



Centre for Local  
Economic Strategies



# PUTTING PUBLIC VALUE BACK INTO PUBLIC SERVICE

A discussion paper by  
Centre for Local Economic Strategies (CLEES)  
and The Big Life group

March 2018

## WHO WE ARE

**Centre for Local Economic Strategies (CLES)** is the UK's leading independent charity and think and do tank, realising progressive economics for people and place. They aim to achieve social justice, good local economies and effective public services for everyone, everywhere. They deliver a range of services including events and training, policy advice, research and consultancy. They are funded by its members, contracted work and grant funding from a range of sources.

**The Big Life group** are one of the largest social businesses in the country. They are in the business of changing lives, supporting people who have the least to change their lives for the better. They deliver a range of services in health and wellbeing, children and families, skills and employment.

They help people with all areas of their lives, because often when people have few financial resources, low emotional resilience, and limited social capital (friends, family and community support), one thing going wrong can impact all areas of life and it can be difficult to make and sustain change.

With a turnover of circa £17m and working across the north of England, Big Life have over 500 staff. 70% of its income is from the delivery of public sector contracts. The rest is earned through enterprises such as Big Issue North and Big Life Nurseries.

# INTRODUCTION

This is a joint think piece by CLES and The Big Life group. It seeks to open up debate and explore what we see as an opportunity for a new progressive era in public services. An era where public values are restored, and social justice is advanced.

Public services are fighting a losing battle. A decade of austerity, alongside aggressive and ideological marketisation, has eviscerated the welfare state and has eroded the idea of public service and public value. A weakened social safety net is being put under further strain by rising levels of need and demand, with the prevailing agenda hindering the ability to change lives and advance social justice.

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From this crisis, two distinct narratives have emerged.

First, there is the ongoing belief that the public service 'transformation' agenda, with its system and organisational change, will come good. In short, this narrative believes that we can manage our way out of a crisis from within austerity. This approach is increasingly being exposed as failing. A weak public service in one area, is merely adding to demand and problems in other areas.

Second, there is the proposition of the return to well-funded public services and more direct in-house provision. While there is no doubt that there are core public services which should be properly funded and directly delivered by the public sector, there is no guarantee that a wholesale restoration of public services to the public sector alone would deliver better outcomes. We know that as large bureaucracies, public services have been slow to respond to innovation and changes in population need.

As such, we need a new progressive narrative and innovative way forward. Central to this is a recognition that austerity must end and public values must be restored.

*We need a new progressive narrative ... public values must be restored*

In this paper, we advocate a bold interventionist approach toward the public services market. One which rejects austerity, self-defeating outsourcing and a blanket move to merely insource. We posit a progressive alternative which calls for a restoration of public values and enlightened selective commissioning. We believe that no organisation, large or small, should deliver public services unless they hold public values. We must only commission those who do.

The cherished Beveridge Report<sup>1</sup> and the welfare state of post-war UK, proposed a modern social contract and a civic conception of the local state and of local public services, not just centralised, state-controlled delivery.

We believe that many social organisations have a key role now and in the future. An enlightened and assertive national and local government, aligned to networks of social organisations, is the way forward. Together, they can make genuine inroads into social justice and inequality and the restoration of public values.

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1 Beveridge, W. (1942) Social Insurance and Allied Services (The Beveridge Report). HMSO

# RESTORATION OF PUBLIC VALUES

Borne out of the misery of World War II and hardship, the welfare state is the preeminent social policy achievement of the UK. It has become a part of what Britain is and how we collectively think about ourselves as a nation. However, we rarely think of the welfare state as a contract, but it is a social contract – a deal between citizens, the state and businesses.

A set of public values are an intrinsic part of this social contract. Public services distribute goods and services on the basis of need, not on the ability to pay, or according to where you live. Public values and the associated public services are not constructed from personal or familial ties or from the workings of the private sector market<sup>2</sup>. Instead, they reflect a unique and distinctive space where citizens 'meet' each other as fair and equal partners in the common interests of society. They are secured, as TH Marshall wrote, by the belief in a "general enrichment of the concrete substance of civilised life [...] and an equalisation between the more and the less fortunate at all levels"<sup>3</sup>.

Applied to public services, public values pertain to the contribution that services make to society. High-quality services ought to promote the common good, democracy, public interest and social cohesion. They should be altruistic and respect human dignity. Drilling down, this also relates to behaviour - both collectively and individually. Public service organisations and the people who work there should be accountable, transparent and honest. They should also be an exemplar of moral standards, ethical consciousness and integrity.<sup>4</sup>

Over time, however, these public values have been eroded under a never-ending set of financial pressures and associated policy choices. As a result, the relationship between citizens, state and business has shifted, as the political and financial system has become more exploitative and wealth extractive.

A series of deregulations, private sector management techniques, outsourcing of public sector goods and privatisations have damaged the ways in which we think and act. There used to be a firm perception that the welfare state created roughly equal opportunities, and if we fell on hard times, the state would play a role in looking out for us.

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This perception has been replaced by a narrative of deserving and undeserving poor, which has undermined our public culture and a divisive rhetoric around welfare benefits has emerged. For example, a survey by Full Fact of stories discussing benefits during the 2015 election campaign found that the nouns most frequently used with the word 'benefit' were cap, fraud, scrounger, cheat, tourism, and scam.<sup>5</sup>

The prevalence of wild stories of huge families and benefit scams did not accurately 'reflect the incidence of this type of claimant'. They also served to undermine public values and the social contract, which in part binds us together as citizens. Indeed, 56% of people think that most unemployed people could find a job if they really wanted one, and just 16% support increased spending on unemployment benefits – around half the level it was just 20 years ago.<sup>6</sup>

Moving forward we must restore the notion of public values, including the dignity of all those who work in the delivery of public services. Public sector values should be nurtured and cherished as a key means of developing a socially just society and addressing poverty. They should not be seen as dispensable on the basis of cost or market ideology.

*Public sector values should be nurtured and cherished as a key means of developing a socially just society and addressing poverty*

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2 Rawls, J., (2009) A theory of justice: Revised edition. Harvard university press.

3 Marshall, T. (1950) 'Citizenship and Social Class' and other essays. Cambridge University Press. P56

4 Jørgensen, T.B. and Bozeman, B., 2007. Public values: An inventory. Administration & Society, 39(3), pp.354-381.

5 Armstrong, S. (2017). The New Poverty. Verso. P11

6 [http://www.bsa.natcen.ac.uk/media/39145/bsa34\\_role-of-govt\\_final.pdf](http://www.bsa.natcen.ac.uk/media/39145/bsa34_role-of-govt_final.pdf)

This is by no means an impossible task, negative perceptions of benefit claimants notwithstanding, public perceptions are changing. For example, 74% of respondents to a Common Cause Foundation survey placed greater importance on compassionate values (associated with stronger social and environmental concern, and stronger motivation to act in line with this concern) than selfish ones, irrespective of age, gender, region, or political persuasion<sup>7</sup>. Similarly, the most recent British Social Attitudes publication found that there is a growing backlash to austerity. For the first time since the financial crash of 2007-8, more people (48%) want taxation increased to allow greater spending, and more (42%) agree than disagree (28%) that governments should redistribute income from the better off to those who are less well off<sup>8</sup>.

From this, it is clear that public values have never left the populace, but they do need some developing, particularly with respect to how they interface with public service. In what follows, we argue that restoration has four key components.

- 1. Stop austerity commissioning
- 2. Progressive outsourcing, not wealth creation
- 3. Commission social organisations who promote social justice
- 4. Strong communities through developing social capital

## 1. Stop austerity commissioning

Throughout the years of austerity, far too little thought has been given to how major fiscal change has deeply affected the country and weakened the sense of public values. Cuts have eroded expertise, networks, services and values (built over decades). Protecting vulnerable people, advancing social justice and restoring public value has to be a key future priority. However, increasingly this has been side-tracked as financial considerations outweigh the needs of people.

Commissioning for cost has driven a low-wage economy and contributed to the growth of in-work poverty and the procurement of poor-quality materials and services, which has led to disasters such as Grenfell.

Commissioners have a key role in ensuring that the pay and terms and conditions of *all* staff delivering public services are maintained and improved, ensuring public money is reinvested into local economies through the employment of local staff.

Many social enterprises like The Big Life group have been commissioned to deliver services within this imperfect and unjust context. They and many other providers do great work and seek to deliver on social justice, often in spite of the system. However, their work is too often trumped by a process which is obsessed by efficiencies, and an overarching imperative of achieving cuts and reducing cost. Indeed, the impact of public commissioning for lowest cost has had a negative effect on the resilience of the sector, evidenced by the collapse of long-established and good-quality providers<sup>9</sup>.

Austerity has driven a short-term, continual recommissioning of services. There are many instances where staff in public services are continually TUPE'd over to different organisations as contracts to delivery organisations change.

Furthermore, every time a service is transferred, the service model changes, staff leave, delivery locations change, and service users experience (at least during transition) a poorer quality service. The wasted cost and time of commissioning, on the public sector and on the provider side, is a waste of resource that should be used for delivery and improvement of services.

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<sup>7</sup> [https://valuesandframes.org/resources/CCF\\_survey\\_perceptions\\_matter\\_full\\_report.pdf](https://valuesandframes.org/resources/CCF_survey_perceptions_matter_full_report.pdf)

<sup>8</sup> <http://www.bsa.natcen.ac.uk/latest-report/british-social-attitudes-34/key-findings/a-backlash-against-austerity.aspx>

<sup>9</sup> For example Lifeline (a drug and alcohol support provider of 30 years) and 4Children (a charity with over 50 day nurseries)

Furthermore, we know that many social organisations do not tender as they know that to deliver a quality service for the value of the contract is an impossibility. This means that market supply is left to larger private sector organisations, who pick up delivery, often overpromising on what can be delivered within the price, or just cutting down on costs - usually wages.

This shaving of costs has had a deleterious effect on quality and public values. Narrow consideration of cost works against public value. Cost should be an important consideration, but merely one factor, alongside many others as regards wider social aims and public value.

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## 2. Progressive outsourcing not wealth extraction

Outsourcing to the social and private sector is not new. However, in recent times an overblown assumption that outsourcing delivers taxpayer savings and efficient delivery has been nurtured. This is a misconception. For example, Carillion held £1.7 billion of public contracts, yet its collapse is set to cost UK taxpayers around £148 million and leave more than 2,300 people out of work. Its very business model was described as “a relentless dash for cash”<sup>10</sup> – a hugely extractive organisation that, while living on ‘borrowed time’ from 2011, was still receiving public money to pay dividends to its shareholders up until 2016.

Shareholder dividends extract resource from public services, and blatantly disregard public values while reducing service quality through lack of investment in staff and a compliance with bare minimal standards. This cannot be maintained.

There is a strong case for bringing more services back in-house as a financial and efficiency counterbalance to outsourcing. Insourcing can help to provide greater flexibility, increase efficiency, and reduce costs and time associated with contract management. Furthermore, avoiding outsourcing en-masse avoids a loss of accountability between communities and local democracy. However, though efficiency and cost savings are important, insourcing can sometimes stifle innovation. Thus, there is also a case for some progressive outsourcing, beyond mere insourcing.

Under the frame of social value (which is being advanced through the Social Value Act), progressive outsourcing can accrue wider social gain, beyond that which can be achieved by the public sector alone. Indeed, through early pre-commissioning dialogue, social organisations who are woven into the process, can add significant public value.

Social organisations have deep anchored connections with communities. They may have a building or facility in an area or staff who have social history with communities, built up over many years. ‘Anchor institutions’ is a term used to refer to organisations which have an important presence in a place, usually through a combination of being significant employers, purchasers of goods and services in the locality and having a close identification with local place and communities. The close connections to communities and excluded communities means these social enterprises understand the needs and the bespoke nature of how services should operate.

*Close connections to communities and excluded communities... mean social enterprises understand their needs*

Social organisations can often react quicker and be more flexible to respond to changing needs and new innovations. For example, the social sector was first to deliver on the IAPT (Improving Access to Psychological Therapies) services when they were first funded, and were the first to bring in innovative online therapy programmes.

Social organisations can ensure that that public goods and services are accessed by everyone, and tailored to their needs. They can have wider impacts in communities, and economies. They can broaden community ownership.

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10 [https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/76905.htm#\\_idTextAnchor009](https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/76905.htm#_idTextAnchor009)

We are in danger of throwing the baby out with the bathwater if we blindly insource without due consideration to the wider value and capabilities social organisations offer. Commissioning which only focuses on the short-term, austerity and forced marketisation is flawed.

### 3. Commission social organisations who promote social justice

In light of high-profile outsourcing disasters, it is important to make a clear distinction among different independent providers. Not all independent providers are large, shareholder-driven 'outsourcers' who extract value. Many social organisations are quite the reverse; they can be deeply imbued with a sense of social justice and generate significant public value.

The distinction between these social justice organisations engaged in public service delivery who uphold public values, and extractive organisations that deliver inadequate services must be made.

The Social Value Act requires public services to take into account the wider impact of commissioning on the economy, community and environment. While this has impacted positively in some instances, the vast majority of commissioners still weigh price more heavily when commissioning services. This has seen the creation of a narrow market dominated by a few big national or international private providers, who occasionally subcontract to smaller local organisations. However, in so doing they often pass on risk and long payment terms, frustrating the ability of smaller providers to deliver quality services.

To develop social justice and deepen public values we need new approaches that focus on creating long-term and sustainable positive outcomes for vulnerable people. We must deliver outcomes that break intergenerational cycles of poverty and deprivation, and create lasting social justice for the 21st century.

It is local suppliers or organisations who have demonstrable relationships with communities who can deliver on this. By working in collaboration with social businesses, the state can play a sustaining role in the creation of value in civil society.

*By working in collaboration with social businesses, the state can play a sustaining role in creating value in civil society*

Moreover, social organisations are imbued with public values, and for many, social justice is not just an end goal but is embedded in how they operate and function as businesses. 59% of social enterprises supported by the School of Social Entrepreneurs recruit employees who tend to be disadvantaged in the labour market, 73% buy products or services from suppliers within the local economy, and a further 60% buy products or services from a social enterprise <sup>11</sup>.

Nevertheless, more funding is desperately needed. The Big Life group is evidence of how commissioning from the third sector can lead to a growth in community and voluntary sector initiatives. In 1991, Big Life had just a £17,000 grant and a free lease for a year on a derelict building. Within five years it had supported the development of three new voluntary sector organisations and dramatically influenced the way that public services were delivered in the area. This is typical of the catalytic wealth generating aspect that support to social organisations bring, to public service market.

A state that provides a safety net in the form of properly funded, universally accessible, public services is vital, but ensuring the weave of this net is as tight as it can be relies on the work and support of many other organisations. Plurality of provision is not a weakness, it's a strength, but only if an extension of a public value culture becomes the norm.

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11 <https://www.the-sse.org/wp-content/uploads/2016/06/Social-Impact-Review.pdf>

## 4. Strong communities, through developing social capital

Part of the reason our current public services are struggling, is that they have largely overlooked the underlying operating system they depend on: the social economy of families and communities. Strong communities are the bedrock for successful and prosperous places, but communities are being weakened.

While much policy rhetoric advocates 'stronger communities', concurrent cuts to key funding sources and organisations crucial to community development is having irreversible effects on communities.

This contradiction between policy and action threatens to result in an erosion of social capital, which social organisations are central to developing. Lower social capital means people and communities can fail to reach their potential and become disaffected. The implications for society of this damage to communities is considerable – once gone social capital will take a long time to re-establish.

The development of social capital can act as the basis to a good economy, making this in some ways the key task of the restoration of public values. The importance of social capital is clear when looking at our young people. Britain's stark divide between the well off and the disadvantaged is increasingly entrenched, and a social mobility postcode lottery means that the chances of someone from a disadvantaged background getting on in life is closely linked to where they grew up<sup>12,13</sup>.

Social capital includes the network of people known to the young person and the ability they have to tap into opportunities and resources outside the immediate family. For many NEETs (not in education, employment or training) and otherwise disadvantaged young people, access to social, cultural, educational and economic resources is often limited which reduces their ability to negotiate structures in ways that are advantageous to them<sup>14</sup>.

## CONCLUDING THOUGHTS

This short piece is designed to prompt discussion and open the door to a new progressive way. In this, we see public values as unique and special, distinct from personal or private attitudes and values. We believe all who deliver public services should be upholders of public values, without exception. They must be part of that culture. If they are not then they should not be allowed to deliver public services. In this we reject:

- Aggressive austerity and services commissioned on the basis of cost
- Extractive providers who care more for shareholder value and surplus, than social need
- A belief that the default position should be insourcing
- An ideology that believes the market, outsourcing and constant recommissioning is necessary

Instead we call for:

- Investment in good quality public services that ensures fair pay, terms and conditions for all staff that deliver them, regardless of who employs them.
- Social value frameworks with teeth, which steer commissioning. Frameworks which place high weighting on local social benefit and not just price.
- Progressive commissioning which prioritises public value, social justice and long term investment
- Pre -commissioning dialogue and real partnership with social organisations as a matter of course.

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12 The percentage of young people in the UK who are not in education, employment or training (NEET) is growing, and currently stands at 11.5% . This varies across the UK, with 25% of young people NEET a year after their GCSEs in South Ribble (the worst local authority area) compared to just 1% in North Hertfordshire.

13 Some places are seeking to develop the capital of their young people, by creating local strategies that foster collaboration between organisations to create better outcomes. One such example is Islington Council and their Fair Futures Commission: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662744/State\\_of\\_the\\_Nation\\_2017\\_-\\_Social\\_Mobility\\_in\\_Great\\_Britain.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662744/State_of_the_Nation_2017_-_Social_Mobility_in_Great_Britain.pdf)

14 <https://www.tandfonline.com/doi/abs/10.1080/03054985.2014.953921>