



Prospects for More Local, More Personalised Public Services: A North East perspective

A discussion paper for the ippr north Commission on Public
Sector Reform in the North East

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Challenging ideas – Changing policy

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ippr north Commission on Public Sector Reform in the North East

This discussion document has been prepared for the Commission on Public Sector Reform in the North East. The Commission is independent and is made up of experts from all areas of involvement in the public services; ippr north provides the secretariat. The Commission meets in full session on a quarterly basis. Its full membership is as follows:

- Sir George Russell CBE (Chair), Deputy Chair of ITV plc
- David Albury, independent organisational and policy consultant, and former Principal Adviser, Prime Minister's Strategy Unit
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- Sue Stirling, Commission Deputy Chair and Director, ippr north
- Julia Unwin CBE, Director, Joseph Rowntree Foundation
- Professor Gerald Wistow, Chair, School of Applied Social Sciences, University of Durham

All Commissioners are serving in a personal capacity and bring individual expertise. They do not represent the interests of any organisation.

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Comments and feedback

This paper is a submission from the Deputy Chair and the Secretary to the Commission and is a discussion document; it is not an official statement of Commissioners' views. It brings together ideas and analysis from several sources: regular plenary meetings of the Commission and detailed discussions with individual Commissioners; informal interviews conducted by the Secretariat with public service providers, officials and user groups; and unpublished internal reviews of various aspects of public services reform and the challenges facing local public services.

ippr north and the Commission welcome comments and feedback on any aspect of this discussion paper. Comments can be sent to the Secretary of the Commission, Duncan Hiscock, at d.hiscock@ippr.org. The Commission will also publish a Regional Call for Evidence that seeks more information on many of the issues raised in this document. More information about the Commission can be found at www.ippr.org/ipprnorth/policyareas

Summary

This discussion paper sets out some of the key questions that ippr north's Commission on Public Sector Reform in the North East will be considering over the coming months, and the analysis that forms the backdrop to these questions.

The Commission's overall goal is to catalyse improved health, wealth and well-being for individuals and communities within the North East region by proposing policy measures and forms of governance that aim to strengthen the impact of public services locally, regionally and nationally in a socially just way. The Commission brings together a number of senior figures from the region's public, private and voluntary sectors and is looking in particular at four key public service sectors:

- Education
- Health
- Welfare-to-work
- Criminal justice.

The Commission will consider both services provided directly by the public sector and services commissioned from the private and voluntary sectors.

Many of the key issues surrounding public services in the North East will be familiar to other parts of the country but the Commission takes a distinctive approach to these issues. Most analyses of public services reform focus on nationwide assessments of how services are performing and nationwide policies to address the challenges they face. The missing ingredient is a perspective that emphasises the local context and is primarily concerned with how change happens locally. It is that perspective that the Commission on Public Services in the North East will provide.

The Commission: three main tasks

The first task for the Commission is to establish whether the centralised way in which public services are run does indeed prevent them from addressing local problems more effectively. This centralisation has three main elements:

- Concentration of policy- and decision-making and control over the allocation of resources in central government
- A tendency towards universal, 'one-size-fits-all' policies
- A belief that change can best be driven through centrally set targets.

The paper examines these elements and also describes some of the perceived shortcomings of centralisation. It argues that:

- The inflexibility of this system has produced insufficient gains given levels of investment
- The system cannot allow for a reduction in inequalities
- Centralisation has demoralised many frontline providers and is stifling innovation.

The Commission will assess whether these are indeed salient issues in the North East.

The second task is to analyse examples of policies promoting more local, more personalised services that are relevant to the North East and to draw out key lessons on how the region can best harness the potential of these trends. There is considerable confusion about what the two terms actually mean, and an important first step is to bring greater clarity by establishing clear working definitions and developing a taxonomy of all the main activities that are referred to as 'personalisation' or 'localisation'. This will allow the Commission to identify which forms of local, personalised services are most appropriate in which circumstances. The Commission will look in particular at how such services could respond more flexibly and effectively to cross-sectoral challenges that are strongly influenced by local context.

The third task is to consider whether and how policy- and decision-makers in the North East can overcome the significant obstacles to greater decentralisation. These include:

- A fear that decentralisation will lead to greater variation of services, thus leading to greater inequality
- Concerns that greater diversity of service provision will undermine national cohesion
- Considerations of cost
- Political calculations about who is responsible for failure
- The tendency of policymakers to only 'personalise' and 'localise' services in ways that do not significantly reduce central control.

The Commission's final report, planned for the second half of 2009, will consider how to address these challenges and how different agencies in the North East can best support the roll-out of personalised, localised services.

Progress yet persisting inequality: a paradox

The Commission's work began with the publication of *An Audit of Public Sector Reform in the North East* (Midgley and Stirling 2007), which reviewed a range of statistics to demonstrate what changes there had been in the North East between 1997 and 2007 in the four public service sectors listed above. The Audit identified that significant progress had been made in all four sectors and that public services in the North East had improved considerably, yet that major challenges remain, particularly with regard to continuing inequalities between the North East and other regions of England and also between localities within the region.

This presents a paradox: public services in the North East appear to be performing strongly, yet outcomes remain well below the English average. There are several potential explanations for this, some of which relate to how these statistics are interpreted (there may be no direct link between performance and outcomes, or it may take time to come through). Another view is that these statistics show that the North East is being held back by the structure of the regional economy or by cultural factors such as poverty of aspiration among some of its residents.

While all of these arguments have some explanatory power, this paper focuses on the one that has the largest implications for public policy. This is that the system of policymaking in England is heavily centralised, as a result of which improvements tend to happen at the same pace everywhere and it is difficult for lagging regions to catch up. This links into a wider debate at the national level about the need to decentralise and provide more local, more personalised services. There is strong support for the concepts of localisation and personalisation across the political spectrum.

This paper explores the rationale and content of these policy trends and notes some of the obstacles to decentralising services. It concludes that the fundamental question is whether and how the promise of more personal, more local public services can lead to significant further improvements in public services in the North East and/or reduce inequalities. The Commission will be considering a number of key questions on the back of this analysis, through methods including research and expert analysis, a series of roundtables and public speaking events, and a regional call for evidence that will draw in information, research and opinions from across the North East. The Commission will bring all of these findings together in its final report.

Public services in the North East – where are we at?

A tendency to focus on the negative often distorts popular opinion about the North East. There was a perception, at least until recently, that not only had the region suffered a major economic decline in the 1980s, but also that many public services were struggling to deliver. *The Audit of Public Sector Reform in the North East* prepared for the Commission demonstrates that this is not true and that the region's public services are in much better shape than they were a decade ago. What the Audit also shows, however, is that when this progress is placed in a national context, public services in the North East have not generally improved any faster than elsewhere – as a result of which there are still considerable inequalities between the North East and other regions. This is illustrated by the table below, which summarises findings from the Audit regarding changes to public service outcomes in the North East and how this compares with the rest of England.

Sector	Trends and statistics	National comparison
Criminal justice	<ul style="list-style-type: none"> ✓ Fear of crime (burglary and violent crime) dropped considerably from 2001 to 2006 ✓ Over 50% of population confident that local police force 'doing a good job' ✗ Only 41% of population confident that criminal justice system 'effective in bringing people to justice' 	<ul style="list-style-type: none"> – Fear of crime lower than most regions; downward trend similar everywhere except London ✓ Among highest confidence in England (with South West and London) ✗ Lowest confidence in country (with North West)
Education	<ul style="list-style-type: none"> – Virtually no change between 2000 and 2006 at Key Stage 1 ✓ Improvement at Key Stage 2, at same rate as national average ✓ Improvement at Key Stage 3, mostly at same rate as national average ✓ Increase from 40% of pupils attaining five or more GCSE passes in 2000 to 57% in 2006 ✗ Only just over 40% of pupils achieve five GCSE passes including English and maths in 2006 	<ul style="list-style-type: none"> – Key Stage 1 results in North East close to national average in 2000 and 2006 – Key Stage 2 results in North East close to national average in 2000 and 2006 ✗ At Key Stage 3, results in North East below national average in 2000 and 2006 ✓ % of pupils attaining five or more passes in North East increased between 2000 and 2006 much faster than national average; attainment now matches national average ✗ Lowest achievement in country (with Yorkshire & Humber); attainment 46-48% for London, East, South East, South West
Health	<ul style="list-style-type: none"> ✓ Life expectancy has risen by approx. two years for men, 1½ years for women between 1996-98 and 2003-05 ✓ Significant fall in Standardised Mortality Ratio (SMR) for coronary heart disease between 1997 and 2005 from 194 to 113 for males, 191 to 121 for females; similar fall for cancer rates ✓ Fall in teenage conception rates from approx. 57 per 1,000 in 1998 to 50 per 1,000 in 2005 	<ul style="list-style-type: none"> ✗ Same raise visible everywhere, North East still has lowest life expectancy in England (with North West) ✗ Still highest SMR in England for coronary heart disease (second highest for men) and cancer ✗ Still highest teenage conception rates in England
Welfare to work	<ul style="list-style-type: none"> ✓ Unemployment rate in NE fell from over 9% in 1997 to below 6% in 2005 (though starting to rise again in 2008) ✓ Benefit claimant count rate fell from nearly 6% of working age population in 1997 to just over 3% in 2006 	<ul style="list-style-type: none"> ✗ Unemployment rate still higher than everywhere but London, though gap has reduced ✗ Benefit claimant count still highest in country (with London and West Midlands), though gap has reduced

It is not only inequalities between the North East and other regions that are a concern, however. The Audit also noted that there were significant inequalities within the region. For example, there were major differences between the best and worst performing schools, from 70 per cent of pupils gaining five or more GCSE passes in Gateshead to less than 50 per cent in Middlesbrough. Claimant count rates in December 2006 varied from nearly 5 per cent in Middlesbrough and South Tyneside to well under 2 per cent in Durham, Teesdale and Tynedale, suggesting major differences in employment and levels of need. Life expectancy also varies by about four years between the region's different authorities; for example, updated figures for 2007 for male life expectancy at birth vary from 75.0 in Middlesbrough to 79.0 in Tynedale (Office for National Statistics 2008a).

On top of this overview of the results of the Audit, it is also useful to consider briefly some of the other available information on the performance of local bodies. Firstly, it is notable that all 12 local authorities in the North East have been very positively assessed by the Audit Commission's Comprehensive Performance Assessment (CPA). The CPA is a regular assessment of various aspects of local authority activity, including use of resources, quality of environmental, housing and culture services, and councils' corporate working. It includes a star category (from zero to four stars) marking the local authority's overall performance and an annual assessment of the local authority's 'direction of travel', that is, whether the council is improving or deteriorating. The 2007 CPA gave 10 of the region's 12 local authorities four stars (the remaining two, Newcastle and North Tyneside, both received three stars) and all 12 authorities were either 'improving strongly' or 'improving well' (Audit Commission 2008).

Within service sectors, regional or local authority-level information on the performance of providers differs from sector to sector. For welfare-to-work, no regional or local authority-level data of provider performance is easily available. In education, exam results can be broken down at the local authority level (this can be found in the *Audit*), but there is no regular analysis of other aspects of institutions' educational performance. However, more useful data is available regarding health care and policing.

In health care, performance has been assessed annually since 2005/06 by the Healthcare Commission. The 2007/08 Annual Health Check provided evidence that the 23 NHS trusts in the North East were already performing well and had continued to improve over the last three years. Of the 23 trusts, 21 were rated as either 'excellent' or 'good' for their quality of services in 2007/08, up from 18 in 2006/07, and no trusts were rated as weak. Similarly, 17 trusts were rated 'excellent' or 'good' for their use of resources in 2007/08, compared with seven in 2006/07, and no trust was rated as 'weak'. For both quality of services and use of resources, the North East had the best overall performance in England (Healthcare Commission 2008).

Annual police performance assessments are carried out by the Home Office and Her Majesty's Inspectorate of Constabulary (HMIC). The North East's three police services, Cleveland, Durham and Northumberland, were all reported to have improved their effectiveness in tackling crime in 2006/07, and further reductions in crime levels were noted in all three areas in 2007/08. Greater public satisfaction in all three services was reported in 2007/08. Cleveland and Durham were rated as 'performing well' in their use of resources, while Northumberland was 'performing strongly'. The three services were also deemed to all be meeting standards for tackling major crime, delivery of citizen-focused policing and neighbourhood policing (Home Office and HMIC 2007 and 2008).

The 'great performance, poorer outcomes' paradox

At first sight, the picture that is painted above is somewhat paradoxical. On the one hand, local authorities and public services in the North East appear to be performing very well and often better than in other parts of England, and there have been notable improvements for many key outcomes such as better exam results and higher life expectancy, and reductions in benefit claimants and fear of crime. However, when most of these same statistics are compared across England, outcomes in the North East still tend to be the worst or among the worst in the country. Moreover, in many cases the relative gap between the North East and other regions remains largely undiminished.

At least four explanations present themselves for this:

- The performance statistics include many factors that may not directly relate to outcomes
- Strong performance may take time to filter through into improved outcomes because of the scale of the changes required – narrowing the gap is harder than keeping pace
- Improvements in the performance of public services may not automatically translate into improved outcomes because other contextual factors also influence outcomes, and there is something specific about the degree of poverty, the structure of the regional economy or the culture of the North East that is holding it back
- Since public services are predominantly centrally designed and managed, on balance it would be expected to see the same level of improvement everywhere and therefore it is not surprising the gap remains.

The first argument is that there is no reason to assume that performance statistics should automatically translate into improved outcomes, since outcomes are only one of many factors that are taken into account in these performance assessments. Indeed, the CPA, Healthcare Commission Annual Health Checks and the Police Performance Assessments are equally concerned with organisational issues such as financial and resource management. Similarly, it is now increasingly recognised that many government targets and performance measurements have focused as much on public service providers' inputs and outputs as on eventual outcomes. Improved inputs and outputs might be expected to translate into improved outcomes, but this is not automatically the case.

The second explanation is that although on balance improved performance will lead to improved outcomes, this cannot be expected to happen overnight. It may well be the case that better institutional performances in the North East will only translate into faster-than-average improvements in outcomes over a period of years, since narrowing the gap with other regions is a greater challenge than merely keeping pace, especially given the degree of poverty and economic devastation in the region. Moreover, many of the reforms aim at major changes that could require a generation for this to truly bear fruit. This line of argument thus suggests that it is too early to expect public services in the North East to improve outcomes any faster than elsewhere, but that over time this effect may become apparent.

The third explanation explores the link between performance and outcomes further. It suggests that it is naïve to assume that there is a full correlation between the performance of a given public service provider and outcomes that are relevant to that provider because there are other contextual factors influencing these outcomes that are outside the provider's control. For example, while the quality of hospitals and GP surgeries clearly has a strong influence on outcomes such as life expectancy, other factors may also play a role, such as family and peer groups, the degree to which lifestyles are healthy, the health impact of the most common jobs in the area, and the willingness or otherwise to trust and heed government health advice. There is thus no reason to assume that a 10 per cent improvement in performance (however measured) would automatically translate into a 10 per cent improvement in related outcomes.

If this is the case, then it may be that there is something specific about these other contextual factors in the North East that holds the region back in relation to other parts of England. This argument essentially places the 'blame' for this situation at the door of the region itself, suggesting that there is something about the degree of poverty, the structure of the regional economy (including the relative sizes of the public and private sectors), the demographic breakdown or the local culture – such as a dependency culture and entrenched poverty of aspiration among certain groups – that makes it particularly hard for public services in the region to improve outcomes.

By contrast, the fourth explanation attributes the failure to significantly reduce inequalities between regions not to the region itself, but to a national approach to public services reform that is heavily centralised. It suggests that such inequalities between regions are unlikely to substantially reduce while local service providers have relatively little freedom to do things differently – and that it is thus

unsurprising that public services in the North East are only improving in line with the national average and that the North East's outcomes remain among the worst.

These explanations are not mutually exclusive and there may be some truth in all of them. Yet it is the last explanation – that centralisation has made it impossible to reduce inequalities – that is the most broad-based and has the biggest implications for public services policy. Naturally it feeds into a much wider debate that is currently active at the national level about the need to decentralise control and place greater power in the hands of individuals, communities, and local agencies.

Is this explanation correct, and if so, does the promise of greater 'personalisation' and 'localisation' of public services offer hope that public services in the North East can achieve further and more rapid improvements in outcomes that would allow them to reduce and eliminate inequalities with the rest of England? This is the fundamental question that the Commission will try to answer in the coming months. The rest of this paper explores the main dimensions of this question in more detail, thus establishing a framework for the Commission's future work.

Why the centre is rediscovering decentralisation

Over the past few years, there has been an upsurge in interest and support within the national policymaking community for the principle of decentralising power and giving citizens more control. This section briefly summarises some of the main faults that advocates of greater decentralisation attribute to the current form of centralised policymaking.

To begin with, however, it is worth clarifying what is meant when the policymaking architecture of England is described as 'centralised'. Most obviously, a centralised state is one in which both decision-making and financial power is mostly held by the centre. This is usually contrasted with the lack of power held by local bodies, in particular local authorities. England, it is argued, is highly centralised since its local authorities have relatively little control over how they raise or allocate finances and because the main public services are primarily designed and managed from the centre, with local agencies seen as 'deliverers' but not as decision-makers. This paper will not address local government finance (a major issue that lies beyond the direct remit of the Commission), but the question of where decision-making power lies with regard to public services is crucial. First, however, it may be useful to immediately relate this idea to two other criticisms of the current system that are often used alongside or interchangeably with accusations of 'over-centralisation.'

The first is that the system is 'managerialist' and in particular that it is strongly driven by inflexible central targets. This links to a wider debate about the effectiveness of using targets as a way to drive improvement in the public services, which will not be considered here. However, much of the criticism is less about whether there should be any targets and more about the fact that currently most targets are set, monitored and evaluated centrally, often with little or no input from local bodies beyond recording and reporting the required data. In this sense, the centralised target regime is seen as a key element of the decision-making architecture over which citizens, frontline providers and professionals and local authorities have little influence.

The second is the idea of 'one-size-fits-all' services. This is particularly relevant to the concept of personalisation, which stems in part from the perception that people are no longer satisfied with more traditional, 'production-line' public services where services are provided in a way that is uniform but inflexible. Here, the emphasis is not so much on the central-local balance of power as on the user's experience of receiving or interacting with services. However, it is closely linked to criticism of centralisation because it is implied that this 'one-size-fits-all' approach to services is a result of and dictated by the concentration of policy- and decision-making at the centre, allowing no room for variation.

In summary, according to this portrayal the current system for governing the public services suffers from a high centralisation of financial and decision-making power, including both how targets are set and monitored and how implementation is managed. Advocates of greater localisation and personalisation argue that this centralisation is at the heart of several problems faced by the public services:

- Massive investment in the public services has produced fewer gains than both policymakers and the public expected
- There has not been a notable reduction in many inequalities
- Despite massive investment, many frontline providers appear angry or demoralised
- There has been relatively limited innovation in public services.

Each of these is explored in more detail below.

Getting value for money from public service investments

By most measurements, the last decade *has* seen a considerable improvement in key outcomes in the four public service sectors which the Commission is considering. In education, exam results are up from Key Stage 1 through to A-Levels and fewer pupils are failing to reach a core standard of five GCSE passes. In health, life expectancy has risen year on year, while standard mortality rates from major causes of death such as coronary heart disease and cancer have fallen considerably. Statistics show major reductions in overall recorded crime and in most types of crime, and British Crime Survey figures reflect a similar fall in the amount of unreported crime (Midgley and Stirling 2007). Even now, despite the credit crunch and the economic downturn, there are over two million more people in work in 2008 than in 1997 (27.21 million compared with 24.5 million), and many fewer people are claiming benefits (Office for National Statistics 2008b).

These results would seem to suggest that the Government's public services reforms have actually been quite successful. Yet rightly or wrongly, there have been concerns among some sections of the general public that the results are less impressive than expected given the scale of resources invested. At the anecdotal level, many people will acknowledge, for example, that the NHS has improved (and that their own experiences of the NHS have been positive), while simultaneously questioning whether the massive increases in spending have been effective. More objectively, these perceptions are reinforced by analyses by the Office for National Statistics that show that measured productivity in the NHS has fallen year-on-year over the past decade (Office for National Statistics 2006).

Of course, some of the reasons why public services may not have improved as expected are not directly related to centralisation (in the case of NHS productivity, for example, many would argue that large spending rises often do not lead to equivalent productivity gains because a significant proportion is absorbed by pay rises). Nonetheless, advocates of greater decentralisation would argue that the centralised policy architecture is partly to blame because it is unable to comprehend or adapt to the details of how reforms are implemented at the local level. This leads to policies that are not fully appropriate or cannot be interpreted flexibly, as a result of which some of the investment is wasted.

Related to this, it is also argued that centralised target and accountability systems are hindering local service providers from working together effectively to address complex problems that run across departmental boundaries. When it took power, the Labour Government said that it would promote 'joined-up government' and move away from the 'silo working' whereby each ministry operates in a vacuum. Awareness of the need for comprehensive solutions has driven a move towards cross-departmental strategies at the national level (for example, the Government's *Children's Plan* states that a fundamental principle is that 'services need to be shaped by and responsive to children, young people and families, not designed around professional boundaries' (Department for Children, Schools and Families 2007) and the creation of partnerships between agencies at the local level.

In practice, however, although partnership working has had some success, it has not always been able to address cross-sectoral problems as well as hoped. Service providers' primary lines of management and responsibility are mostly 'vertical' (that is, to more senior managers within the department for which they work) rather than 'horizontal' (that is, to the location/area in which they work). Moreover, different agencies are working to different targets and policies, and often have very different

organisational cultures. All this has created a complicated (and often expensive) architecture which is not always effective: well-established partnerships with strong bonds of trust and understanding between partners can be very successful, but in practice are difficult to replicate (Schmuecker, forthcoming 2009).

Another exacerbating factor is that major reforms to working practices have normally been introduced in different ministries in different ways and at different times, effectively causing 'silo reforms'. New performance management systems were rolled out at different points in the reform programmes of different agencies, with little sign of target setting reflecting the work of other departments. There has also been minimal cross-referencing of the emerging regulatory and inspection regimes (with the exception of some recent examples such as the merging of the Healthcare and Social Care commissions). All of this inhibits inter-agency work at the local level, especially where these tensions have not been resolved at the central policy level.

Another point to note is that the perception of 'value for money' is also relative to public expectations, which have changed in recent years. For a start, as problems are fixed, the public soon takes the new situation for granted – arguably the case with the reduction in NHS waiting lists, for example. More generally, the last decade has seen massive technological and social change such as the rise of information and communications technology (ICT) and the '24-hour' culture, which has driven public service users to be much more demanding about how and when they access services, and how much these services can be tailored to their individual needs and expectations. By this argument, 'one-size-fits-all' public services are no longer suitable and 'personalisation' of services is essential to meet expectations.

Limited reductions in inequalities

The Labour Government has placed social justice and the reduction of inequalities at the heart of its agenda. Despite some progress, however, the results in areas such as child poverty, health and education have fallen short of the ambitious targets set by the Government. The number of children in the UK living in relative poverty has fallen by 500,000 when measured before housing costs, or 600,000 after housing costs, since 1998/99. This is a significant reduction, but there is little chance that the Government will reach its target of cutting child poverty by half by 2010, let alone the goal of eliminating child poverty entirely by 2020. Significant basic health disparities remain: recent statistics show that the gap in male life expectancy at birth by local authority in the UK is nearly 13 years (the lowest is Glasgow City, with a life expectancy of 70.8 years, compared with 83.7 in Kensington and Chelsea [ONS 2008a]). Similarly, the Centre for Equity in Education states that 'inequities remain deeply ingrained...the gains that have been made are patchy at best, and there is little evidence of any substantial impact on educational or social equity' (Centre for Equity in Education 2008: 6).

Again, centralisation is certainly not the only reason why such significant inequities remain. Yet certain researchers have identified the lack of flexibility to respond to local contexts as a major obstacle. The World Health Organisation's Commission on Social Determinants of Health Inequality argues that 'policies and programmes must embrace all the key sectors of society, not just the health sector' (Commission on Social Determinants of Health Inequality 2008: 9) and that 'communities and neighbourhoods that ensure access to basic goods, that are socially cohesive, that are designed to promote good physical and psychological well-being and that are protective of the natural environment are essential for health equity' (ibid: 12). This requires more cohesive policies at the local level, which centralised systems are less able to provide.

This point is made more bluntly by the Centre for Equity in Education, which argues that 'a narrow focus on educational improvement has overlooked (and in some cases, exacerbated) the powerful connections between educational and other social problems, and... yet more top-down, single-issue initiatives [cannot] resolve these... Rather than focusing in narrow terms on "effectiveness and improvement", education, area regeneration, and economic and community development must become part of an overarching strategy for equitable reform' (Centre for Equity in Education 2008: 7). Yet according to that report, 'despite the emergence of multi-agency structures to facilitate

collaboration, professionals often continue to work within their separate, target-driven “service silos”... [which] shows just how powerful top-down, target-driven models of service delivery are, cutting across and undermining local co-ordination efforts’ (ibid: 10).

Displeased at the frontline

The centralised system of managing public services is based on the concept of a ‘delivery chain’, whereby targets and policies are centrally defined and are then transmitted downwards through central and regional managers to the frontline providers who actually implement the reforms in their daily work, while lines of management and oversight (including monitoring the achievement of targets) feed up the chain in the opposite direction.

Unfortunately, accountability mechanisms have tended to strengthen the impression that frontline providers have little real authority. Inevitably, there will always be a tension between giving frontline professionals more responsibility and monitoring to maintain standards. The state must of course uphold basic standards in all services, and senior managers require mechanisms to ensure that this happens. For the current Government, this has been achieved by a tough system of regulation and inspection, with floor targets and the option to intervene in ‘failing’ services. Many frontline professionals feel that this system is too intrusive and that the balance is weighted too far in favour of management and oversight.

In this context, the top-down delivery chain can easily generate frustration and a number of negative messages can be unintentionally sent to frontline providers. Anecdotal evidence from interviews with frontline providers suggests that reforms often feel imposed and that providers perceive that they have little say over the changes they are expected to make. This breeds resentment against the reforms – even where providers would in principle agree with most of their aims and contents. Moreover, the ambitious language used by politicians to promote their reforms has often transmitted an implicit message that reform is necessary because frontline staff are not currently doing a good enough job. All this fuels a mentality of ‘us vs. them’, where there is detachment between those setting the targets, the senior managers that must oversee their achievement, and those who deal with the realities of day-to-day service provision.

Stifling innovation and improvement

Another growing concern is that over-centralisation and the one-size-fits-all approach are stifling innovation in the public services at a time when governments around the world are placing an ever-greater premium on innovation to drive social and economic improvement.

In its early days in government, one of New Labour’s key refrains was that its policies would be driven simply by ‘what works’. Yet one of the most frequently heard concerns from frontline providers is that there are too many reforms, too often, without the lessons of previous reforms having been learned. This is particularly true of pilot schemes, which have a tendency to be scaled up and rolled out at the national level far too quickly, without a thorough analysis of what has worked and why. As a result, the same measures fail to replicate the same degree of success at the national level, meaning good ideas suffer from being hastily implemented. Contextual factors are easily overlooked, with central policymakers making the assumption that what works in one place will work anywhere. This is true even of reforms within the North East. There are of course many different contexts within the region, and without a clear understanding of these contexts there is little reason to assume that something that works in the city of Middlesbrough will work in rural Northumberland.

The other major challenge is that the policy machinery is often unable to learn quickly and effectively from complaints and feedback. The centralisation of the system restricts the capacity of frontline providers and their managers to respond quickly to problems or to trial more innovative methods of addressing local challenges, since they lack the authority and resources to do so and are bound by operational procedures.

The solution: can more local, more personalised services deliver?

If the above analysis is correct, then the centralised, 'one-size-fits-all' method of running the public services may have had its day. The obvious solution is to devolve power downwards and allow greater flexibility in how public services are delivered. Put another way, services need to be more local and more personal.

This, at least, seems to be the conclusion that many policymakers are reaching. References to the localisation and personalisation of services can be found in many government policy documents and in the statements and policies of the three main political parties.

Cross-party support for more local, more personalised services

The importance of personalisation to the current Government is clear from a recent framework document, *Excellence and fairness: Achieving world class public services*. 'Offering personalised approaches that are responsive to individual needs' is presented as one of the key characteristics of world class services. The paper states clearly that 'personalising services involves moving beyond a "one size fits all" approach to offer services that are flexible' and maps out the key elements of personalised services (Cabinet Office 2008: 12). The Draft Legislative Programme for 2008/09 (the draft 'Queen's speech') similarly demonstrates the importance the Government attaches to personalisation, with one of the four overarching themes being 'Personalisation and Improvement of Public Services' (Office of the Leader of the House of Commons 2008).

Examples of a move towards more personalised services can also be found in the four sectors on which the Commission is focusing (though as argued below, 'personalisation' can refer to very different activities in different sectors). The language of personalisation is perhaps furthest advanced in social care, where individualised case planning, direct payments and individual budgets are already being mainstreamed, radically changing the way in which many care services are provided. Policymakers believe that this has paved the way for the wider introduction of personalised health care, particularly for long-term conditions. In education, the concept of 'personalised learning' is now being increasingly promoted by the Department for Children, Schools and Families (DCSF) as a way of ensuring that all pupils (and particularly those from the most disadvantaged backgrounds) learn in a style and at a pace that is most appropriate to them (DCSF Standards Site 2008). Meanwhile, the Welfare Reform Green Paper *No One Written Off* goes even further, linking personalisation and localisation very closely together: 'We need to move from the standardised approach for different categories of claimants, to one personalised to the needs of each individual. To achieve that personalisation, we need to devolve power so that our services can be flexible. We, therefore, plan a triple devolution: to our advisers, to our providers and to local communities' (Department for Work and Pensions 2008: 16).

It seems that this trend towards more personalised services will continue regardless of which party is in power. Progress, a grouping of more centrist Labour MPs, recently published a Green Paper, *From Public Sector to Public Service: Putting Citizens in Control*, which argued that the fundamental challenge for 'the next stage of public service reform should be about securing an irreversible shift of power to the users of services' (Progress 2008: 5). The Conservatives and the Liberal Democrats make less frequent specific references but it is clear that they support the concepts that underpin personalisation. The Conservative Party's website states prominently that a core part of its vision is 'to give people more opportunity and power over their lives' and that 'advancing opportunity means shifting power from the state to individuals and civic institutions' (Conservative Party 2008a). The Liberal Democrats have talked about the need for a health service that is based on 'empowerment of individual service users to make their own choices and chart their own path in a way that suits their individual needs' (Liberal Democrat Party 2008a).

The three parties also share a similar direction of travel with regard to localisation, though here the trend is reversed, with the Liberal Democrats and Conservatives taking the most localist positions. Labour's record on devolving power over the last decade is mixed, and has been characterised by one commentator as 'Jekyll and Hyde', taking measures to promote local control on the one hand but actually accelerating centralisation in many areas on the other (Lodge 2007). It is notable that

Excellence and Fairness makes little mention of devolving power to local bodies; the emphasis is more firmly on the individual and giving ‘individual citizens and communities ... a greater say in local services’ (Cabinet Office 2008: 18). A recent White Paper from the Department of Communities and Local Government, *Communities in Control: Real people, real power*, acknowledges that despite progress, ‘power still remains too centralised and too concentrated in government’ and that the ‘division between what should be decided at the centre and what is best decided locally remains blurred,’ (CLG 2008: 2) but its focus is on community empowerment and it says relatively little directly about public services.

The Liberal Democrats argue much more strongly for the devolution of power to the local level. In their policy paper *The Power to be Different*, they state that they wish to see ‘strong and democratic local government across the country, not councils as local delivery arms of central government...To deliver this, a new relationship must be forged between local and central government; one that puts local government in the driver’s seat of public service delivery in this country’ (Liberal Democrat Party 2008b: 1). The paper goes on to argue for the scrapping of nationally set targets for local government and a major overhaul of the tax system that would eventually see 75 per cent of taxes collected locally. The Conservatives have also stated that they intend to give more powers and freedoms to local councils and give councils greater control over the spending of money (Conservative Party 2008b); their soon-to-be-published policy paper on localisation is expected to give greater detail on how this will be achieved.

From rhetoric to reality: how far will these plans be realised?

To a significant degree, therefore, the move towards more personal, local services is likely to be at the heart of the policy environment for the next few years, regardless of who is in power. Yet identifying a need for more personal, local services is the easy part. The real question is not whether the theory of greater personalisation or more local services is good, but whether such goals can be made to work in practice, particularly at a time when spending on public services will be squeezed due to the economic downturn. Ironically, one of the lessons that stems from a critique of centralised policymaking is that just because central policymakers want something to happen, it will not necessarily transpire at the local level; it cannot automatically be assumed that policies to devolve power will succeed in the way that is promised. The hard part is to work out how the potential benefits of more personal, more local services can be realised: What exactly is it that will lead to better public services? How can this be achieved? What obstacles are there to implementing this? What might the consequences of such changes be?

Some grand claims are already being made for how personalised, decentralised public services will address the failings of the current system. It is thought that they will be more popular with the public and improve user satisfaction, that they will lead to better outcomes by better responding to local contexts and being better targeted at people’s precise needs, and that they will reinvigorate engagement and participation and boost trust in the system. Yet looking more closely, there is often confusion about how these goals will be achieved. It will not be enough merely to prescribe ‘local’ or ‘personalised’ services if there is not a coherent framework for implementing them or if they are not based on an adequate understanding of the problems and needs to which they are required to respond.

Confusion over terms, confusion over methods

It appears that there is a considerable degree of confusion over what exactly is meant by ‘personalisation’ and ‘localisation’, with different people using the terms in different ways, hiding significant distinctions between how they perceive the goals and methods of such policies. This is crucial, because if there is confusion in policy circles about what is required, the degree of confusion is likely to be much greater when it comes to implementing these policies at the frontline. The first step is simply to understand what methods of devolving power downwards are being proposed.

The term ‘personalisation’ can evidently encompass various activities and types of reform, judging on how it is used by different people. One of the greatest advocates of personalisation, Charles Leadbeater, identifies five types of personalisation (Leadbeater 2004):

- Providing people with a more customer-friendly interface with existing services
- Giving people more say in navigating their way through services once they have access to them
- Giving users more direct say over how money is spent (for example, individual budgets)
- Allowing users to be not just consumers but co-designers and co-producers of services
- Public policy supporting 'self-organising solutions', where public service professionals create platforms that allow society to collaborate to find more effective solutions to personal and community problems.

This in itself already represents a significant range of activities, but conversations and interviews held by the Commission revealed that many other things could also be referred to as personalisation. For example, people are often unsure whether the Government's 'choice' agenda, where public service users are given a range of options to choose from in many situations (for example, which school to send your children to, where to have an operation), also counts as personalisation. Another example would be strategies to engage the 'hardest to reach' in areas such as welfare-to-work through approaches that are more targeted to the individual: is it still personalisation when the underlying philosophy is closer to personalised intervention?

A similar degree of confusion arises when the discussion focuses on the move away from over-centralised services and devolving power downwards, a process that this paper has referred to as 'localisation', though 'localism' (or 'new localism') covers similar ground. The problem is that it is a lot easier to agree that power is over-centralised than to agree how this power should be redistributed downwards. The devil is in two crucial details: what powers to decentralise, and to whom?

Supporters of localisation are not always clear about exactly which powers should be transferred to the local level. Should it be greater financial authority (to allocate spending more freely, or to raise taxes)? The power to set targets locally rather than nationally, or not to set targets at all? Greater freedom and discretion to meet centrally-set priorities in the most locally appropriate way? Specific powers that allow greater local control of healthcare, education, criminal justice or welfare provision?

Equally, which body is best placed to receive these extra powers: local authorities? Regional bodies? Frontline service providers? Partnerships that unite different local service providers? Quangos? Local communities (however this is defined) or community groups? Local users and user groups?

The obstacles to more local, more personalised services

There is thus a need for much greater clarity about what kind of power, and decentralised to whom, is necessary to achieve further improvements in public services in the North East and nationally. Yet this is only one half of the equation. Any analysis of the prospects for more local, more personal services must also take into account several major obstacles that lie in the way:

- Financial considerations, particularly given the economic downturn
- A desire to maintain a minimum standard of equity and social justice
- Concern that greater diversity of service provision will undermine national cohesion
- Political calculations about the balance of power and who is responsible for failure
- A genuine wish to decentralise – but without losing control

Financial considerations

The 'credit crunch' and the associated economic downturn will have a major impact on government spending over the next decade. Although the Government brought forward some public spending as part of a stimulus package in its November 2008 Pre-Budget Report, it also indicated that extra

efficiency savings of £5bn would need to be found for the three years to 2010/11, and that spending growth would be massively reduced from 2011 (HM Treasury 2008). This will put huge pressure on all public services to manage costs. In such a harsh economic climate, policies aimed at localising and personalising services may be postponed or blocked because of fears that they are too expensive. It will therefore become imperative to have detailed and realistic analyses of the costs and benefits of moving towards more local, more personalised services.

As noted above, local government finance is a complicated issue that lies outside the remit of the Commission. Where localisation is concerned, however, one argument that is often raised against decentralisation is that local authorities will be profligate or less able to manage their spending effectively. However, the results of recent CPA assessments show that local authorities are strongly improving their use of resources (see above).

The cost of personalising services is likely to become a hotly debated issue as sceptics argue that they will be more costly than standardised, 'one-size-fits-all' services. It is difficult to prove this one way or another, however, because in order to assess the cost-effectiveness of personalised services, it is not only necessary to compare their outcomes with their stated objectives, but also to consider what would happen if such services were not available. The latter is required in order to evaluate whether personalised services lead to better outcomes, but it is difficult to do this with a high degree of accuracy or confidence.

Furthermore, demands for efficiency may inhibit the potential long-term effectiveness of personalised services. Personalised policies which improve outcomes and life chances are likely to be both effective and efficient in the long run as they will reduce the pressure on the public services, but decision-makers, under public and media pressure, are often impatient and unwilling to allow such policies sufficient time to come to fruition. Measures that require a long-term commitment to generate results are thus often sacrificed or weakened before they have had a chance to work.

On the other hand, the desire to be seen as efficient can lead policymakers to inappropriately ascribe potential efficiency gains to and make overoptimistic statements about untested new ideas. For example, a recent report by a parliamentary committee found that 'user-oriented services have resulted in higher satisfaction with services and better outcomes [but] there is little evidence as yet on their cost-effectiveness' (House of Commons Public Administration Select Committee 2008: 28). The challenge for advocates of personalisation, therefore, is to develop convincing arguments and provide solid evidence to persuade policymakers that such policies are worth funding even in tough economic times.

Social justice and universal provision

One of the greatest worries that is raised regularly is that more local, more personalised services will inevitably lead to greater diversity of service provision, undermining the principle of universal and equal rights to public services. Where personalisation is concerned, many fear that personalised services may be more accessible to better educated, wealthier citizens than to the most disadvantaged, who are less able to interpret and exploit the opportunities on offer; greater personalisation could thus actually end up fuelling inequality. There is also concern that greater diversity of provision at the local level could create or exacerbate so-called 'postcode lotteries', with their implication that you are losing out because of the area in which you live.

These concerns lie at the heart of the Government's regulation and inspection regime. The Government believes that while some diversity in public services is inevitable, there are certain minimum standards that need to be upheld and the Government should be ready to intervene if these standards are not met. The question is how this is done. Many local service providers would argue that the regulation and inspection regimes are too arduous, effectively curtailing their autonomy even when standards are upheld. Some also argue that imposing exactly the same minimum targets on all providers, regardless of the local context and starting position, can be counterproductive. The Government implies for example that schools that do not reach certain targets for exam results are 'failing' and that the prime cause of this failure is the management of

the school itself. While this may sometimes be the case, it is insensitive to local contexts and the implication that a different school would do better in the same circumstances may not always be justified.

It is also the case that universality of provision does not necessarily translate into equity of access or equity of outcomes: the Audit of Public Sector Reform in the North East shows that many inequalities have not reduced after years of essentially universal services. This may be one explanation for the difficulties that the Government has faced in improving social justice, since it has concentrated more on improving the quality and availability of services across the board than on how specifically to improve outcomes for the most disadvantaged groups. It may well be that in order to achieve equity of outcomes, much greater differentiation is needed in the type, quantity and quality of funding that is provided to different groups. Yet public attitudes towards the public services may make such differentiated services politically unfeasible.

Diversity of provision and national cohesion

A related fear is that greater diversity in how the public services are managed and delivered could undermine national cohesion by fuelling differences in identities and by creating tension when one group or region is envious of how services are run elsewhere. This links into a growing debate about devolution (Adams and Schmuecker 2005): many public services in Scotland, Wales and Northern Ireland already had considerable autonomy prior to the creation of devolved administrations but the latter has accelerated this process. Differences in how different parts of the UK have handled some high-profile issues, such as university fees or which drugs are available on the NHS, are already controversial. If there is greater flexibility and diversity in how public services are run across the UK, including major differences between English regions or localities, what will this mean for cohesion, and how much of a concern should this be? If there were to be large-scale personalisation of many public services, this could fuel these debates even further, moving beyond 'postcode' lotteries and simple comparisons of location to comparisons of what each individual is getting from the public services relative to other individuals. Potentially, at least, such a debate could be highly damaging to social cohesion.

Political considerations

It should also be acknowledged that political considerations play a big part in central decision-makers' calculations as to whether to decentralise power. In particular, there is a natural tendency for the government of the day to become reluctant to devolve power to local councils. They fear that if local councils have increased powers, those councils that are not directly controlled by the governing party could become obstructive and make it difficult for central decision-makers to achieve any policy change at all. This relates to a second fear, which is that since the majority of British voters are unfamiliar with the complexities of decision-making processes and bodies, and therefore have a natural tendency to blame Westminster for many problems, government ministers risk being blamed for problems that are out of their control. In such circumstances, it may appear wiser to maintain central control.

Centrally-managed decentralisation

As the experience of recent years has shown, however, even when governments seem genuine in their commitment to decentralising power, they sometimes do it in such a controlled way that local bodies do not feel that they have actually gained new authorities. This suggests that there is still a basic error in the way in which central government has promoted decentralisation. This paper has already identified some of the weaknesses of a hierarchical 'delivery chain' model as a way of developing and implementing policy. The irony is that this same model of thinking seems to apply even when the policy is to create more personal, more local services. This is a strange form of 'top-down' decentralisation that fundamentally misunderstands the way in which such changes can happen. In order to achieve truly personal, truly local services, government would need to consciously relinquish a certain degree of control (including financial control), and would also need to change its ways of working, becoming less managerial and more strategic (Public Service Reform Group 2007). So far, however, there is little indication that the Government is prepared to make

such changes. Without these moves, the likelihood is that we will retain an oddly centrally-driven form of localisation, and a centrally-controlled, somewhat impersonal form of personalisation.

Prospects for more local, more personalised services in the North East: the task for the Commission

This paper has described the policy context in which public services in the North East are operating. In summary, the public services have improved considerably in the region over the last decade or so, yet the gap in outcomes relative to other parts of England is largely undiminished. The current system of policy making, which can be characterised as centralised, ‘one-size-fits-all’ and target-driven, is seen to be one of the key reasons for the failure to close the gap. This feeds into a wider stream of thinking that argues that this system has reached its limits and that greater localisation and personalisation will be needed to drive further improvements in the public services. However, the details of how this will be achieved are often unclear, and there are a range of obstacles that may prevent this from happening.

In such circumstances, the essential question for the North East – and for this Commission – is whether and how the promise of more local, more personalised public services can best be exploited by everyone in the region, and whether this will lead to tangible further improvements in the region’s public services and/or reduce inequities.

Essentially, this breaks down into three sets of questions:

- Does this critique of the centralisation of public services tally with the experiences of users and frontline providers in the North East? Is there a general consensus that greater localisation and personalisation are required?
- What aspects of the localisation and personalisation agendas are most likely to lead to the biggest improvements in the region’s public services? How can greater flexibility be used to respond more effectively to local contexts?
- What can be done by decision-makers, public service providers and other influential figures in the North East to overcome the obstacles to decentralisation that are described above?

Experiences from the North East

The Commission will seek the views of users and frontline providers of public services on the challenges they face in their daily work. It will ask whether they recognise the description of these services as centralised, one-size-fits-all, and target-driven, and whether they believe that this is holding these services back from addressing their challenges more effectively.

Building on this, the Commission will seek to establish how much support exists for more local, more personalised services within the North East. In the Commission’s early work, two stereotypical images of the North East have been heard. One portrays it as a region that is particularly suspicious of central rule and keen for greater autonomy (though the rejection of the elected regional assembly in 2004 suggests that some forms of decentralisation are less popular than others). The other image depicts the North East as still being more comfortable with more traditional, more universal (and more public sector-focused) forms of public service organisation, and therefore uncertain about shifts towards greater personalisation and greater variations in how services are provided. In short, people in the North East may want more local control over their services, but not necessarily more personalised and diverse services.

The Commission will assess whether there is any substance to these images. It will explore the attitudes of users and providers towards the concepts of personalisation and localisation in greater detail to establish the degree of support for these principles.

How the North East can harness the potential of localisation and personalisation

As this paper has identified, those who support the general principle of more local, more personalised services may not always share the same vision of how this is implemented in

practice. ‘Personalisation’ and ‘localisation’ can mean different things in different contexts, leading to considerable confusion and a lack of precision about what policy measures are being proposed. The Commission will therefore need to establish working definitions for these two terms that are backed by ‘taxonomies’ of the basic types of reform that are currently understood as ‘personalisation’ or ‘localisation’ in policy circles.

These definitions and taxonomies will be used to bring greater clarity to the Commission’s analysis of the potential for localisation and personalisation to achieve improvements in the region’s public services. By looking at specific forms of personalised or localised services, it will be much clearer which forms are appropriate in which circumstances in the North East. The Commission will review existing examples of such services in four sectors (criminal justice, education, health, welfare-to-work) in the region, both pilot and fully implemented schemes. It will assess whether they are able to respond to local contextual factors more effectively and whether this has led to an improved situation. It will also look at what can be done to increase the capacity of local service providers to respond to the local context and address cross-sectoral challenges.

The Commission is aware of the trade-offs and competing priorities and multiple objectives that the public services must deal with on a daily basis. With this in mind, its policy analysis will use the following four criteria:

- Will the action lead to significant improvements in key outcomes? (for example, life expectancy, educational attainment, crime statistics or fear of crime)
- Will the action lead to a reduction in inequities between the North East and other parts of the country, but also within the region? (Will this allow disadvantaged groups to improve their situation at a faster than average rate?)
- Will the action lead to greater public satisfaction with the public services and improve levels of trust, engagement and social cohesion within the region?
- Will the action have the support of frontline providers and professionals and will it be possible to implement in a realistic timescale?

This set of criteria is not comprehensive. Issues such as cost-effectiveness, accountability, and political feasibility are clearly also key criteria for governments when deciding whether to implement a policy. However, while the Commission will take these factors into account, it will focus primarily on these four criteria, which relate back to some of the problems with centralised services identified above (see ‘Why the centre is rediscovering decentralisation’). Together, these four criteria will guide the Commission towards a better understanding of whether and how a policy will lead to an improved situation for people in the North East.

Overcoming the obstacles to localised, personalised services

It will be not enough to propose ways of harnessing the power of more local, more personalised services if they cannot be realised due to the obstacles identified in this report. It is therefore essential that the Commission’s analysis also takes these obstacles into account and identifies how they can be overcome. This requires an assessment that weighs up the potential benefits of more local, more personalised services against these obstacles and considers what can be done to mitigate any negative consequences. The Commission’s final report will also consider how different agencies and groups in the North East can combine together to support the roll-out of more local, more personalised services.

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