

## 8 | FUTURE-ORIENTED PUBLIC SERVICES

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*Public services face unprecedented challenges from demographic change and a sustained squeeze on the public finances. The response cannot simply be to reflate and recreate services designed for a different era. Instead, public service reform should be informed by the approach that underpins a new political project for the left: bold, ambitious and future-orientated.*

When I was seeking selection as Labour's parliamentary candidate to succeed Frank Dobson in Holborn & St Pancras in autumn 2014, I embarked on a series of one-to-one conversations with local party members. Each session lasted about 45 minutes to one hour, usually around a kitchen table over tea or coffee.

What I discovered from hundreds of members – the vast majority of who were not 'active' members – was a deep disaffection: a feeling that Labour had somehow lost its way and, at some unspecified time, turned into a pale imitation of itself. This was not a simple left/right divide; both those on the left and those on the right of our party were yearning for Labour to be more radical, more confident and, above all, more ambitious.

Subsequent meetings and discussions I have had with thousands of members, and indeed non-members, across the country suggest that this disaffection was not confined to Holborn and St Pancras.

How we rebuild our economy, our public services and our communities in the aftermath of the financial crisis in 2008 will define us for a generation. Labour's defeat in May 2015 means, however, that we will not be able to decisively shape and influence that reconstruction for another five years.

Instead, after a decade of a Conservative-led government, Labour will inherit a society with in-built and growing inequality, rising levels of child poverty and public services under increasing, perhaps fatal, strain.

That is why the stakes are so high for 2020 and why it is so vital that, four years before we face a general election, Labour manages to re-find the radicalism and ambition that has characterised the best moments of our past.

Part of that process is to address why, for the second time in five years, less than a third of the electorate felt able to vote for Labour.

Much of the analysis following May 2015 has identified the economy, welfare, immigration and leadership as our primary failings. The Beckett report, in particular, highlighted the key policy areas where we failed to convince voters. These findings have to be taken very seriously and each needs to be addressed. But they are evidence of past failure, not a roadmap for the future.

Labour's 2015 defeat has to be seen in a broader context. The wider retreat of many centre-left parties across Europe over the last decade underlines that we are seeing a crisis in social democratic politics.

This demands a fundamental re-evaluation of how the left can win power again and regain the right to reshape society. Unfortunately, in the UK, that re-evaluation has too often focused on the leadership of the Labour party rather than the future project that is so desperately needed if Labour are to return to power. It has been an analysis of personalities, not of policies. Of the here-and-now, not of the future. We need to look beyond the day-to-day of

Westminster and re-imagine and reinvigorate Labour for the future.

## **Finding the future**

The Fabians' central role in the Labour movement over more than a century provides a valuable vantage point to assess where we have been successful and how we can win again.

Our history shows that Labour only wins power when it glimpses the future and fixes it with a bold, radical and ambitious project. And we do not do that very often. In fact, Labour has perhaps only done this three times.

In 1945, when the Attlee government founded the modern welfare state and redefined Britain's role in the world. It was Beveridge who in 1942 defined the five great evils of the age – Want, Ignorance, Squalor, Disease and Idleness. But it was Labour that had the radicalism and ambition to tackle them – creating the NHS, building more than a million homes and achieving near full employment.

Labour also had a clear project in the 1960s, when Harold Wilson talked of a “new Britain” being forged in the “white heat” of a “scientific revolution”. Here was a vision of a more dynamic, emerging economy of the future – where the “cloth cap” would be replaced by the “white lab coat as the symbol of British labour”. It was a vision that helped unite a fractured party, it seized science and technology for Labour and it was in stark contrast to the stuffy, old-fashioned Conservatism of the time.

In 1997 Labour again found a convincing voice which chimed with a country crying out for change – rebuilding our public services, introducing the minimum wage, lifting a million children out of poverty and tackling racial and sexual discrimination.

On each of these occasions our nation was faced with new challenges and Labour won because we presented an

optimistic vision of what Britain could be, and how these challenges should be tackled.

To re-find that vision for the 2020s and 2030s requires insight and clarity about how Britain is changing. About the changing nature of our economy, our workforce, our demographics, our climate, our experience and our expectations.

In my parents' generation there was an unstated assumption that opportunity would increase with time and that, while they did not have everything they wanted, their children and grandchildren would prosper. For my parents and for countless others, this expectation of there being a better tomorrow helped drive and sustain them. It was also part of what helped bind communities and the country together.

This is what we on the left mean when we speak of 'aspiration'; the aspiration to improve the lives of our families, our communities and our country. This collective aspiration is what gives Labour the drive to tackle inequality and improve the lives of everyone.

Today, however, the aspiration, and indeed assumption, that life will be better for those that come after us no longer holds. Young people in the UK now face an increasingly uncertain future; too often the outlook is a potent combination of increased debts and reduced opportunity.

Hence Alan Milburn, Chair of the Social Mobility and Child Poverty Commission, has warned of a "corrosive" and "growing sense", that "Britain's best days are behind us rather than ahead". A recent Ipsos MORI poll also found that a majority of people now believe the next generation will be worse off than their parents' generation.

However, listing the ills of an increasingly fractured and unequal society has never been Labour's failing. Identifying what is wrong is not enough. The focus instead must be on devising a credible, future-orientated and ambitious response to these problems.

What Labour's electoral wins in 1945, 1964 and 1997 tell us is that if real change is offered in a way that speaks to people's hopes and aspirations (and those they harbour for their children) and by a party they trust, the British people will vote for it.

The 37 per cent of voters who put David Cameron back into Downing Street did not all do so because they saw in the 2015 Tory manifesto a vision of a better future. Many, if not most, did so because Labour failed to offer a compelling and credible alternative. Winning back this trust and crafting that alternative is now the most pressing task before us.

This cannot, of course, be achieved overnight but some aspects of a future-looking project are beginning to emerge. A purposeful, smart economy which gives priority to long-term investment not only to infrastructure and public services, but in people and skills; a sustainable approach to the environment, which puts a binding legal framework around both national and international commitments; real devolution of power to those who are in the best position to come up with innovative solutions to emerging problems; a renewed focus on tackling inequality; and a housing project centred on building more homes that are genuinely affordable both to buy and to rent.

There are many other components – many of which are covered by authors in this collection – but what they all share is an understanding that generational change is needed. I want to consider one aspect of this challenge that is particularly close to my heart: public services.

### **Future public services**

Good public services have the potential to reach out to and improve our lives, to reduce inequality and to bind us together as a society. Improving public services is also one of the surest ways of improving the lives and life chances

of everyone in the UK. These are fundamentally Labour values.

Having run a national frontline public service for five years, I am also acutely aware of the impact that the current government's spending cuts and 'contract based' approach to public services is having.

As director of public prosecutions and head of the Crown Prosecution Service (CPS) between 2008–2013, I observed only too often a toxic mix of short-term decision-making, a lack of inter-departmental co-operation and repeated central government funding cuts being forced on public services without any strategic sense of purpose.

The CPS saw a 30 per cent funding cut over this period, which placed real strain on the service and staff. Other public services, though, have had an even tougher settlement, none more so than local government. Across England, local authorities are set to see a real terms funding cut of 56 per cent from 2015/16 to 2019/20. This follows a cut of more than a third in the last parliament.

My local council, Camden, has been one of the worst affected by these cuts. Indeed, from 2011 to 2017 Camden will have lost half its government funding, the eighth highest reduction for any council in England. This has meant councils such as Camden have had to make invidious decisions about which services to cut, which to save and which to prioritise for the future. All of this, of course, is far from conducive to encouraging the kind of long-term, strategic thinking we need in our public services.

Despite the resilience of those who work in our public sector, the reality of this sustained assault on public services will mean that by 2020 many public services will be qualitatively different to the ones Labour left in 2010.

Firstly, our public services will have increasingly become crisis services – dealing only with expensive end results, not preventing them occurring in the first place.

The clearest example of this is perhaps in the NHS, where the government have focused tightened resources on A&E, while failing to invest in key preventative areas such as social care, community solutions, mental health treatment and general practice. At a time when the UK has an ageing population (by 2030 the number of people over 75 is estimated to increase by 2.6 million) and is facing serious health challenges such as diabetes and a growing number of people with complex chronic conditions, there will be an inevitable increase in demand on health services.

In order to adapt to these pressures we will need to see a radical reshaping of the NHS to focus on prevention rather than cure, with resources shifted out to communities, GPs and new models of care.

The government's failure to invest in and create more preventative public services can also be seen beyond the NHS. Indeed, in some cases, I suspect the government has been more willing to cut preventative services because doing so, while financially more costly in the long-term, is less damaging in the short-term electoral cycle.

Take, for example, the government's decision to remove the ringfence from early intervention grants and (in November 2015) to cut the public health budget – policies the Social Mobility and Child Poverty Commission warned “are highly likely to store up much more expensive problems for public services to deal with later down the line” and “make sense only within a public finance model which cannot account for the savings accrued by early investment”.

The fabric of our public services will also have been significantly altered by the government's ‘contract-based’ approach to delivery, under which the government have increasingly fallen into the trap of thinking that cheaper provision is synonymous with better provision.

An example of this I have seen all too clearly as shadow immigration minister is in the government's relocation

programme for asylum seekers, under which contracts to rehouse asylum seekers have been awarded to private companies. On a recent visit to Oldham – where Serco runs the contract – I saw that more than 600 asylum seekers have been accommodated under this project. It became apparent that this decision was not taken to meet the needs of the local community, those seeking asylum or with any consideration to the availability of local services. Instead, it was taken purely because the unit price of accommodation was lower here than elsewhere.

It is of course vital that all public service contracts represent good value for money for the taxpayers who fund and rely on them. If, however, public sector contracts are simply awarded to the lowest bidder on the basis of price not quality, then it should be no surprise when the services provided on this approach fail and the public lose faith in them.

There is also another, often overlooked, aspect of the ‘contract-based’ provision of public services: it creates and locks in a democratic deficit. It is one thing for a government to fight an election on a manifesto promise that it will increase private sector involvement in the delivery of public services, it is another for that government to sign private sector agreements spanning 10 or 20 years and to include inevitable and built in crippling penalty clauses for early termination. Such agreements undermine the constitutional and democratic principle that no one government can bind the next.

All of this poses a huge challenge for Labour; but also a huge opportunity. That is because the party that has the answer to this fundamental question – how to design and create the public services of the future – will win the right to shape them.

I profoundly believe that Labour’s response cannot simply be to reflate and recreate services designed for a different era. That would not be ambitious; nor would it be effective.

Instead we need to take this opportunity to think more boldly and to reconfigure our public services to meet the challenges of the future. There can, of course, be no 'one size fits all' approach. Different public services address different needs and require different policy responses. To transform public services we also need to know and understand the nature of each of the services we seek to reform.

There are, however, some clear principles that should guide Labour in this.

First, reform should be premised on generational change and we should avow short-term fixes. To take an example from my old patch of criminal justice, targeted long-term investment in children at primary school (and even younger) who are struggling because of the circumstances in which they are growing up (which often combines poverty, poor housing and domestic violence) will pay much better dividends in terms of crime prevention than building bigger prisons could ever do. It would also hugely improve the life chances of the individuals concerned. This is precisely the kind of preventative investment that our public services are crying out for.

Second, reform should be based on a 'horizontal' approach to the provision of services. Services should be configured in a way that not only facilitates but requires connections between and across services. One of the most striking characteristics of our public services is that they too often seek to treat complex, multidimensional problems (for example repeat offending in our criminal justice system) with single-agency responses (harsher sentencing policy). Instead of this 'silo' approach, we need to ensure there are much better connections between services such as health, housing and criminal justice. This would both reduce long-term costs and would truly be transformational for many of the people who come into contact with these interrelated services.

Third, reform needs to shift control away from the centre and be focused closer to service users. This is by now a well-worn theme, but it is one Labour must capture in the decades to come. For inspiration we can start by looking at the unsung work of some Labour councils, who have led the way in devolving decision-making power to local people and communities, often with remarkable results in a time of huge constraints on local authority funding.

Above all our approach to public service reform should be informed by our wider approach: bold, ambitious and future-orientated. Not simply to defend what once was, but to imagine and create what comes next. That is what Labour has done at all the best moments in our history. It is what we must do again.

## **EUROPEAN PERSPECTIVE: PUBLIC SERVICES**

Despite great diversity across the continent, public services exhibit two broad common trends. On the one hand, they are affected by an on-going process of marketisation whereby provision is transferred from the public sector to mixed or private companies. On the other, they are one of the main targets of 'fiscal consolidation'. Under the pressure of continued deficit reduction, a further shift to markets seems likely.

Yet markets cannot be the only answer. First, because their conception of utility is necessarily one of short-term profitability, while most public services respond to a logic of long-term social utility. Second, the private sector often does not provide for the large scale, long-term investment needed, especially if it is perceived as risky. What's more, the debasing of public services in Europe is particularly worrying because it affects social cohesion and reinforces the rapid rise of inequalities.

Of course, it is the role of national governments to design the reforms they deem are fair. But there are two important ways the EU could play a more positive role in turning the tide away from marketisation and austerity. First, there is already a legal basis in the Treaty on the Functioning of the European Union for issuing EU legislation on common principles for public services. We could make sure that all Europeans have minimum standards of quality, accessibility and affordability. Mechanisms for implementation, reporting and evaluation could be set up, in the same way they exist in many other domains. Second, while national states are impoverished, some resources from the EU budget could be used systematically for supporting public services. The fact that Jean-Claude Juncker's investment plan does not contain one line on social investment is a great disappointment.

An active EU policy could help make public services more efficient. But it is important to remember that one cannot do better and better with less and less. A reasonable amount of resources are needed; reform and modernisation must go hand in hand with continued public investment.

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