated and coordinated services and an holistic approach to resource allocation and the evaluation of performance.

Operational systems

Public provision should be re-established for services, functions, development, infrastructure, welfare state, and public health, although it may not be possible to immediately terminate or re-negotiate contracts.

The abolition of market based mechanisms in education, health, social care and other services would include the removal of competition requirements. Bi-annual Service Improvement Plans, agreed and monitored by Elected Members, users and trade unions, will serve as a basis for in-house service provision. Reviews would produce two-year plans, which focus on innovation, productivity and effectiveness and would assess performance, identifying lessons learnt with remedial action. Lean systems approach would be built into the design and management of services.

A degree of increased options is possible within public services by expanding in-house services, and using spare capacity (and peaks and troughs) to widen choice without establishing markets. Choice, with collective empowerment exercised with other users, would be more powerful and meaningful than individual market-based choice.

New regulatory frameworks should monitor, review, and where necessary, intervene in markets to ensure people's needs and local economy interests are achieved. Re-regulation should address social needs, increase public control and be designed to achieve environmental, health and safety, economic and sustainable development benefits. Supply contracts would be rigorously managed and monitored to maximise public benefit. This would require adequate and skilled staff to monitor service delivery, employment conditions, and achievement of economic development and sustainability objectives.

Organisational structures

The emphasis should be on new radical approaches to internal organisation rather than the usual creation of new organisations. Self-managed teams with project management skills and an organisational learning culture would create flatter management structures to promote innovation and flexibility. Internal organisational structures should ensure regular flow and effective working of democratic processes in executive, select and scrutiny committees and integration between planning and provider functions. Organisational reviews would address problems and conflicts, and respond to proposals from community, civil society and trade union organisations.

Service Improvement Agreement

Public bodies and trade unions should negotiate a Service Improvement Agreement as an essential part of Public Service Management to include:

1. Staff/trade union and user/community organisation representation in service improvement and development on a continuing basis.
2. A commitment to direct in-house provision.
3. A commitment to equalities and diversity.
4. Changes to working practices to improve coordination and integration of services subject to consultation through existing industrial relations mechanism.
5. Redeployment and retraining with no compulsory redundancies.
6. Workplace learning.
7. Contract compliance with comprehensive monitoring and review.
8. Disclosure and access to policy and performance information.
9. Flatter organisation structures and team working.
10. Secondment and TUPE Plus basis if a transfer of staff is necessary.

Public infrastructure investment strategy

Infrastructure investment is vital for the economy and to improve quality of life. It increases growth and output (a 1% increase in public sector capital stock can boost GDP by between 0.2% - 0.5%), reduces the costs of production, increases productivity, improves access, enhances the quality of services such as health and education, creates jobs (15,000 – 60,000 jobs for every £1bn investment) which, in turn, generates further economic activity and jobs in the local and national economy (Whitfield, 2010a).

A ten-year National Economic and Social Infrastructure Plan is required for public investment and ownership of economic and social public infrastructure, to meet economic and social needs and generate economic growth and jobs. It is vital that economic and social infrastructure are combined in the one plan. Social infrastructure creates significantly more, and a wider range of, jobs per £1m investment because of the higher labour content of service provision. Such a plan should prioritise improving public transport (rail, tram and bus); primary healthcare facilities and public health; integrated multi-use facilities for education, sport and leisure, library, childcare and other community services; and the national programme for low carbon construction, renewable energy, refitting and renovating buildings, public transport electrification, industry and landfill (see Chapter 4).

This infrastructure plan must recognise the importance of production and supply chains, for example, trains and rolling stock, ICT and other equipment, furniture, goods and services, in promoting economic development and employment in local/regional industries and maximising sustainability. A public design initiative would set new standards for the design and planning of public buildings and infrastructure. Service users should be involved in the design process and develop new concepts of integrated hubs/complexes providing a range of public services. Privatisation of the public infrastructure will cease.

Local authorities should draw up plans to bring vacant and underused buildings and homes into use to maximise their use as an integral part of assessing the need for new buildings and facilities, and preparing investment strategies. A public investment funding strategy should include new sources of funding from infrastructure bonds and a National Infrastructure Bank financed through capital spending.

The current National Infrastructure Plan is only a partial plan because it ignores social/welfare state, public safety and community infrastructure. It expands the infrastructure market, fails to address key issues (except the cost of capital) and ignores the economic linkages of infrastructure investment such as production and supply chains and employment. The trend of adopting new ICT systems because they are feasible, rather than meeting social needs and development objectives, should be challenged. The quality and effectiveness of public services is highly dependent on the quality of inputs, processes, outputs as well as outcomes and that requires direct care, teaching, and support by people, facilitated by ICT. Hence there is a limit to online delivery and self-service systems in public services.

New public sector procurement

A new public sector infrastructure contract is required that re-organises the relationship between the client (finance and operator), architect and the construction company to strengthen coordination, deliver efficiencies, minimise delays and enhance transparency. The US concept of Construction Management At-Risk (CM@R) should be adapted to the UK context. CM@R has been successfully used for building, transportation and highway projects (American Institute of Architects and Associated General Contractors of America, 2004).

There are two contracts in CM@R, the first between client and architect, and then between the client and construction manager. The client selects the construction manager, based on qualifications, before the design stage is completed. The architect and construction manager work together in the final stage of the design process and the latter gives the

client a guaranteed maximum price and coordinates the subcontracted work. A new contract should provide evidence of public sector performance and eliminate the evidence for risk transfer and the legitimacy of PPPs. Whole life management and maintenance strategies would be an integral part of the design and quality of construction and the client would have various options how to address this without being tied into long-term contracts.

Design and build contracts that require a combination of design, manufacture and installation, for example tram systems, would continue, but not for public buildings. Parallel reforms in the construction industry are required with a vocational education and training programme to improve skills, reduce subcontracting and casual labour, better health and safety and mainstreaming green construction (Clarke, 2010).

PPP programme terminated

The PPP programme should be terminated immediately, including planned projects and those in procurement. A comprehensive case for termination on the grounds of public cost and impacts, value for money, quality of service, employment, design quality, accountability and governance and many other factors is evidenced in Global Auction of Public Assets (Whitfield, 2010a). It might be argued that it is not a 'good' time to terminate the programme when public sector capital spending is being cut. However, there is never going to be an appropriate time and the longer it continues the more embedded it becomes in financial planning, public management and the public sector.

Terminating existing PPP contracts is complex. Treasury spending data shows that the current capital cost of 670 PFI projects is £56bn with a total eventual cost of £267bn that includes the finance costs, building maintenance, utilities and facilities management services over the life of the contract. These costs have to be met irrespective of whether the building is publicly or privately owned. It has been claimed that a buyout of PFI schemes could 'save' about £200bn, which could be used to finance green new deal initiatives as part of a plan for Green Quantitative Easing (Hines and Murphy, 2010). But this is false economics, because the 25-40 year finance, management and operational costs don't disappear. The saving is only the difference between public and private provision, unless the entire PFI programme is nationalised without compensation.

Terminating the PFI programme with regard to new capital investment will require an increase in public sector capital spending. It is not simply a matter of the cost of new PFI projects to the public sector, because of lower public sector costs. These include public sector borrowing rates being about 2% lower with significantly reduced financial arrangement fees; lower transaction costs, particularly consultant and legal fees, as a result of eliminating the complexity of PFI deals; reducing the cost of risk transfer which is regularly overstated; reducing the scope of projects to take account of decentralisation, local needs and changes in technology and service delivery; better public sector project management will reduce opportunities for profiteering in the design, construction, finance and operation of the public infrastructure. Consequently, PFI projects with a £2bn capital value could be reduced by about 20% if publicly delivered. Significantly lower revenue budget commitments would, in part, compensate for increased public sector capital spending.

Strategic partnerships are financed entirely by revenue budgets and have only a small capital expenditure component, so termination will have no impact on the level of public expenditure.

Assets should be transferred to direct public ownership and management at the earliest opportunity or when contracts are concluded or terminated. Projects that are uneconomic to terminate would have improved governance, accountability and transparency.

They should transfer support services to public provision at the earliest opportunity and employ rigorous monitoring.

UNISON's alternative budget 2010 claimed "*£3bn could be saved in user fees and interest charges every year if PFI schemes were replaced with conventional public procurement*" (UNISON, 2010), which presumably relates to future rather than existing projects.

If the government were to buy out PFI projects tomorrow there would be continuing interest charges on financing a buy-out that would eat into the savings and financial/economic costs of significantly increasing public debt. Many contracts have termination fees and legal disputes would guarantee lawyers took a large chunk of savings. These are not arguments against termination, but we should be under no illusion about the real level of savings.

Taming the secondary market

A series of changes are required to restrict, and then eliminate, secondary market trading in the equity of PPP companies. New legislation should ensure the public sector has an equal share in the increased value of assets, since this arises from market value and has little to do with the quality of the building or performance of facilities management services. New transparency and disclosure requirements should be introduced that require full public notification of proposed changes in equity ownership to participants.

The unbundling of contracts would require the transfer of facilities management services to public sector in-house delivery. Increased monitoring and scrutiny of PPP performance via a bi-annual service improvement and efficiency review, with full user/staff engagement, would help to ensure the socialisation of efficiency gains and stringent action where poor performance persisted.

The buy-out of PPP/PFI contracts should proceed where this is economically feasible and in the public interest. Ultimately, the negative effects of the PPP equity secondary market can only be solved by the termination of the PPP programme.

A new value for money methodology should be devised to take account of the profits in PPP equity transactions and the other flaws in the current evaluation methodology.