

## Views Expressed at Gorwel's Conference

### "Can Welsh Public Services Thrive Without the Market?"

3<sup>rd</sup> October 2013

#### Submitted to the Commission on Public Service Governance and Delivery

##### Plenary

1. There are strategic challenges facing Welsh public services in addition to the immediate pressures created by reductions in government spending. Principal among these are changes to the demographics of Wales. Future public services will need to operate within and adapt to a changing budgetary and demographic framework. Public services will need to focus more on the prevention of market failures, rather than attempting to correct them afterwards, which governments have traditionally struggled with.

2. One model for public service reform is that of Quasi-Markets. Under this system, the public sector retains significant involvement in overseeing services, with many remaining free at point of use; however the delivery is provided by the private and independent sectors.

3. Some of the most notable Quasi-Market approaches have been Public Private Partnerships (PPPs), where the private sector assumes operation of services in consultation with and funded by the public sector. These have

been employed across the world, often with notable success across a number of different indicators, including cost-effectiveness. While PPP schemes have sometimes excelled, especially in Scandinavia, they are not an appropriate fit for every service area in the UK. Hospital Private Finance Initiative (PFI) schemes in particular were flawed, due to the private sector's limited experience of hospital management and ownership. This restricted the value and expertise added by the private sector, thereby reducing overall Value for Money (VfM).

#### **Panel discussion and Q&A/Audience Comments**

4. While there is a requirement for user centred approaches in public service delivery, the needs and preferences of users are not uniform. For example the elderly struggle with aspects of digitisation and sometimes the concept of choice. A single, blanket approach to reform for all users will be impractical.

5. The UK has traditionally been highly dependent on taxation based public service models. There is a need to consider alternative models whether we like it or not. For instance more insurance based approaches in social care. However the biggest risk here is the creation of a two-tiered system of service provision, a concern noted on several occasions.

6. Markets function most effectively if the drivers of competition are on the supply as opposed to the demand side. With reference to transportation in particular, markets driven solely by demand may be insufficient to guard against monopolies and other market failures. This has been demonstrated by the oligopoly in Welsh bus services. Supply side competition could be driven by stronger oversight, possibly through the integration of transport services and the appointment of specialist public sector managers who would be charged with attracting and overseeing transport services and providers.

7. Views expressed regarding previous Welsh Government reforms noted the circular nature of earlier reform efforts. These involved successive consultations and initiatives yet resulted in little appreciable change. Resistance to private sector involvement in the Welsh NHS sent a negative message to Welsh business more generally, indicating it was held in low esteem and was seen to add little value.

8. The need for more collaborative government engagement with the private sector was made clear, as well as for government structures to be sufficiently adaptable to make necessary changes. Questionnaire responses noted this lack of engagement and leadership, with one in particular referring to the

need for “leaders not managers” in the public sector, and that a focus on reducing marginal expenses instead of considering mechanisms for income generation was misguided. Another response noted that public services in Wales offered what providers had the capacity to provide, not what the market required.

**9.** Concerns regarding “cream skimming” and “cherry picking” of profitable aspects of public services, especially in the NHS, were expressed.

**10.** The use of public satisfaction surveys or opinion polls as an indicator of service quality was thought by some to be unreliable and unlikely to spur innovation. With reference to the NHS it could also reduce transparency, as managers are likely to have a far greater incentive to conceal more detailed service information if public satisfaction polls are the primary measure of performance.

**11.** Notable co-operative models, for instance the John Lewis model of employee share ownership, may be too small-scale to serve as effective guides for co-operative based reforms in the public sector. Nevertheless questionnaire respondents rated the potential for co-operatives to play a greater role in public service delivery as high or quite high.

12. The distinction between Public Involvement (which is likely to remain very substantial) and Public Ownership (which owing to budgetary and demographic pressures is becoming less tenable) was also noted.

### **Discussion Group and Questionnaire Responses**

13. The need for the public sector in Wales to act as an enabler of business, not simply a contractor was expressed by several participants. The public sector should act more as a facilitator for the development of user centred and bespoke services. A more imaginative procurement strategy would help Welsh businesses to compete on a UK wide basis.

14. Dissatisfaction with the existing system of procurement and contract bidding was a concern. It was felt that the current structure of statements of requirement resulted in companies being excluded from the initial design of services, only being included at a later stage.

15. Ceredigion was listed as an example of an authority with a more simplified, SME-accessible bidding process, where contracts are broken down to a more manageable size. This enables local businesses to put in

competitive bids which may be impractical in other regions. The dependence of many companies on contracts makes reforming this process imperative.

**16.** The need for users to be represented more effectively in future consultations was also made clear, so that producer and supplier interests would not eclipse those of users.

**17.** This unease with the existing process was reflected in the number of questionnaire respondents who favoured greater independent/private sector input in the Planning, Consultation and Delivery phases of public service provision. The tendency for the Welsh Government to generate ideas related to policy and delivery in a vacuum and to neglect the expertise offered by the Welsh private sector was one of the specific concerns raised.

**18.** Questionnaire responses were also supportive of increasing the level of contestability within public services to improve quality. Nevertheless a substantial majority favoured a coalitional relationship between public, private and third sectors, which would see all three sectors cooperating on a comprehensive basis and negotiating respective responsibilities between them instead of active competition between public and private sectors. Respondents also largely favoured a mixed model for public services,

charting a third course between near total public sector dominance of delivery and wholesale privatisation or contracting out.

**19.** It was noted that a certain level of contestability was present even in services which are largely or wholly provided by the public sector. For instance competition between hospitals regarding quality of care measures. This is likely to intensify as the Welsh Government will logically seek to allocate scarce resources to more effective healthcare providers, thereby penalising underperforming institutions which may face closure.

**20.** Health services were frequently listed by questionnaire respondents as one of the areas most in need of significant reform; social care and transport were also frequently mentioned, while some respondents mentioned that all major listed services (Education, Health, Social Care, Transport and Housing) were in need of significant reform.

**21.** Increasing service performance information was listed as one important aspect of reform. However ensuring that users can interpret the data accurately was another, essential, component of service reforms. Data such as surgeon specific mortality statistics could provide a more ambiguous indicator of performance than is sometimes assumed, and consequently

guidelines for their use should reflect this. The need for a clearer mechanism which connects informing the public with pressurising public services to improve was suggested. It was noted that the public may want information more than competition, and also that competition is likely to prove more contentious in general.

**22.** Whether reforms would be part of a wider strategic vision or simply a reaction to budgetary pressures was one of the main questions raised.

**23.** Care needs are changing and the needs of patients and service users are becoming more diverse due to the increasing complexity of health issues. At present families are engaging with lots of different professionals while expectations are rising, but the skills of professionals are becoming more narrow and focused due to the diversity of health issues.

**24.** There is a move towards more choice, but at the moment there is no system to provide that choice. A lack of choice may be increasingly difficult to sustain in the face of rising expectations. The 'baby boomer' generation is unlikely to accept the 'one size fits all' service often given to their parents.

25. And there needs to be more transparency to facilitate choice. Reliable, authoritative, clear and accessible information is likely to be a significant requirement for the development and innovation of public services.

26. In England they are moving towards social care being operated by an insurance market. We in Wales need to start considering how our care system is going to work, and designing models that respond to user expectations. Affordability questions will be more acute in Wales and many doubt whether vulnerable people will be able to afford quality care in an insurance based system. However, insurance based models are common throughout Europe.

27. Respondents were generally supportive of increasing private sector involvement in most sectors, and few recorded outright opposition to charging for service usage in principle. Attendees did not view commercial or market driven features and private sector involvement as being at odds with providing public services. The popularity of “top up” fees and the use of charging as a gate-keeping mechanism or as a means of actually extending the scope of service provision, was also evident.

28. The providers of services could benefit from more flexible working practices. Employees should have an active role in shaping their work

patterns. It was noted that such flexibility can aid contestability and be a part of the contracting process.

**29.** Flexible working can be a lever for change and more efficient working. It can also mirror the more bespoke demands of users for services outside regular working hours. Managers need help and support in transforming the traditional models of working and realising the potential of more flexible approaches.

**30.** A number of delegates argued that the public sector is failing to control the spending and management of public sector projects. If the private sector could play more of a role within the NHS then a greater range of skills would help improve the delivery of services. A key question is whether the private sector can cohabit with the NHS in Wales?

**31.** The Welsh Government should adopt a more constructive attitude towards the private sector and acknowledge that it can often deliver a service which the public sector finds difficult to manage and distribute efficiently. Charging for some services is more feasible when the private or independent sectors are involved in delivery.

32. Customer care and focus could be improved with greater use of the private and independent sectors. The private sector is constantly held to account if it does not provide a good service.

33. There seems to be a number of people with differing roles in the oversight of Welsh public services: MPs, AMs, and councillors. When looking at issues of governance, the scrutiny functions of elected representatives should be better co-ordinated. Some interfaces are quite confused, especially education and social care.