

THE FUTURE OF SERVICES TO THE PUBLIC

– reviewing the pressures and challenges for long term change



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*– reviewing the pressures and challenges
for long term change*



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The Future of Services to the Public

A report of a study sponsored by CIPFA, the Chartered Institute of Public Finance and Accountancy; ICAEW, the Institute of Chartered Accountants in England and Wales; LGAR, Local Government Analysis and Research; LSC, the Learning and Skills Council; NHF, the National Housing Federation; NHS Confederation, for the National Health Service; TUC, the Trades Union Congress; and with support from the CBI, Confederation of British Industry, ACEVO, the Association of Chief Executives in Voluntary Organisations, and ConFed – now the Association of Directors of Children’s Services. The study was managed by SAMI Consulting.

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Chapter 1

Executive Summary

The future of services to the public has been widely discussed, by the UK government and think tanks, by international bodies and by many nations. The problems have become clearer but sustainable solutions remain elusive.

What this study brings to the debate is a longer term perspective – towards 2030 – and consideration of the possible world orders at that time. A dominant factor is the changing balance of economic power over the next decades, as the table below suggests. Here PPP means purchasing power parity, incorporating estimates of different costs of goods and services in each country to reach equivalent living standards. The table suggests that the EU countries will have a decreasing share of the world economy relative to the US, while Brazil and Russia; India, Korea, Japan and Indonesia; and China, all increase share.

Country/region	GDP 2005	GDP 2050 (PPP)
US	100	100
EU (including UK & Turkey)	69	61
Brazil, Russia	25	39
India, Japan, Korea, Indonesia	78	140
China	76	143

Source: PricewaterhouseCoopers, 2006: relative to US = 100

Although the UK's standard of living will increase, the UK will increasingly be unable to define the rules of global engagement. The implications for services to the public are severe. By 2030 services to the public will certainly not all be delivered by public sector workers or paid for out of the public purse. The question we pose is – what are the potential configurations? What is the future role for government in the specification, monitoring and delivery of services to the public? What models will be acceptable to citizens and sustainable over the longer term?

A wide range of people from the public, private and third sectors (see Appendix 2) have come together to study these questions in a series of themed workshops and subsequently a one-day conference. Services to the public were defined to include education, health, law and order, infrastructure, housing and social services. We used the dti Foresight scenarios for the UK to 2030, to create vivid images of possible futures as a context for discussions on the desirable and the likely futures. These are four scenarios which explore the nature of UK society and economy. The two axes are the nature of governance – interdependence vs. autonomy, and the nature of society, individually focused vs. community focused. The four scenarios are called World Markets

(like the US), National Enterprise (like Switzerland), Local Stewardship (like Denmark) and Global Sustainability (like the Netherlands).

The value of the scenario approach was two-fold. First, it established a common language among the team, and allowed a rational discussion of shared and differing assumptions about the world. This was very important as we discussed the implications of the scenarios for policy. Second, it gave articulated views of possible futures – not predictions – but possibilities. This allowed the team to think about preferred futures and their implications, and we concluded as follows:

- *World Markets*: the view of the discussions at Workshops and the conference was that this scenario was where the UK was currently heading, and that it could be prudent to design public services with this in mind.
- *Global Sustainability* was initially viewed as a desirable future, though less likely than World Markets. However after discussion, problems emerged – such as slow decision making and hence lack of adaptability, and the need for employees and citizens to play an active role.
- *Local Stewardship*: Only an extreme event such as extensive flooding of the Thames Estuary and London was thought to be capable of leading to this scenario.
- *National Enterprise*: the view of the discussions at Workshops and the conference was that in many ways this scenario describes the UK now, but the UK was unlikely to stay in this mode.

In the first stage of the study, workshops and interviews organized by the sponsors¹ explored aspects of the UK to 2030 – from the point of view of the employee, business, local government, housing providers and purchasers, health services, and the education system. The results of these workshops were discussed at a conference, which both tested the results of the workshops and led to a set of conclusions, which apply across all sectors of services to the public and to all four scenarios.

These conclusions are:

1. GLOBALISATION

Services to the public are not immune from globalisation. As Ed Balls said “We are a small country in an open global world and we face some realities we cannot change”.² Services are already off-shored, from analysing X-ray films to creating online educational content. Services provided in the UK are increasingly supplied by organisations based outside the UK.

This meant that we decided to focus most of our attention on the two global scenarios, *World Markets* and *Global Sustainability*. The difference can be characterised as the British identity crisis captured in the idea of ‘Janus-Britain’ by Timothy Garton Ash. Janus (the Roman god of doorways, passages and bridges) had two faces pointing in opposite

1. ICAEW, Institute of Chartered Accountants in England and Wales; LGAR, Local Government Analysis and Research; LSC, the Learning and Skills Council; NHF, the National Housing Federation; NHS Confederation, for the National Health Service; TUC, the Trades Union Congress.

2. Ed Balls MP, previously Chief Economic Adviser to the Treasury, in *The Sunday Times*, 1 July 2007.

directions, one at the front and one at the back of his head. Britain, he argues, has four. The back and front faces can be labelled 'Island' and 'World'; the face on the left says 'Europe' and that on the right 'America'.

Global Sustainability, the team's preferred scenario, is "Europe". It requires a number of societal changes. First, a consensus to be reached on a change to a more societally focused business culture. It requires tougher regulation and acceptance of international standards. Finally, it implies a greater sharing of resources and knowledge between wealthy and developing nations.

However the team felt that, unless there was a major calamity, they could only envisage one scenario as a basis for policy, the scenario in which US style capitalism shapes the world, i.e. *World Markets*. This sets a context for a debate over priorities in services to the public, and the localisation or centralisation of service provision.

Globalisation tends to decrease wage levels of jobs which can be relocated, while increasing the remuneration of those with scarce skills. This increases social inequality, and suggests that one essential aspect of any future model is an effective safety net for citizens and residents.

The study thought that the UK service providers had been slow to grasp the opportunities outside the UK as the supply of services becomes more global.

2. THE NEW SHAPE OF SOCIETY

The current system of services to the public grew up in the post war era. Yet many aspects of society are different today. For instance, often discussed is the effect of increased longevity. Retirement would now need to be at age 74 to reflect immediate post-war number of years spent in retirement, and this will increase, it is projected, to 79 by 2025.

Less often noted is the fact that medical advances have meant that many more disabled children are surviving, with increased loads on caring and special education – facilities which face growing recruitment problems, as highlighted by a recent Cabinet Office report.

And the threats of international terrorism present challenges to the maintenance of law and order, both inside and outside the UK. The risk of pandemics of a scale not seen since 1918-9 is very real, driven by our inter-connected world – and the UK is more internationally focused than most countries.

In the UK, the capability to supply services to the public are being challenged by new demographics – the mobility of skilled people seeking a good quality of life, with higher levels of migration to and from the UK than for many years. The extent to which such inward and outward migration is temporary or permanent will be a key factor shaping British society in the longer term.

Services to the public make a huge contribution to quality of life for residents and contribute to the attractiveness of the UK to potential immigrants, hence to the UK's

international competitiveness. These are measured by a number of indices such as the European quality of life survey,³ where the UK ranks in the top countries in Europe.

3. ROLE OF GOVERNMENT

The study reflected the fact that there have been many changes affecting delivery of services to the public over the last decade. Services to the public seem sometimes to be treated as proxies for political battles, with a disconnect between the long-term needs to manage change and bed in a new system – years rather than months – and the focus span of politicians, which can be short term.

The study found that services could be delivered more effectively if there were an explicit consensus and long term direction on issues such as the role of different levels of the hierarchy of governments; how infrastructure should be managed; law and order, health, education and social care managed and delivered. The study calls for an honest and open debate in order to develop these broad outlines, and in particular a consensus on personal vs. public (state) responsibility, in conjunction with all political parties and interest groups.

This long term framework can be used to inform short term decisions: for instance in relation to planning and road infrastructure, educational targets, health provision, to protect the disadvantaged and ensure equity and fairness to all in an increasingly complex world.

There will need to be trade-offs in supply of services to the public – government can encourage an honest debate on the UK priorities and the nature of the wider social good, and end the taboo on words such as rationing.

But most importantly, thinking about the provision of services needs to be based on views of the future: as one of our interviewees said “*stop meeting yesterday’s priorities*”.

In all scenarios, the government has a key role in the specification and regulation for core services. The role of government is to regulate, to specify standards and provide monitoring services, using, where appropriate, international comparisons. The specific framework chosen will be driven by the need to maintain international competitiveness in World markets, by the vision of a social welfare state in Global Sustainability.

The core services were seen as:

- Services which need national or international agreement to be effective, e.g. security, terrorism, public health and infrastructure;
- A safety net of social provision.

4. PROVIDERS OF SERVICES TO THE PUBLIC

The deliverers of services to the public will be less likely to be public sector workers by 2030. This could allow government to focus on strategy and innovation.

3. The Eurobarometer series, e.g. <http://www.eurofound.europa.eu/areas/qualityoflife/eurlife>

Who would fill the gap left by the public sector? The study found that the voluntary sector was unlikely to be able to be effective in many roles, due to short term funding, occasional conflicts of purpose and lack of capability in depth. Contracting out to the private sector could cause shortfalls in service levels unless the public sector increased its capacity to specify requirements and manage contractors. Professor Jean Hartley emphasised that *"In all the scenarios, services to the public would need adaptive leadership"*.⁴ The central role of better anticipation of skill needs was brought out in the TUC, Health and LSC workshops.

Some of the implications of globalisation for providers of services to the public are that providers need to explore international comparators and role models. The UK public sector needs to explore the opportunities as well as the problems of an international market in services delivery, and develop the capability to provide directly and indirectly a seamless service to mobile people, whether UK citizens abroad or citizens of other countries in the UK.

Services to the public are facing pressures for improved productivity, world-wide. Making better use of local access and facilities, and engagement with the community, were highlighted as factors which could improve productivity. In particular, the further education sector was highlighted as overly complex, with a reduced role seen for the nation state in providing skills by 2030. The effective integration of health and social care services was seen as important for both quality of service and productivity.

There is a role for information brokers and advocates: can the voluntary sector contribute to this?

Consumers have rising expectations of choice, quality, timing and tailoring of services, and often perceive those of private companies as providing better levels of services than those delivered by the public sector. Public sector services traditionally find it hard to be adaptable. Greater empowerment at delivery points will be essential to match the perception of adequate levels of service, based on experience of private services. Across the board, providers need to provide for what the citizens want and are prepared to pay for; talk about customers and their lifestyle choices, and tailor services to the individual.

On the positive side, the UK professions in many arenas take a leading international role in setting standards and best practice – this should be recognised as a strength of the UK and used to create links with other – eg emerging – countries. And the Trade Unions could be guardians of the public sector ethos if they can reconcile their member-focused role with the priority of serving the public.

5. ENGAGEMENT OF CITIZENS AND RESIDENTS

A debate on a long term framework will require the ability to engage citizens and residents meaningfully outside single-issue campaigns. This will require reversing current trends for decreased engagement by citizens with the political process. A long term perspective is needed for this engagement.

4. Professor Jean Hartley, "The Implications of National Enterprise", in Volume II

Citizens need to be able to make “responsible” decisions which are justified in the long and short terms. Is this a return to prudence and thrift? How can this be done? Can technology help? How can citizens meaningfully engage with democratic decision making, given the pressures of two-career families? What may happen if they do not?

6. RESEARCH

International comparators: Research is recommended to provide a framework for investment decisions by using international comparators to evaluate the cost-benefit of effective services to the public in establishing quality of life indicators for current and potential residents. What services give best return for what investment?

Modelling the new shape of society: Research is needed to explore the funding and delivery models in other countries, and the connections and leverage points of the major forces affecting services to the public. This should also explore the effects of mobility on employment, pensions, taxation, the public sector ethos and civil society. This could inform discussion of the potential future roles of the public, private and voluntary sectors in providing services to the public in the UK.

Governance: How to define, manage and co-ordinate governance in the context of hierarchies, markets and networks? There is already research on this but the lack of clarity over boundaries and responsibilities emerged as central to many of the study’s discussions.

Delivery: There is scope for wider dissemination of existing work on “what works and what doesn’t”, particularly in relation to IT investment. The lessons learnt from the privatisation of the utilities have been analysed and should be publicised. Research on the interplay between innovation and productivity in improving services is needed, paralleling that in the private sector.

Management in the delivery of services to the public: Wider dissemination of research into the skills needs of public sector management, and the capability of the voluntary sector into the longer term.

Engagement of citizens: Dissemination of research into the ways in which the public could be more engaged in the decisions that affect them, and their children and parents, and how social glue can be provided in the age of Web 2.0 and beyond.

In summary: we started our study with three questions:

- What is different by 2030?
The four scenarios paint different pictures of the world to 2030, and we felt that *World Markets* was most likely. Two major forces will have changed the world by then – technology, including the effect of biotechnology on the UK’s demographics, and the effect of globalisation with India and China strongly influencing the world economic stage.
- Can the Welfare State survive another 20 years?
Globalisation and demographics will constrain the UK’s options, and a welfare state on the current lines seems unlikely.

- What are the services that only the State can provide?
Only governments (international, national, regional, local) can specify the scope and nature of the services to the public to be supplied by the State. Only governments can regulate the services supplied to the public, by private, public or third sector providers.

These conclusions are not individually new. However the team feel that the challenges set out, taken together with the speed of change, make it very difficult for society, and services to the public in particular, to react comprehensively and sustainably. Only by co-operating across all sectors, and educating and empowering those who deal directly with the public to meet real service needs effectively, can these challenges be met over the long term.

We feel that by posing these questions in the context of the UK to 2030, and the global trends to 2050, we have presented an envelope for more informed discussions. Services to the public may well become an international battleground: we have aimed to delineate some of the rules.

Chapter 2

Background

2.1 INTRODUCTION

The improvement of public services has been a constant theme during the 10 years since 1997, and look to be a central issue over the next decades. The Gershon Report in 2004 looked at efficiency in the public sector. More recently, a number of reports have been published by government on other aspects of services to the public. These include (full references are in Appendix 3):

- Barker Review: “Delivering stability: securing our future housing needs”;
- Barker Review of Land Use Planning;
- Cave Report, “Every Tenant Matters - a review of social housing regulation”;
- Hills Report , “Ends and Means: The future roles of social housing in England”;
- Leitch Report on post-16 learning: “Review of Skills, Prosperity for all in the global economy - world class skills”;
- Report of the Lyons Inquiry: “Place-shaping: a shared ambition for the future of local government”;
- Varney Report: “Service transformation - a better service for citizens and businesses, a better deal for taxpayers”.

These provide a backdrop for the current study, which is focused on understanding “The Future of Services to the Public”, with a focus on the future to 2030.

The study poses questions such as:

- **What is different by 2030**, what are the lifestyle and demographic trends which are likely to shape demand for services to the public? What services for the public will be required?
- **Can the Welfare State survive another 20 years** without radical change? What may fill the gap as it retrenches?
- **What are the services to the public which only the state can specify?** Deliver? Regulate? Commission?

2.2 THE APPROACH TO THE FUTURE OF SERVICES TO THE PUBLIC

The consortium sponsoring this project was spearheaded by CIPFA and SAMI Consulting. Sponsors were ICAEW, the Institute of Chartered Accountants in England and Wales; LGAR, Local Government Analysis and Research; LSC, the Learning and Skills Council; NHF, the National Housing Federation; NHS Confederation, for the National Health

Service; TUC, the Trades Union Congress; and with support from the CBI – Confederation of British Industry, ACEVO – the Association of Chief Executives in Voluntary Organisations, and ConFed – now the Association of Directors of Childrens’ Services. The shape of the project was designed by SAMI Consulting, in light of the requirements of the sponsors, and has four stages:

2.2.1 Developing a framework for the project

The first stage was defining which ‘services to the public’ were to be included. The services we chose were illustrative rather than exhaustive, and included health, education and housing, but did not explicitly address transport, infrastructure and security.

We used the dti Foresight scenarios 2020 to set the context: these are four scenarios which explore the nature of UK society and economy for the time period 2010 to 2030. The two axes are the nature of governance – interdependence vs. autonomy, and the nature of society, individually focused vs. community focused. The four scenarios are called World Markets (like the US), National Enterprise (like Switzerland), Local Stewardship (like Denmark) and Global Sustainability (like the Netherlands).

2.2.2 Exploring six themes relevant to the sponsors

- The sponsors chose themes, each relevant to the concerns of their members.
- We used interviews and desk research to draw out the strategic issues facing key participants in each theme.
- Each workshop addressed a key question, to identify and agree issues common to all of the scenarios, and to ear-mark particular issues for consideration by the sector concerned in its own strategy work.
- The content created by the interviews and the workshops was analysed in a Workbook, taking each topic mentioned and collating the facts and opinions expressed on it.
- We prepared a list of common issues and their relationship to the scenarios.

The six themes, questions and main conclusions were:

Housing: To stimulate debate, participants were asked what the housing situation will look like by 2030. Will houses be more affordable, will they be traded as an investment commodity rather than seen primarily as something to be lived in? How may climate change, technical progress and job mobility, etc, affect the situation by 2030?

Key issues and concerns which emerged were:

- an ageing population and population migration;
- the level and complexity of government intervention in the provision of social housing and ancillary services;
- overall housing demand pressures (including investor demand);
- inadequate housing land;
- problems of housing affordability, and constraints on public funding and housing investment;

- risks of polarization in the housing market and the emergence of an underclass;
- and a failure to create balanced communities, supported by adequate services and infrastructure.

There was a clear need for a simplified structure of government with greater ease and clarity of decision-taking; greater choice and flexibility of housing tenure; a continuing and critical role for philanthropy and the third sector, to support the really needy and disadvantaged; and provision of wider social and other support, not just housing shelter.

Health: How will health provisions look by 2030? How will they be accessed, delivered and funded? What will it be like to use or work in the NHS? Some strong common themes emerged. These were the need for:

- effective integration of health and social care services;
- agreed levels of minimum entitlement;
- overcoming the taboo on words like rationing, so a real debate can held and expectations managed;
- agreed standards (Kite Mark) for the delivery of services;
- robust independent inspection of service provision;
- and a legal and commercial environment that encourages market entry by providers both inside and outside the UK.

Learning and Skills: How will skills be provided by 2030? The main conclusions were that:

- there seems to be a pressing opportunity for brokers (think Expedia or Ebay) to act between service providers and users;
- an approach of “letting a thousand flowers bloom”, either through local (“city state”) initiatives or through the mechanism of the market (i.e. entrepreneurial initiatives) is needed to overcome the current overly complex system and the level of skills development flagged by the Leith Review;
- and a reduced role for the nation state in skills provision by 2030.

Employment (TUC): what is the implication for employees and Unions of the world by 2030? The main conclusions were that:

- there will be an underclass & there will be diversity;
- in this world TUs could be a source of stability and values – sustainability (adaptable, viable in long term), fairness and social justice, accountability, safety, quality, equality;
- the public sector unions ought to be guardians of the public service ethos, and facilitate the development of learning & skills.

Business (ICAEW): what factors will determine the development and provision of public services towards 2030? Three principal factors were identified:

- governance to ensure equity and fairness to all in an increasingly complex world;
- quality of service, value for money and differences between lifestyle choices of constituents;

- coping with the untalented, the unskilled and the economically and socially excluded.

Local Government: The Local Government Analysis and Research Group (LGAR) sponsored the strand of the research regarding the future from the perspective of local government. We developed three intertwined themes:

- What might local public services look like by 2030?
- What would be the major issues facing local government?
- What would be the scale and impact of developments in the mixed economy of providers of public services?

From the interviews and workshop, key issues raised included:

- Future trends made it ever more essential for powers from central government to be effectively devolved to the right level of governance (local, sub-regional, regional) to best ensure democratic accountability and co-ordination between all the many stakeholders crucial to the development and delivery of public services in localities.
- A particularly important trend was the increasing divergence – demographic, social economic and environmental – between localities, with the need for structures of governance and delivery of public services to be able to maximise responsiveness to choice, productivity and effectiveness in the context of the diversity of residents, workers and stakeholders in the locality.
- This workshop felt that the likely future combined aspects of world markets and global sustainability. The autarchic features of local stewardship were only likely if there was a considerable economic, political or environmental shock – although consideration of local bartering systems for public services was interesting! Would government at local level be able to rise to all these challenges – having both the powers to do so, and the capacity?
- Would the trends towards greater provision of services from the private and voluntary sector continue, or had this reached its limits? Would we learn from some American experiences, where a proportion of services are kept in-house to provide a benchmark and check against abuse from monopolies and oligopolies? Might national government and the devolved administrations have a role in ‘market building’ funding innovation and supporting niche providers? How should the funders of public services, at all levels make the best use of their powers in the market?
- There was widespread agreement on the need to build capacity for procurement and commissioning across the public sector. Whilst progress in procurement skills is being made within local councils, commissioning is still worryingly primitive, and generally unable to capture and support the energy and ingenuity of all providers – those managed directly by authorities, as well as the private and voluntary sector.

2.2.3 The Conference

The third stage of the study was to hold a conference to share, test and challenge the early analysis. It took place at Church House, Dean’s Yard, London, on May 14th, with 95 senior participants from a range of NGO, public sector and private sector organisations. A list of participants in the conference and workshops is included as Appendix 2. The

purpose of the conference was to share, test and challenge the findings arising from the six themes, to focus on issues spanning all six themes, and to bring out topics for research.

The format was:

- Introduction by Polly Toynbee, who was in the Chair throughout
- Keynote speakers, each taking a scenario:
 - Sir Michael Barber of McKinsey (World Markets)
 - Matthew Taylor of Royal Society of Arts (Global Sustainability)
 - Professor Jean Hartley of Warwick Business School (National Enterprise)
 - Julia Unwin of Joseph Rowntree Foundation (Local Stewardship)

Topic speakers:

- Brendan Barber of the TUC on the implications for the workforce
- Gary Sturgess of the SERCO Institute on the role of the private sector
- Ross Hendry of NCH on the role of the third sector
- Syndicate working to create options for policy and strategy from the scenarios and workshop outputs
- Feedback from the syndicates on:
 - Key Issues
 - What should providers do differently?
 - What should other stake-holders do differently?
 - Topics for research

The conference and workshop outputs form the bulk of this report.

2.3 NEXT STEPS

This Report is seen as the first step in a wider dialogue, as a catalyst for further discussion and research to support the provision of better 'Services to the Public' in the future.

The next chapter, Chapter 3, of this report describes the trends and scenarios for the UK to 2030.

Chapter 4 draws out the key issues and their implications.

Chapter 5 contains our conclusions.

Appendix 1 lists the project team, which was a mixture of the sponsors and SAMI Consulting staff. Appendix 2 is the list of participants in the process leading to the report.

Appendix 3 is a short list of background references which helped shape the context for the study.

Volume II contains the rich material gathered during the project. It is supplied on CD-ROM and is attached to the inside back cover of this publication.

Chapter 3

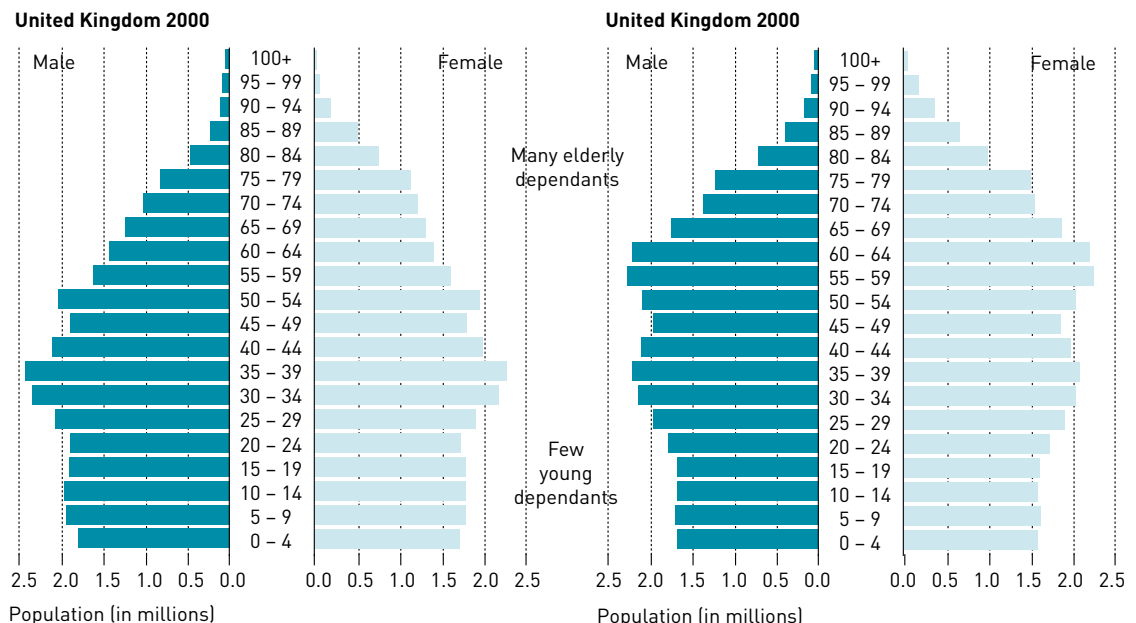
2030 – what sort of world is it?

3.1 TRENDS SHAPING 2030

3.1.1 Force for change – demographics in the UK

By 2030 the UK population demographics will be significantly different from today. Increased longevity plays its part. As Frank Field points out, retirement would now be at age 74 to reflect post-war assumptions about the number of years in retirement, and this is expected to increase to 79 by 2025. At the same time, the average number of children per woman is decreasing. The effect of this can be seen in the Figure below.

In the UK 2000 pyramid there is a noticeable bulge in the 30-39 age groups, with the numbers thereafter reducing fairly steadily as the ages increase. Compare this with the 2025 pyramid, where the bulge has now reached 50-59. There are fewer children and young people in 2025, though the workforce has been augmented by immigration.



The UK's future dependency ratio (those 65 or older compared with those aged 15-64) is not atypical, and not as high as many countries. But the trends are sufficient to raise the percent of UK GDP spent on state pensions, health, long-term care and public service pensions by about 20% to 2030, from 15% to 18% of GDP, if there are no changes in policy.

3.1.2 Global forces for change

In the introduction to the Comprehensive Spending Review, HM Treasury focused on five drivers of change which will drive the agenda beyond a ten year horizon and **may well change the basis on which we consider services to the public**, viz:

- A rapid increase in the old age dependency ratio as the “baby boom” generation reaches retirement age;
- The intensification of cross-border economic competition as the balance of international economic activity shifts towards rapidly growing emerging markets such as China and India;
- An acceleration in the pace of innovation and technological diffusion and a continued increase in the knowledge-intensity of goods and services;
- Continued global uncertainty with ongoing threats of international terrorism and global conflict; and
- Increasing pressures on our natural resources and global climate from rapid economic and population growth in the developing world and sustained demand for fossil fuels in advanced economies.

These trends will be compounded over the next 20 years and beyond by additional factors such as climate change, changes in patterns of health and disease, and changes in people’s lifestyle and expectations of services. These global trends provide the backdrop to our work.

3.1.3 Global trends with direct implications for services to the public

The McKinsey Institute has identified 10 global trends with implications for the public sector, summarised in the Figure below.

The macro-economic trends all arise from the increase in economic activity in India, China and other parts of Asia. A middle class of some 300 million in India and a similar number in China will create new markets and dynamics in the world economy. The table below outlines the major shift in the balance of world trade and economic strength between now and 2050. Although our living standards will grow in real terms, Europe’s share of the world economy will decrease.

Country/region	GDP 2005	GDP 2050 (PPP)
US	100	100
EU (including UK & Turkey)	69	61
Brazil, Russia	25	39
India, Japan, Korea, Indonesia	78	140
China	76	143

Source: PricewaterhouseCoopers, 2006: relative to US = 100

The social and environmental trends reflect increasing consumer/citizen demands, due to wider aspirations, and the real constraints affecting services paid for out of the public purse. Mobility or “turbulent tides of people” is not just an issue in the UK: Toronto’s

population for instance is 57% foreign born. Social life in a technological world refers to the effect of virtual worlds on “real” social life, and the social cost of the free market is an ongoing test of society. Just as globalisation puts pressure on wage levels for low skilled jobs, so it allows for high returns for those with skills in short supply, with an increasing wage gap. In the US, income for the top .1% has increased by a factor 5 since 1970, while median wages have hardly increased at all.

The business trends capture the fact that globalisation is causing new industry structures. Historically, trade between under-developed countries and Europe/the US was based on the supply of raw material to and manufactured goods from Europe/US. The new industry structures result partly from the nature of supply of manufactures from under-developed countries. IT has had other effects on industry structure, not least of which is to support a new economics based on intellectual property (which is infinite) rather than goods, labour or capital, which are finite.

Ten Global Trends

Macro-economic trends

Shifting centres of economic activity
Overburdened public sector
New consumers

Social and environmental trends

Limited resources, unlimited demands
Turbulent tides of people
Social life in a technological world
Social cost of the free market

Business trends

New industry structures
New science of management
Economics of knowledge

Source: McKinsey Institute

These trends form a common backdrop to the scenarios.

3.2 USING SCENARIOS TO THINK ABOUT THE FUTURE OF SERVICES TO THE PUBLIC

The scenarios used were developed by a team of researchers at SPRU-Science and Technology Policy Research, University of Sussex, in consultation with stakeholders from business, government and academia, for the dti (Department of Trade & Industry). They build on an extensive review of national and global futures scenarios. The scenario storylines draw on an analysis of current socio-economic trends, but they also introduce elements of novelty and change. The main criteria for the development of scenario storylines are consistency and plausibility.

Scenarios are not intended to predict the future. Rather, they are tools for thinking about the future based on four assumptions:

- The future is unlike the past, and is shaped by human choice and action.

- The future cannot be foreseen, but exploring the future can inform present decisions.
- There are many possible futures; scenarios map a 'possibility space'.
- Scenario development involves rational analysis and subjective judgement.

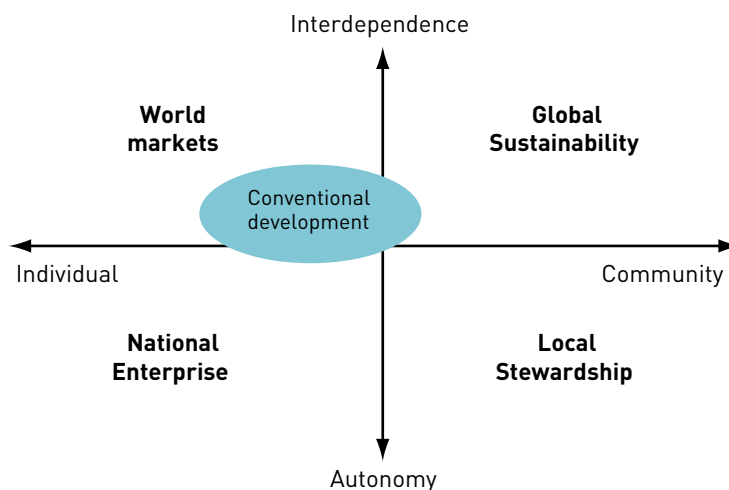
The four scenarios used here describe what the UK could be like during the period 2010–2030.

The figure below shows the four scenarios (World markets, Global sustainability, National enterprise, Local stewardship) and conventional development in relation to two drivers of change: social values (x axis) and systems of governance (y axis). Social values range from individualistic values to more community orientated values. Systems of governance deal with the structure of government and the decision making process, ranging from autonomy where power remains at a national level or becomes more regional, to interdependence where power increasingly moves to other institutions e.g. up to the EU, or to other international bodies, or to multi-national corporations.

The scenarios can be compared to different countries as role models – these analogies are by no means complete but are intended to inform the discussion!

- World Markets – USA
- Global Sustainability – Netherlands
- Local Stewardship – Denmark
- National Enterprise – Switzerland

Four Scenarios



The scenarios are presented in the sections which follow as storylines which set out the general trends and provide more detail in a number of areas – we have taken as our timescale 2030:

- International context;
- Economy and sectoral trends;
- Employment and social issues;
- Regional development;

- Education, welfare and health;
- Environment and sustainability;
- Implications for services to the public.

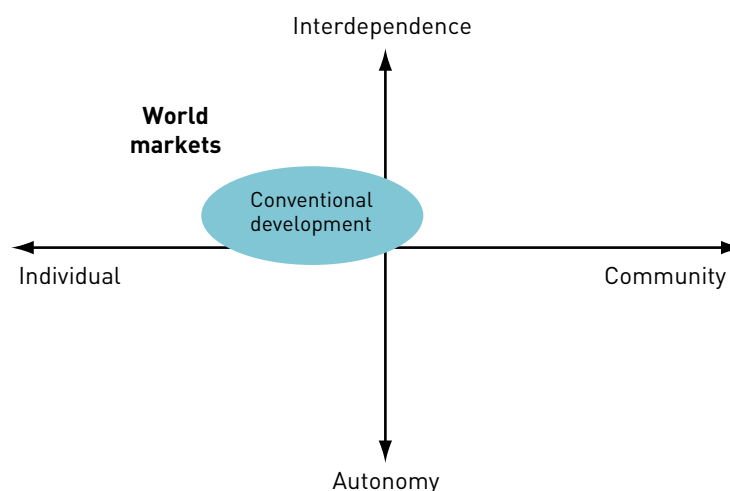
3.3 WORLD MARKETS

People aspire to personal independence, material wealth and mobility to the exclusion of wider social goals. Integrated global markets are presumed to be the best way to deliver this. Internationally co-ordinated policy sets framework for the efficient functioning of markets.

The provision of goods and services is privatised wherever possible under a principle of 'minimal government'. Rights of individuals to personal freedoms are enshrined in law. High economic growth.

Scenario drivers:

This scenario assumes that people want to improve their own lives and are less concerned about equality and the effect that this might have on society as a whole. Business is focused on developing global markets and global competition becomes more intensive. Government becomes more international with increasing global co-operation. There is a shrinking role for government in the provision of healthcare, education and other social services. Pressure grows to reduce taxes, and more public services are privatised or privately managed. Self-regulation and NGOs become more important. Europe has a greater role in decisions on defence, economic and social policies. More devolution of political power occurs within the UK, but these regional bodies remain weak. Government shares power with business and NGOs and are very responsive to public opinion. Political parties become more customer-oriented in a consumer-based culture. European countries move towards systems of government similar to those of the UK and USA.



International context: International co-ordination deepens in trade, commercial and consumer protection law, defence and security, regional currency zones emerge around the world and interest rate policy is co-ordinated. Minimum standards of social and environmental policy are achieved. Key tensions are the distribution of resources and

power between rich and poor regions of the world and economic migration. Tensions frequently break out in local conflicts.

Economy and sectoral trends: New technologies increase productivity. Manufacturing is further marginalised and agriculture continues to decline in the UK. Growth is concentrated in services (health and leisure, financial services, media and information services) and high-tech sectors.

Global markets are dominated by a few multinational companies but there is high specialisation by innovative niche producers. The UK energy market continues to be dominated by fossil fuels. High mobility and housing development demand new investment in transport. Construction rapidly increases its use of technology. Competition is intense in all sectors.

Employment and social issues: The demands of a dynamic economy lead to a highly mobile and flexible labour force. Professional skills are highly valued in a global labour market. The benefits systems are squeezed. Leisure time is constrained for the professional class and leisure is characterised by high levels of consumption. An ageing population is balanced through a larger number of immigrants.

Regional development: Most regions benefit from the stable economic growth. Planning controls are relaxed and the distinction between the country and the city blurs, especially in the South East. The trend to smaller households intensifies, increasing demand for housing.

Education, welfare and health: Private services become more widely used. State provision increasingly targets the poor and disadvantaged. There is more high-tech health care focusing on curing diseases and more holistic health promotion services.

Environment and sustainability: 'Marketisation' of the environment, with explicit monetary values ascribed to environmental services and resources leading to, charging, and trading of rights. There is greater emphasis on self-regulation and corporate social responsibility. There is failure in reducing greenhouse gas emissions.

The implications are:

- Governments are under pressure around the world to increase productivity and levels of service without raising levels of tax.
- There is a growing consensus, which was not true ten years ago, that populations are willing to be taxed (up to a limit of say 40% of GDP) if they can see results: and that a number of the issues are becoming international, such as climate change and public health.
- A new type of contract between citizen and government is emerging as a number of aspects of life need the active participation of citizens – obesity, crime and security, reading and writing skills.
- There is a perceived need to redraw the organisational boundaries and relationships between the public, private & NGO sectors and with central/local/regional government.
- There is an increasing war for talent. For instance, the UK needs to recruit about 30,000 teachers per year, and by international comparisons (Finland, Korea) we have

not been getting enough of the best graduates into teaching – an illustration of the need to position public services as worthy of respect.

- A revolution in the ability to capture and use data is enabling a new wave of evidence based policy – this is a major challenge for local government in the UK.

The view of the discussions at Workshops and the conference was that this scenario was where the UK was currently heading, and that it could be prudent to design public services with this in mind.

3.4 NATIONAL ENTERPRISE

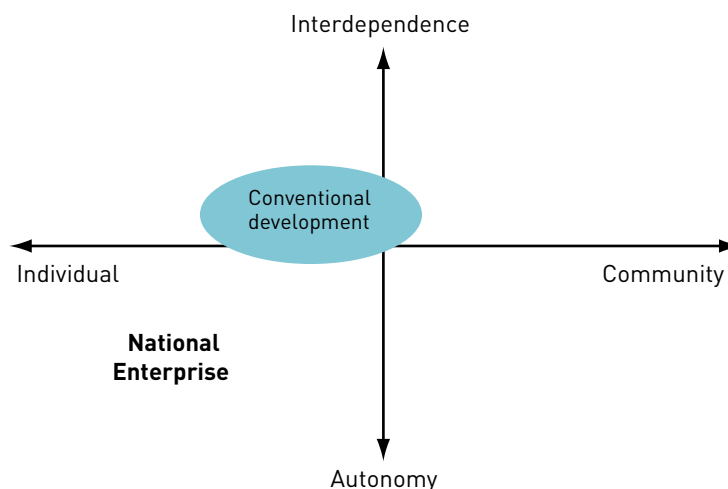
People aspire to personal independence and material wealth within a nationally-rooted cultural identity. Liberalised markets with a commitment to build capabilities and resources to secure a high degree of national self-reliance and security are believed to best deliver these goals. Political and cultural institutions are strengthened to buttress national autonomy in a more fragmented world. Economic growth is medium-low.

Scenario drivers:

This scenario assumes that people value personal freedom but within the context of a strong and independent United Kingdom. Business is more focused on UK and European markets, seeing greater instability and barriers in other parts of the world.

People are patriotic and keen to preserve a distinctive national identity. They would prefer political power to remain with the national government and believe in the role of markets and enterprise. Promoting personal responsibility, the government pulls back from the provision of core services.

The UK's relationship with the EU remains at arms-length, retaining responsibilities for defence, foreign and economic policy. The traditional relationship with the US is strengthened. Market values dominate, but government policies limit international competition and protect key national industries. As a result, long-term economic growth is somewhat reduced.



International context: International co-operation is limited to traditional domains. Economic globalisation continues with growing international investment, but is constrained by national monopolies in key sectors. European integration comes to a

standstill. Regional conflicts persist around the world, especially in Africa and central and south Asia.

Economy and sectoral trends: This is a medium growth scenario over the long term. British companies are protected in the UK. Foreign direct investment continues to be important as labour markets are further deregulated and corporate taxes competitively reduced. The rate and spread of technological and organisational innovation is slowed by restraints on competition. The service sector grows moderately. The informal service economy flourishes. The transport and communication sectors suffer from low levels of investment.

Manufacturing has lower levels of innovation, low investment and low labour costs. Traditional construction techniques continue to play a major role. There is a drive to exploit domestic sources of energy. Energy security is the driver for investment in energy efficiency and renewables. There is a continuing reliance on private transport with little growth in public transport. Congestion increases. Food prices remain low as agriculture continues to be strongly subsidised.

Employment and social issues: Unstable economic development and a lack of job creation lead to higher levels of unemployment. The job market remains relatively open for unskilled and semi-skilled workers, who continue to be in demand in manufacturing, construction and agriculture. But wide differences in income exist and social tensions grow. Working hours increase, especially for the lower paid moonlighting in the informal sector. The increase in pensioners and fewer people in work is a challenge to public finances, as immigration is low.

Regional development: Current regional economic differences continue. Housing demand remains stable due to medium economic growth and low social provision. Planning controls are weakened to encourage economic development.

Education, welfare and health: The NHS and state school system remain the main source of provision but there is continued pressure for efficiency gains and those who can make use of privately-funded services. Social service provision declines with relatively low concern about social inequality and exclusion.

Environment and sustainability: Regulation of the environment continues to be the responsibility of national government. Policies are implemented through the market. People are concerned about the quality of the local environment and amenities, at the same time as planning controls get weaker.

The implications are:

- Governments are under pressure around the world to increase productivity and levels of service.
- There is a growing consensus, which was not true ten years ago, that populations are willing to be taxed (up to a limit of say 40% of GDP) if they can see results.
- Many issues are becoming international, such as climate change and public health.
- A new type of contract between citizen and government is emerging as a number of aspects of life need the active participation of citizens – obesity, crime and security, reading and writing skills, housing. Affordable public services are created with the

active participation of citizens, where devolution of power is managed without post code lotteries.

- There is a perceived need to redraw the organisational boundaries and relationships between the public, private & NGO sectors and with central/local/regional government.
- There is an increasing war for talent. For instance, the UK needs to recruit 30,000 teachers/year, and by international comparisons (Finland, Korea) we have not been getting enough of the best graduates into teaching – an illustration of the need to position public services as worthy of respect.
- A revolution in the ability to capture and use data is enabling a new wave of evidence based policy – this is a major challenge for local government in the UK.
- There is a need in this scenario to educate people to be responsible and self-sufficient – extending from knowledge-based curricula to problem solving, adaptability, communication.
- To create the community ethos in this scenario, people need to be altruistic in volunteering to create a strong social fabric. Web 2.0 may be more successful in supporting this than the first Internet wave.

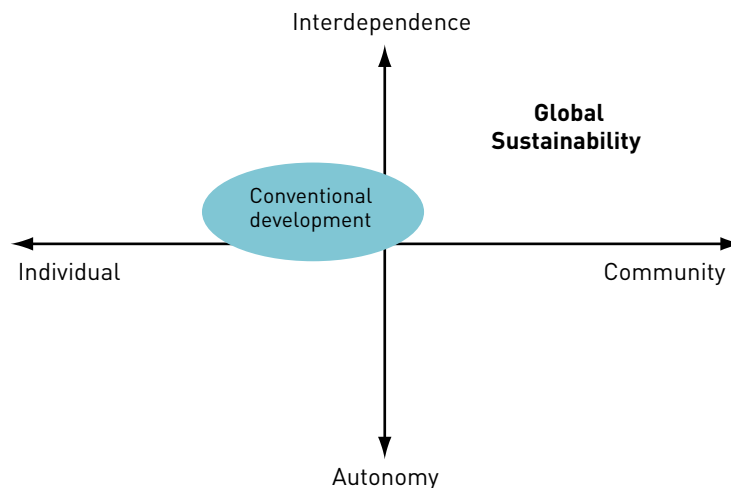
The view of the discussions at Workshops and the conference was that this scenario describes the UK now, but that the UK was unlikely to stay in this model.

3.5 GLOBAL SUSTAINABILITY

People aspire to high levels of welfare within communities with shared values, more equally distributed opportunities and a sound environment. There is a belief that these objectives are best achieved through active public policy and international co-operation within the European Union and at a global level. Social objectives are met through public provision, increasingly at an international level. Markets are regulated to encourage competition amongst national players. Economic growth is medium to high.

Scenario drivers:

This scenario assumes that people want to be part of the wider community, both nationally and internationally. Business aims to work internationally but balances pursuit of profit with its social responsibilities. Achieving a balance between economic, social and environmental policy is important. The government plays an important role in providing education, healthcare and other social services, but the welfare state works increasingly on an international level. The EU expands and takes on a greater role. Regional government also gains greater power. Deciding where accountability lies becomes complicated but transparency is important.



International context: International co-ordination covers many domains: security, economics, resources and environmental protection. There is more institutional collaboration of governments, NGOs and the private sector but their responsiveness and accountability is a key tension. International trade grows. Major flows of capital and technology towards the south of the globe are encouraged.

Economy and sectoral trends: Innovation and international competition enable stability and fairly high economic growth. In the UK resource-intensive sectors decline, but low impact sectors thrive. Interest rates are low, with high levels of investment. Opportunities arise in fast growing developing countries. Working hours decline and there is more leisure time. There is high mobility of labour. The service sector grows but is combined with goods supplied under service packages. Manufacturing industry is transformed becoming more resource efficient. There is rapid replacement of low-quality buildings and infrastructure under strict development controls. UK contractors seek advanced construction techniques. Renewable energy sources become fully commercial and gain a large market share. Nuclear power re-enters the debate. Freight and passenger transport is improved but a tension persists between a mobile society and environmental concerns. Agricultural policy is to balance high yields with high biodiversity and low environmental impact. Livestock farming declines.

Employment and social issues: Stable economic conditions are combined with a high-skill, high-wage labour force and low unemployment. The demands for a dynamic labour force are limited by regulation. A global market develops for a wider range of occupations as professions are recognised internationally. Income differences are reduced. Education aims provide equal opportunities in a job market with rapidly changing skills, but parts of the population are still excluded which causes tensions.

Regional development: Regional development is more evenly distributed but management of manufacturing's transition is an issue. There are strong planning controls. Housing demand is met by dense low-rise urban development with more emphasis on better-quality housing for socially disadvantaged groups.

Education, welfare and health: Europeanised education, welfare and health care provides a safety net financed by higher taxes. There is a shift from care for the sick to high-

tech preventive care, with an emphasis on personal responsibility. High quality public education reinforces social and environmental values.

Environment and sustainability: Reconciling growth and global sustainability is one of the guiding principles of this scenario. Ideological concerns are translated into practical action. Policy is increasingly co-ordinated at the EU and international level.

The implications are:

- The government is under pressure to increase productivity and levels of service without raising levels of tax.
- There is a growing consensus, which was not true ten years ago, that populations are willing to be taxed (up to a limit of say 40% of GDP) if they can see results. This is based on a number of engagement processes which have built a high trust society.
- A new type of contract between citizen and government is emerging as a number of aspects of life need the active participation of citizens – obesity, crime and security, reading and writing skills. Tackling poverty and social exclusion is the remit of education, including self-help groups.
- There is a perceived need to redraw the organisational boundaries and relationships between the public, private & NGO sectors and with central/local/regional government.
- The public sector finds it easier to recruit in this scenario due to high unemployment. There are a number of local schemes to tackle unemployment (as in Sheffield in the 80s).
- A revolution in the ability to capture and use data is enabling a new wave of evidence based policy – this is a major challenge for local government in the UK.

This scenario was initially viewed as a desirable future, though less likely than World Markets. However after discussion, problems emerged – such as slow decision making and hence lack of adaptability, and the need for employees and citizens to play an active role.

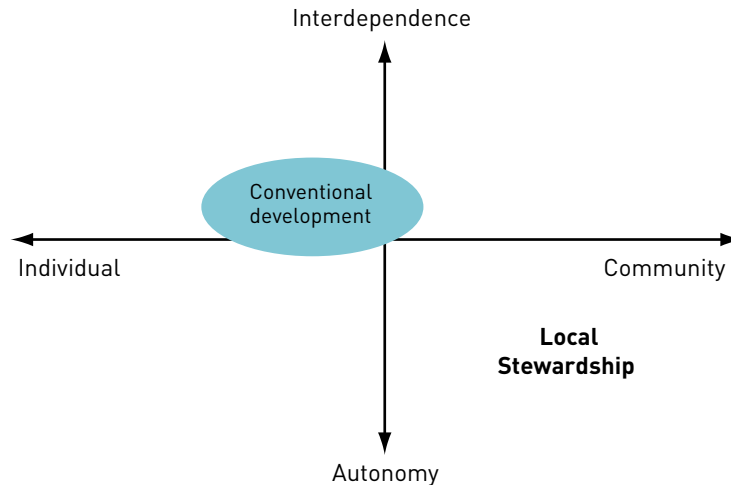
3.6 LOCAL STEWARDSHIP

People aspire to sustainable levels of welfare in federal and networked communities. Markets are subject to social regulation to ensure more equally distributed opportunities and a high quality local environment. Public policy promotes economic activities that are small scale and regional, and constrains large-scale markets and technologies. Local communities are strengthened to ensure participative and transparent governance in a complex world. Economic growth is low.

Scenario drivers:

This scenario assumes that people see themselves as part of the local community and this encourages development at a regional level using local resources. Business focuses on the specific needs of customers, leading to new business models. Being small and local becomes a competitive advantage. Fairness, the environment and conservation are strong political objectives. More people take part in politics. Power is devolved to regional government in the

UK. Health, education and social services are publicly funded through high levels of taxation. Political and business cultures become more inward looking. Economic growth is slow but in some ways quality of life is improved.



International context: The goal of international co-operation is to secure local and regional economic and political autonomy but some alliances are weak. The promotion of local production, efforts to minimise transport, and trade restrictions restrict international commerce. The EU develops as a loose association between European regions.

Economy and sectoral trends: By conventional measures, growth is low in this scenario. Companies face lower competition and economic and technological developments are constrained. Private investment decreases. Services remain the most important area of the economy but the demand for services is oriented towards basic needs. Personal services become increasingly localised. Social attitudes hamper new technologies and tight regulation ensures that production is environmentally and socially acceptable. Investment and innovation in manufacturing is low. SMEs, co-operatives, and mutual societies prosper. The economy is relatively stable, but high-tech sectors and international services decline.

There is stress on eco-efficiency, quality and durability in consumer goods and 'service' relationships between producers and customers, with local maintenance and recycling. Traditional housing still dominates. Construction is dominated by small firms but skills are enhanced. Energy supply is restructured around local energy resources, whether fossil or non-fossil fuel. Renewable energy is subsidised by energy taxes. High energy prices and low economic growth reduce demand for energy and transport. Although private cars still dominate, public transport is extended. Car sharing, cycling and walking etc increase. Farming is heavily subsidised to protect food security and local communities, and UK output grows. The major retailers lose market share to smaller scale outlets. Sales of processed and imported food and meat decline.

Employment and social issues: Unemployment levels are relatively low despite low rates of economic growth, because of growth in labour-intensive sectors, increased informal employment, and publicly-funded employment schemes. Strong emphasis is given to education and training. Working hours stabilise but do not fall due to slow productivity

improvement. International markets are limited to specialised professional skills. Income differences are dramatically reduced.

Regional development: The demand for new housing declines due to lower incomes and larger households. Tight planning controls lead to denser urban development but there is migration from the larger cities to towns. Increased farming conflicts with nature conservation. Development policies ensure that basic facilities are available close to people's homes.

Education, welfare and health: There is a high level of public education, welfare and health services, but a weak economy requires an active role by families, neighbours and local community organisations in supporting people in need.

Environment and sustainability: Sustainable development is an underlying objective of this scenario using technology and ingenuity to maximise the sustainable use of local resources. Global environmental problems get less attention.

The implications are:

- There is a perceived need to redraw the organisational boundaries and relationships between the public, private & NGO sectors and with central/local/regional government.
- Local governments are accountability democratically, and set levels of tax and determine services for the locality. There is a widening gap between the rich and the poor in terms of geographical separation, and the hardening of the persistent core of the underemployed. The voluntary sector operates on a local level (within pram pushing distance).
- A new type of contract between citizen and government is emerging as a number of aspects of life need the active participation of citizens – obesity, crime and security, reading and writing skills.
- The war for talent is constrained due to decreased mobility. Rich areas can attract talent, poor ones cannot.
- A revolution in the ability to capture and use data is enabling a new wave of evidence based policy – this is a major challenge for local government in the UK. Other challenges for local government in this scenario include the re-creation of business/society links and creating a different set of relationships between government and the public as exemplified by Housing Associations.

For some services to the public, there is recognition that social dis-function is often very local – for instance a few families known to the Police and teachers – could cause a localisation of services. However the ongoing role of the media in bringing out comparisons, and the citizen's view of the post code lottery as being "not fair", suggest that this scenario would only come about as a result of some extreme event.

What might cause this to happen? Climate change and the perceived need to reduce travel could push the UK into this mode – but it would need to be an extreme event such as extensive flooding of the Thames Estuary and London which forced the decision.

And in many ways the genie is already out of the bottle, with citizens shopping for medical treatments globally, and the creation of communities of affiliation across distance.

The question prompted by this scenario is – are there some services which are work well when tailored to local responsibility? The hospice movement has been used as one example.

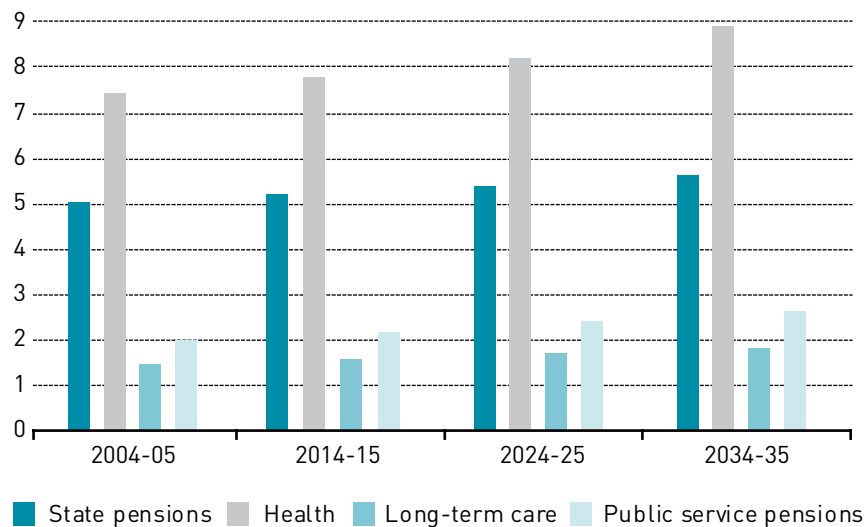
Chapter 4

Key Issues and Implications

This list of key issues below was developed through interviews with thinkers and influencers, during the workshops and discussions in syndicates and plenary at the conference.

The possible resolution of the issues may well be different in each of the scenarios – we sketch out some of the differences below. The issues are set in the context of the demographics – without policy changes there will be pressures on public spending arising from health and social care – see the figure below. It shows that without policy changes, public spending on state pensions, health care, long-term care and public service pensions, will all increase over the next decades.

Public spending as % of GDP



Source: Cabinet Office, November 2006

4.1 THE UK IN 2030

What is different in 2030, what are the lifestyle and demographic trends which are likely to shape demand for services to the public towards 2030? What services for the public will be required beyond 2030?

- **There needs to be a consensus on personal vs. state responsibility, led by an honest debate over trade-offs.**

These trade-offs will involve levels of tax vs. scope and levels of services, e.g. targeted or universal provision.

World Markets: in this scenario the focus is on personal responsibility;

Global Sustainability: A greater community – shared- responsibility;

Local Stewardship: Shared responsibility within a locality, with many local differences;

National Enterprise: Individual responsibility within a low growth economy leads to social tensions.

- **There seems to be growing concern over ageing, immigration, emigration of young professionals, greater social inequalities and ghettos. What will be the impact of this concern on key services (health, housing, care provision, etc)?**

World Markets: market forces dominate the provision of services to the public globally. Health care and education become global markets. Migration is high and social inequalities cause tensions;

Global Sustainability: Global markets ameliorated by international agreements;

Local Stewardship: Reduced mobility and post code lottery across a range of service provision;

National Enterprise: Unstable economic development leads to increased regional differences and greater social inequalities.

- **Will consumers demand greater choice of services and expect them to be focused on their individual needs? Will producer perspectives increasingly be challenged by consumer imperatives? How will ever rising expectations be met? Can they be?**

World Markets: consumers have a global perspective and range of choices;

Global Sustainability: A communitaire approach tends to bring a lowest common denominator to service offerings;

Local Stewardship: A focus on the needs of the majority in that locality;

National Enterprise: development of new paradigms in response to consumer demands slow due to medium growth and low levels of investment: disconnect causes tensions.

- **Where does the social glue come from?**

World Markets: Perhaps communities of affiliation? Hard to see a geographic basis;

Global Sustainability: A communitaire approach permeates with an emphasis on social glue;

Local Stewardship: A focus on the needs of the majority in that locality makes the social glue homogeneous but differentiated between localities;

National Enterprise: Social glue results in some communities where it is the norm not to work, and to resist education.

Conclusion: Some of the outlines are clear – a mobile population, except for the under-privileged; a well-informed and vocal middle class; a new and growing super-rich class; an increased proportion of the population over 65 and decreased between 15 and 64, increased numbers of surviving disabled children.

4.2 FUNDING AND DELIVERY OF SERVICES TO THE PUBLIC

Can the Welfare State survive another 20 years without radical change? What may fill the gap as it retrenches?

- **Will a new funding model be needed to accommodate sources other than central taxation? (Pay-as-you-go, local taxes, borrowing, etc)**

World Markets: emphasis on indirect taxation to capture income from non-residents;

Global Sustainability: A high tax regime, stretching the funding model to breaking;

Local Stewardship: Local taxes and local services have increased importance;

National Enterprise: the government pulls back from service provision and the tax burden is less.

- **Will resource constraints force government to focus on provision of free services only to really disadvantaged citizens; and will most people be required to have to pay up front for a growing range of services?**

World Markets: a world of increased inequality with a reduced safety net, so that many people will pay up front for a growing range of services;

Global Sustainability: an internationally agreed set of welfare entitlements could be a smaller set than in the UK today;

Local Stewardship: A post code lottery will determine the level of services to the public and the extent that they are free;

National Enterprise: The government pulls back from the provision of core services, reducing the need for a new funding model.

- **Will the middle class be increasingly squeezed between a growing demand for payment for services and their mortgages and education debts, whereas the rich will more readily afford to pay for services and the poor will have free basic provision of services guaranteed? Can the middle class continue to increase in numbers?**

World Markets: a world in which the rich are mobile, the poor are covered by a safety net, and the middle class struggle to protect their children from downward mobility;

Global Sustainability: A more extensive safety net lessens the financial implications of downward mobility;

Local Stewardship: Reduced mobility places high pressure on the middle class in poorer neighbourhood;

National Enterprise: The middle class are squeezed due to slower economic growth, though they can obtain health and education free at the point of delivery subject to availability.

- **How much will the provision of services be used to effect a redistribution of wealth?**

World Markets: not at all;

Global Sustainability: Yes, both within the UK and between nations;

Local Stewardship: Probably considerably within a region, but not much between regions.

National Enterprise: not to any great extent.

- **Will the tolerance of tax payers for free provision to non tax payers reach breaking point? Shall we see the decline of the universal welfare state reach a crisis point in the next 20 years? Where should the safety net be pitched?**

World Markets: Yes, due to desires to have internationally competitive (low) tax rates;

Global Sustainability: Yes, due to the international pressure to invest in infrastructure (roads, schools, etc) to be competitive, replacing welfare spending above agreed international standards as a priority;

Local Stewardship: Yes, as local regions find that they cannot provide for their citizens;

National Enterprise: Yes, the increase in social tensions causes the welfare state to be questioned.

- **To what extent may technology “ride to the rescue” of public provision of services to the public or will it act as a spur to consumer demands?**

World Markets: Technology can help in provision of education and health services, crime prevention and traffic management: but not in many of the face-to-face services such as school dinners, caring for the elderly. International trade develops in technological support for services;

Global Sustainability: as above;

Local Stewardship: Less use of technology due to lack of critical mass for services;

National Enterprise: Some use of technology but less use of international sources, more NIH.

- **How can public services be adaptable in a time of change?**

World Markets: International pressures and comparators force adaptation;

Global Sustainability: A stable long term framework through international agreement – less capability for adaptability;

Local Stewardship: Mechanisms built in through local control;

National Enterprise: The UK resists change including in public services.

- **How can we get better at accountability – across organisations – and including the role of the regulator?**

World Markets: Accountability requires globally understood regulations;

Global Sustainability: Regulators operate at an international level through consensus between governments;

Local Stewardship: Mechanisms built in through local control;

National Enterprise: Accountability through national regulations.

Conclusion: the welfare state cannot survive in its current form for another 20 years. Filling the gap will require a number of forms of work, from the older age groups and

from the disabled. There will also need to be more unpaid activity – caring, volunteering, community support.

4.3 GOVERNANCE AND THE ROLE OF GOVERNMENT

What are the governance requirements for effective services to the public? How do these change as the world becomes more complex and more global?

- **The role of government needs to include setting a stable long term “direction of travel” and framework covering regulation, commissioning, delivery, local/national responsibilities. How can this be achieved in a short term political system?**

World Markets: the role of government is reduced but does include setting the (minimal) framework;

Global Sustainability: extensive discussion and engagement leads to a stable framework but the “system” lacks responsiveness;

Local Stewardship: Set by the locality under local democratic control, likely to be stable;

National Enterprise: UK seems to be tending to a consensus that public services are desirable, so a national framework could emerge.

- **Will decision making on standards and governance shift away from a national focus towards regional, local and European control?**

World Markets: less focus on the role of governments in standards and governance – more on defacto decisions by multinationals;

Global Sustainability: European level decision making;

Local Stewardship: Regional & sub-regional decision making;

National Enterprise: National government remains the control point.

- **What level of government control in the provision of services to the public is effective without excessive bureaucracy?**

World Markets: a reduced government presence;

Global Sustainability: Complexities arising from European, national, regional tiers of government with confused responsibilities;

Local Stewardship: Difficult environment for services provision from other regions but simpler for locally provided services;

National Enterprise: a reduced government presence but without reform of the bureaucracy.

- **Will too much day to day control by government detract from more valuable focus on strategy and innovation? What is the balance between day-to-day control by government, and strategy and innovation?**

World Markets: no, but governments have very little control over global forces and strategy is restricted to short term expediency;

Global Sustainability: European ideas improve public services in the UK;

Local Stewardship: less strategy and innovation, a focus on delivery at local level;

National Enterprise: reduced government both in control aspects and in strategy/innovation aspects.

- **Will government's role shift to become a commissioner, rather than provider, of services; relying increasingly on the private and voluntary sectors for delivery? What will be the labour market and work force impact of this change?**

World Markets: The government will commission services with a view to international competitiveness and rely increasingly on the private and voluntary sectors for delivery. This will reduce the public sector work force;

Global Sustainability: The government will commission services to agreed international standards, while maintaining a larger public sector workforce;

Local Stewardship: Local government will commission services to standards laid down for the region by the democratic process, and maintain a public sector workforce;

National Enterprise: The government will commission services with a view to international competitiveness and rely increasingly on the private and voluntary sectors for delivery. This will reduce the public sector work force.

- **What is government's role in relation to the public sector workforce?**

World Markets: light regulation to facilitate competition. Provision of some training and education for "safety net" public service workers. Very little collective bargaining. Codes of practice on employment standards for independent providers.

Global Sustainability: Major direct employer of public service workers. High involvement in regulation, training and education. Strong regulation on employment standards for service providers.

Local Stewardship: Local employers involved in training, education and collective bargaining. National government provides framework on employment standards and regulation.

National Enterprise: Like World Markets.

- **Will the need for joined-up thinking in the provision of services to the public be increased by the growing involvement of the private and voluntary sectors? What will the role of the voluntary sector be?**

World Markets: Yes, extensive role for voluntary sector in both thinking and delivery;

Global Sustainability: The voluntary sector working in partnership with business and government;

Local Stewardship: The voluntary sector working in partnership with business and government in the locality;

National Enterprise: Extensive role for the voluntary sector.

Conclusion: clarity of long term direction and governance structures, and simplicity/transparency of accountability, will be needed to meet the needs of the public.

4.4 WHAT ARE THE SERVICES TO THE PUBLIC THAT ONLY GOVERNMENT CAN PROVIDE?

In the discussion below we use the terminology introduced by Tom Ling to describe the supply chain for public services:

- Specifier/designer – who decides what services will be supplied to the public
- Regulator – the formal body responsible for defining standards
- Auditor/scrutineer – who monitors the standard of service delivery
- Allocator – who decides the mechanism for allocation, either explicitly or implicitly eg by rationing or waiting times
- Funder – who pays for the services
- Purchaser – who buys for the services, which can be the state, an individual, or an intermediary organisation
- Delivery channel/providers – the direct interface with the end user
- End user/recipient – the citizen or other consumer.

We also distinguish between three categories of service to the public:

- Customer facing, whether face to face or via a call centre, web site, etc: eg Fire Service, Job Centre
- Back office processing, eg purchasing, licensing, much of the tax and benefits system but also backing up many face to face services e.g. health
- Infrastructure, from planning to transport, public health and housing/community design and provision, waste management.

A concept of core services is helpful: in most developed countries, infrastructure services are seen as part of the public good, as are defence and law and order services. Education to a minimal level is seen as core, as are fire and emergency services. Back office processing is core in so far as it collects taxes.

- **Role: Specifier/Designer**

World Markets: National government specifies and designs services to the public that it deems core for its international competitive positioning. This would probably include security and defence, transport, basic education and public health, with the others left to the market.

Global Sustainability: EU or national government specifies a wide range of services.

Local Stewardship: government, in the form of “the community” specifies most services for the locality.

National Enterprise: National government specifies core services but also takes a role in employment planning and protection.

- **Role: Regulator**

World Markets: Less regulation, increasingly set internationally.

Global Sustainability: Increased regulation set by EU or national government.

Local Stewardship: Services except for defence regulated locally and extensively.

National Enterprise: National government regulates core services.

- **Role: Auditor/Scrutineer**

World Markets: National government provides scrutiny.

Global Sustainability: National governments implement under an international umbrella.

Local Stewardship: Community pressures rather than formal auditing or scrutiny.

National Enterprise: National government provides scrutiny.

- **Role: Allocation of**

World Markets: Allocation by market forces.

Global Sustainability: Allocation by internationally agreed algorithms.

Local Stewardship: By the community.

National Enterprise: National government defines priorities and algorithms.

- **Role: Funder**

World Markets: Government funds core services, companies or individuals or the voluntary sector fund others.

Global Sustainability: Wide range of infrastructure, face to face and back office services funded by “government” and free at the point of use.

Local Stewardship: Funded by the community, free at the point of use.

National Enterprise: National government funds core services, companies or individuals or the voluntary sector fund others.

- **Role: Purchaser**

World Markets: Government purchases core services, individual purchases others.

Global Sustainability: Wide range of services free at the point of use.

Local Stewardship: Community buys services and provides for the community.

National Enterprise: National government purchases core services, individual purchases others.

- **Role: Delivery channel/providers**

World Markets: Mostly private sector or voluntary sector delivery.

Global Sustainability: Wide range of services delivered by the public sector.

Local Stewardship: Wide range of services delivered by the community.

National Enterprise: Some public sector delivery but trend towards private sector or voluntary sector delivery.

- **Role: End user/recipient**

World Markets: The end user needs to be an informed citizen, making choices in the market for many services which are differentiated by price and style.

Global Sustainability: The end user gets what is provided, with fewer opt outs.

Local Stewardship: the end user is closer to the delivery channel/providers, so tailoring of services can take place through mutual knowledge.

National Enterprise: The end user relies on the state for some services but the trend is towards “Do It Yourself” and buyer beware.

Conclusion: the role of government, in all scenarios, is to provide the framework – specification and regulation - for the provision of core services to the public. The framework will be driven by the need to maintain international competitiveness in *World Markets*, by the vision of a social welfare state in *Global Sustainability*.

Chapter 5

Conclusions

These conclusions are set in the context of a changing world order. The Table below shows the projected relative GDP of India, China, and “the West” by 2050. While much of this change will be after 2030, the UK needs to start planning for a different world and considering the implications of these changes.

Country/region	GDP 2005	GDP 2050 (PPP)
US	100	100
EU (including UK & Turkey)	69	61
Brazil, Russia	25	39
India, Japan, Korea, Indonesia	78	140
China	76	143

Source: PricewaterhouseCoopers, 2006: relative to US = 100

1. GLOBALISATION

Manufacturing has been globalised – services are rapidly becoming so. **Services to the public are not immune from the pressures of globalisation.** Services are already off-shored, from analysing X-ray films to creating online educational content. Services provided in the UK are increasingly supplied by organisations based outside the UK who are awarded contracts in the UK. This trend will continue and become stronger.

Research is needed to explore the funding and delivery models in other countries, using OECD and other data. There is a need for modelling to explore the connections and leverage points of the major trends. This should inform discussion of the potential future roles of the public, private and voluntary sectors worldwide in providing services to the public in the UK.

Providers should:

- explore international comparators and role models;
- think commercially to attract public and private funds; explore the opportunities as well as the problems of an international market in services delivery;
- Innovate to maximise their effectiveness and efficiency.

2. THE SCENARIOS

We used the dti Foresight scenarios for the UK to 2030, to create vivid images of possible futures as a context for discussions on the desirable and the likely futures. These are four scenarios which explore the nature of UK society and economy. The two axes are

the nature of governance – interdependence vs. autonomy, and the nature of society, individually focused vs. community focused. The four scenarios are called World Markets (like the US), National Enterprise (like Switzerland), Local Stewardship (like Denmark) and Global Sustainability (like the Netherlands).

The use of scenarios for this type of work provides a framework for discussions about the future, which otherwise can become woolly and disparate. The team worked with all the scenarios at different times in the theme workshops. We concluded that:

- *World Markets*: the view of the discussions at Workshops and the conference was that this scenario was where the UK was currently heading, and that it could be prudent to design public services with this in mind.
- *Global Sustainability* was initially viewed as a desirable future, though less likely than World Markets. However after discussion, problems emerged – such as slow decision making and hence lack of adaptability, and the need for employees and citizens to play an active role.
- *Local Stewardship*: Only an extreme event such as extensive flooding of the Thames Estuary and London was thought to be capable of leading to this scenario.
- *National Enterprise*: the view of the discussions at Workshops and the conference was that this scenario describes the UK now, but the UK was unlikely to stay in this mode.

The team concluded that the two global scenarios represented best the major decisions facing the UK. *Global Sustainability*, the team's preferred scenario, requires a number of societal changes. First, a global consensus on a change to a more societally focused business culture. It requires tougher regulation and acceptance of international standards. Finally, it implies a greater sharing of resources and knowledge between wealthy and developing nations.

3. THE NEW SHAPE OF SOCIETY

The current system of services to the public grew up in the post war era. Yet many aspects of society are different today. For instance, often discussed is the effect of **increased longevity**. As Frank Field points out, retirement would now need to be at age 74 to reflect post-war assumptions about the number of years spent in retirement, and this will increase, it is projected, to 79 by 2025. Less often noted is the fact that medical advances have meant that many **more disabled children** are surviving, with increased loads on caring and special education – facilities which face growing recruitment problems, as highlighted by a recent Cabinet Office report. Attitudes to abortion may change and further increase demands for these services. And the threats of **international terrorism** present challenges to the maintenance of law and order, both inside and outside the UK. The risk of pandemics of a scale not seen since 1918-9 is very real, driven by our inter-connected world – and the UK is more internationally focused than most countries.

Research is needed to extend the financial models, which already exist, to include these and other aspects of the new shape of society. Better understanding of the role of the Internet is needed in encouraging and sustaining the growing numbers of special interest groups.

4. QUALITY OF LIFE

Services to the public make a huge **contribution to quality of life** for residents and contribute to the attractiveness of the UK to potential immigrants, hence to the UK's competitiveness. Transport links, health, education, leisure facilities and a vibrant media attract people to live in the UK.

Research is recommended to provide a framework for investment decisions by using international comparators to evaluate the cost-benefit of effective services to the public in establishing quality of life indicators for current and potential residents.

5. MOBILITY

In the UK, the capability to supply services to the public are being challenged by new demographics – the mobility of skilled people seeking a good quality of life, with higher levels of migration to and from the UK than for many years. The extent to which such migration is temporary or permanent will be a key factor shaping British society in the longer term. At the same time, globalisation tends to decrease wage levels of jobs which can be relocated, while increasing the remuneration of those with scarce skills. Older people are now more mobile and often have overseas homes. This increases social inequality, and suggests that **one essential aspect of any future model is an effective safety net** for citizens and residents.

Research to explore the effects of this mobility on employment, pensions, taxation, the public sector ethos and civil society – particularly the source of social glue – should be publicised.

Providers should:

- Understand the changing nature of demand, the wider social dimensions of service provision and social responsibility;
- Understand how to provide directly and indirectly a seamless service to mobile people.

6. THE ROLE OF GOVERNMENT

In all scenarios, is to provide the framework for the provision of services to the public, the scope and type of provision of services to the public. In all scenarios, the government has a key role in the specification and regulation for core services. The role of government is to regulate, to specify standards and provide monitoring services, using, where appropriate, international comparisons. The specific framework chosen will be driven by the need to maintain international competitiveness in *World markets*, by the vision of a social welfare state in *Global Sustainability*.

The core services were seen as:

- Services which need national or international agreement to be effective, e.g. security, terrorism, public health and infrastructure;
- A safety net of social provision.

7. LONG TERM CONSENSUS ON THE DIRECTION OF TRAVEL

The study reflected the fact that there have been many changes affecting delivery of services to the public over the last decade. Services to the public seem sometimes to be treated as proxies for political battles, with a disconnect between the long-term needs to manage change and bed in a new system – years rather than months – and the focus span of politicians, which can be short term. The study found that services could be delivered more effectively if there were an explicit **consensus and long term direction** on issues such as the scope of different levels of the hierarchy of governments; how infrastructure should be managed; law and order, health, education and social care managed and delivered. The study calls for an honest and open debate in order to develop these broad outlines, and in particular a consensus on personal vs. public (state) responsibility, in conjunction with all political parties and interest groups.

- **Government** needs to set a long term framework which can be used to inform short term decisions: for instance in relation to planning and road infrastructure, educational targets, health provision.
- The framework set by **government** needs to protect the disadvantaged and there is a role for information brokers and advocates in this but not limited to the disadvantaged. Can the voluntary sector contribute to this role?
- There will need to be trade-offs in supply of services to the public – **government** can encourage an honest debate on the UK priorities and the nature of the wider social good, and end the taboo on words such as rationing.

8. PROVIDERS OF SERVICES TO THE PUBLIC

The deliverers of services to the public will be less likely to be public sector workers by 2030. This could allow government to focus on strategy and innovation. There is an expectation that the voluntary sector can take a major role in delivery. However the study found that the voluntary sector was unlikely to be able to be effective in many roles, due to short term funding, occasional conflicts of purpose and lack of capability in depth. It also was concerned that contracting out to the private sector could cause shortfalls in service levels without increased capability of the public sector to specify and manage contractors.

Research is needed into the skills needs of public sector management, and the capability of the voluntary sector into the longer term. This may require a corporate self renewal approach.

Providers should:

- Understand the changing demographics of the workforce worldwide;
- Provide for what the citizens want and are prepared to pay for: talk about customers not themselves; tailor services to the individual.

The **UK professions** in many arenas take a leading international role in setting standards and best practice – this should be recognised as strength of the UK and used to create links with other – eg emerging – countries.

9. PRODUCTIVITY

Services to the public are facing pressures for improved productivity, world-wide.

Consumers have rising expectations of choice, quality, timing and tailoring of services, and often perceive private companies as providing in many cases better levels of services than services delivered by the public sector. Public sector services traditionally find it hard to be adaptable and greater empowerment at delivery points will be essential to match the public perception of private services.

Research: There is scope for wider dissemination of existing work on “what works and what doesn’t”, and the lessons learnt from the privatisation of the utilities. A better understanding is needed of the interplay between innovation and productivity in improving services.

Providers should:

- Make better use of local access and facilities, engagement with the community;
- Understand better the motivation of the public and frustrations which often lead to aggression.

10. ENGAGEMENT OF CITIZENS AND RESIDENTS

This debate will require the ability to engage citizens and residents meaningfully outside single-issue campaigns. This will require reversing current trends for decreased engagement by citizens with the political process. A **long term perspective is needed for this engagement**. The study was initially based around four scenarios for the UK to 2030: participants felt that, unless there was a major calamity, we could only envisage one really credible scenario as a basis for policy, the scenario in which **US style capitalism shapes the world**. This sets a context for a debate over priorities in services to the public, and the localisation or centralisation of service provision. The other scenarios call for default priorities.

Research is called for into the ways in which the public could be more engaged in the decisions that affect them, and their children and parents, and how social glue can be provided in this scenario.

- **Citizens** need to be able to make “responsible” decisions which are justified in the long and short terms. – Is this a return to prudence and thrift? How can this be done? Can technology help? How can citizens meaningfully engage with democratic decision making, given the pressures of two-career families? What may happen if they do not?

These conclusions are not individually new. However the team feel that, taken together with the speed of change, they present challenges to an extent which make it very difficult for society in general, and services to the public in particular, to react comprehensively and sustainably. Only by cooperating across all sectors and educating and empowering those who deal directly with the public to meet real service needs effectively, can these challenges be met over the long term.

APPENDIX 1

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Trades Union Congress	Rachael	McIlroy	
Royal College of Midwives	George	Georgiou	
SAMI Consulting	John	Ormerod	
SAMI Consulting	Gill	Ringland	

APPENDIX 3:

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