



Public Service Paradox

The final report of the Commission on Public Sector Reform in the North East

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Contents

About ippr north	2
Commission on Public Sector Reform in the North East	3
Acknowledgements	4
Foreword.....	5
Executive summary.....	6
1. Introduction: The North East public services paradox	8
2. Health in the North East.....	10
3. Education in the North East	14
4. Criminal justice in the North East	19
5. Welfare to work in the North East	21
6. The economic and social context in the North East	25
7. The current public service reform agenda.....	32
8. Tackling the North East paradox	34
References	40

About ippr north

ippr north, the Newcastle-based office of the Institute for Public Policy Research, produces far-reaching policy ideas, stimulating solutions that work nationally as well as locally. These are shaped from our research, which spans the northern economic agenda, public services and devolution, as well as a strong democratic engagement strand which involves a wide range of audiences in political debates.

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Commission on Public Service Reform in the North East

ippr established a Commission on Public Service Reform in the North East, based at ippr North in Newcastle upon Tyne, in 2007. The Commission was set up to look at the policy challenges faced in the reform and renewal of public services embarked upon by successive Labour governments within the context of the distinctive needs of the region.

The Commission acknowledges that many of the challenges identified in this report could well apply to any region, not just the North East. That said, the North East, with its unique qualities and problems, is the subject of this report, and our primary concern throughout is that region's approach to dealing with the paradox identified.

The Commissioners

The independent Commission on Public Sector Reform in the North East is made up of experts from all areas of involvement in the public services. It is chaired by Sir George Russell CBE, Deputy Chair of ITV. Its full membership is as follows:

- Sir George Russell CBE (Chair), Deputy Chair, ITV plc
- David Albury, independent organisational and policy consultant, and former Principal Adviser, Prime Minister's Strategy Unit
- Joe Docherty, ippr north advisory board member, Home Group
- Fiona Ellis, former Director of the Northern Rock Foundation (until 31 March 2009)
- Margaret Fay OBE, Chairman, One North East
- Roger Kelly, Chief Executive, Gateshead Council
- Sean Price, Chief Constable, Cleveland Police
- Baroness Joyce Quin, former regional MP and MEP
- James Ramsbotham, Chief Executive, North East Chamber of Commerce
- Marcus Robinson, Partner, PricewaterhouseCoopers LLP and ippr north advisory board member
- Julia Unwin CBE, Director, Joseph Rowntree Foundation
- Professor Gerald Wistow, Visiting Professor, 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. ippr north provides the Secretariat to the Commission.

After much lively debate the Commission reached a consensus about the main themes identified in this report, but do not all agree on the detail of every point.

Previous outputs

The Commission began with a review of some of the main issues and trends in public services and public sector reform in the North East in recent years. This resulted in the publication of *An Audit of Public Sector Reform in the North East* by Jane Midgley and Sue Stirling, September 2007 – available to download for free from www.ippr.org.uk/ipprnorth/publicationsandreports/publication.asp?id=556

A further report was published in January 2009: *Prospects for More Local, More Personalised Public Services: A North East perspective*, by Duncan Hiscock and Sue Stirling, available to download from www.ippr.org/ipprnorth/publicationsandreports/publication.asp?id=642

Acknowledgements

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ippr north would also like to thank Tony Dolphin, Professor Danny Dorling, Sophy Hallam, Richard Hannah, Lisa Harker, Duncan Hiscock, Michael Johnson, Tess Lanning, Guy Lodge, Jane Midgley, Rick Muir, Daniel Neilon, John Pritchard, Jo Sandford, Sue Stirling and Bethan Thomas for their contributions to this report.

Karl Hallam was the lead author on this report. Georgina Kyriacou at ippr edited and designed the report.

Extensive desktop research involved a review of current relevant literature, which is cited as appropriate in this report. Data analysis has been augmented by the use of innovative mapping techniques to highlight the particular importance to the North East of the inequalities not only within the region but between the North East and other regions.

Throughout the process there have been regular meetings of the Commission itself and this report draws on the views and particular expertise of individual commissioners.

Foreword

This report is about the North East. The region is very close to my heart, as I was brought up in Gateshead, so when I was asked by ippr North to chair the Commission I was particularly pleased to accept. It is a region with both unique qualities and problems, and our primary concern throughout is the North East's approach to dealing with the challenges we have identified. That said, a number of the issues we have dealt with could well apply to other regions, not just the North East, and we therefore hope it is useful throughout the UK.

When we set out, before the credit crunch, recession and impending public spending cuts, we knew our remit was very broad and we never intended to make detailed recommendations for individual public services. What we have tried to do is identify the key challenges the region and its public sector faces, make some general recommendations on how they might be overcome and, crucially, indicate where more detailed work needs carrying out.

The increased investment in the public sector over the last decade has definitely made a positive impact in the four areas we looked at: health, education, criminal justice and welfare. It is our view that their impact on long-standing regional issues would be greater if there was more of a focus on prevention and engaging with people and communities. We also feel that more flexibility to respond to local priorities and less control from the centre would lead to better, more efficient services.

There are, however, in our view two big challenges to be overcome – and the public sector has a big role to play in them both – if the North East is to thrive. The first is to make the economy stronger and the second is to deal with the concept of who is in charge and accountable. We explain in this report why these are crucial issues and do not provide answers on how to tackle them, but call on the region itself to prioritise the formulation of ideas for how to do so, however difficult a challenge it seems. That is key to unlocking the potential this region undoubtedly possesses.

I thank ippr north and fellow Commissioners for their work and believe together we have made a significant and timely contribution.



Sir George Russell CBE

Chair of the ippr north Commission on Public Service Reform in the North East

“more flexibility to respond to local priorities and less control from the centre would lead to better, more efficient services”

Executive summary

ippr established the Commission on Public Service Reform in the North East, based at ippr north in Newcastle, in 2007. The Commission came together to look at the policy challenges emerging from the reform and renewal of public services since 1997, particularly in relation to the distinctive needs of the North East region.

The Commission has found that the record levels of investment in the North East's public sector have produced 'high-performing' services which have mitigated some of the worst effects of the current recession. However, such 'high performance', as measured by the various national auditing bodies, has had limited impact on closing the gap in relative outcomes. Whether in terms of life expectancy, entrance to further education, or unemployment, the North East still lags behind other regions and the disparities between different parts of the North East remain.

Through analysis of this apparent paradox of high performance and poor outcomes, the Commission has identified three interlinked themes under which the public sector and the region must overcome challenges, each with a key recommendation.

Theme 1 – The best services

The public sector in the North East has been very good at doing what central government has asked it to do, but this has not necessarily allowed the region's services enough space to target local priorities. The sector could be said to be *hitting targets, but missing the point*.

The challenge is to provide the best performing public services that:

- Are measured by their effect on outcomes
- Focus on prevention of long-standing problems in the North East
- Respond to the needs of the people of the region
- Engage local people and communities and work with them to solve problems
- Show a better understanding of how different people and communities might make changes in their behaviour and how services might support such change
- Are open to new ways of doing things through and beyond cuts in public sector spending.

Key Recommendation 1:

That the public sector in the North East is granted greater freedom, within a framework of stronger user accountability, to improve its own performance with more of a focus on longer-term outcomes than short-term targets.

Theme 2 – Accountability and funding

The public sector in the North East has been very good at delivering on the wide range of responsibilities given it by central government, but has limited powers to change what it does to suit the region's needs. The sector could be said to have *lots of responsibilities, but not enough rights*.

The challenge for the public sector is to be more flexible and responsive and to:

- Lead on the development a new clear vision for the future of the North East
- Have leadership that is visible, accessible, accountable and with the power to make changes needed to achieve the vision

- Increase the proportion of regional expenditure raised locally, gain more control over local public spending and move to outcome-based budgeting.
- Be more proactive, open and innovative about overcoming real and perceived barriers to making the region succeed.
- Be shaped by and linked to local need and opportunities.

Key Recommendation 2:

That the public sector in the North East has greater freedom over public finances to address local needs and priorities and to strengthen and develop local accountability.

Theme 3 – The economy

However well the public sector performs in the North East it can only do so much for the region when in relative terms the economy is weak. Despite significant improvements in the regional economy there are too few jobs; wages are too low and there is significant economic and social disadvantage. The challenge for the public sector is to ensure its activity contributes towards creating a just and sustainable economy by:

- Creating the conditions for increased employment and more equal economic participation
- Creating a more diverse economy with stronger private and third sectors
- Providing services that reduce multiple deprivation and inequality in outcomes
- Providing services that address the causes of multiple deprivation
- Promoting enterprise and continuing to attract investment and employers to the region.

Key Recommendation 3:

That the public sector in the North East should extend its work with the third and private sectors to develop innovative approaches to service delivery that promote economic development focused on tackling regional disparities, responding to the recession and preparing for sustainable recovery.

1. Introduction: The North East public services paradox

After 12 years of investment, reform and improvement in public services, the North East still lags behind other English regions on several important measures of social disadvantage. While the performance of public services shows significant improvement, the gap in key outcome measurements such as life expectancy, weekly household income and educational attainment between the region and the rest of England has not narrowed. There is an apparent paradox where services are good, outcomes poor.

The performance of public services in the North East – schools and colleges, hospitals and GPs, police, welfare providers – has come a long way in the last decade. There is no doubt that things have got much better, even if the current economic crisis has removed some of the shine. Positive trends have been visible in many key outcomes that are central to our chances in life, such as life expectancy, exam results and fear of crime. Other aspects have also improved. Huge investment has led to the building or renovation of many schools and hospitals, and much has been done to address high-profile concerns such as hospital waiting lists and class sizes.

Yet for all the positive trends that can be identified, when comparisons are made between the North East and the rest of England the picture looks less rosy. Across the public services, outcomes in many areas remain well below the English average, and often the gap has not narrowed significantly. Furthermore, inequalities between different parts of the North East are stark and for certain outcomes the gap is growing. And there would appear to be a number of key issues – attainment in English and maths, teenage pregnancy, probation, for example – which are proving particularly intractable.

In many respects, regional inequalities can be seen as a function of a regional economy that has suffered several decades of decline and restructuring. However, poor outcomes cannot simply be attributed to poor institutions or be blamed on a lack of investment. Over the last decade, public services in the North East have consistently benefited from above-average spending increases.

Table 1.1 (p9) shows central government spending per person (total identifiable expenditure per head) in each English region during 2003–4 and 2007–8 (the last year for which actual figures are available). In both sets of years the amount spent per head in the North East was well above the English average expenditure per head and behind only London among the English regions. This fed through into the numbers of public sector staff: the North East experienced the highest increases in terms of staff numbers relative to population numbers, for example in police numbers to resident population and pupil-to-teacher ratios (HM Treasury 2009).

Spending cuts in the coming years are inevitable and could threaten the progress that has been made. A recent report from the National Endowment for Science, Technology and the Arts (NESTA) suggests that ‘the public services we require will have to deliver significantly better performance at significantly lower cost’ (Harris and Albury 2009: 4).

It is in this context that we now examine the paradox more closely by looking at four key areas of the public sector in the North East – health, education, criminal justice and welfare-to-work. For each we briefly consider the changes in investment, performance and key outcomes. We will then go on to consider the broader regional social and economic context.

First, a note on methodology. The Commission has used a range of methods to collect, analyse and review evidence. The first task was to establish a starting point and record the changes that were made in our chosen four key areas of the public services over the first decade of the Labour government. This led to the production of ippr north’s report *An audit of public sector reform in the North East* (Midgley and Stirling 2007).

Table 1.1: UK identifiable expenditure on public order and safety by country and region, per head, 2003–04 to 2007–08

Region	2003/04 (£ per head)	Region	2007/08 (£ per head)
North East	422	North East	512
North West	435	North West	513
Yorks and Humber	380	York and Humber	457
East Midlands	333	East Midlands	384
West Midlands	367	West Midlands	446
East	293	East	360
London	696	London	786
South East	331	South East	369
South West	312	South West	361
England	407	England	474
Scotland	361	Scotland	436
Wales	400	Wales	458
Northern Ireland	693	Northern Ireland	739
UK identifiable expenditure	411	UK identifiable expenditure	478
Source: HM Treasury 2009			

The Commission was determined to collect and represent the views of all parties with an interest in public service reform in the North East. It announced an open call for evidence from people who use public services, public service providers from all sectors, community organisations and research and advocacy organisations in the region. Expert roundtables in the fields of health, education and welfare reform were held and further interviews were conducted with key stakeholders in the region. Some of the examples and intelligence gathered through these methods are interspersed throughout this report.

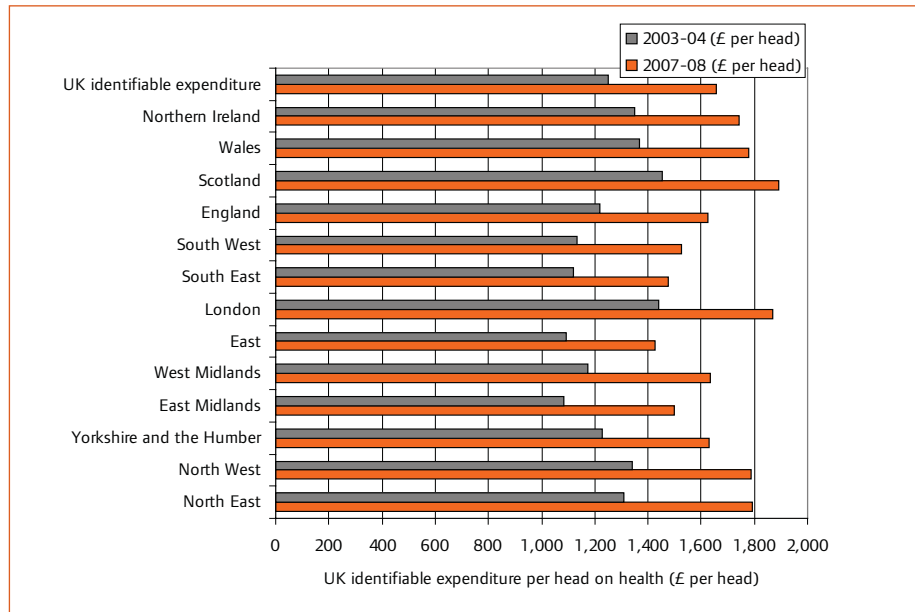
2. Health in the North East

Investment

The proportion of Britain’s Gross Domestic Product (GDP) spent on the core public services of health, education and public safety increased from 12.2 per cent in 1997/98 to 15.5 per cent in 2005/06 (Brooks 2007, Midgley and Stirling 2007). The great winner was health whose proportion of GDP went from 5.4 per cent to 7.3 per cent. In 2007/8 the North East received the second highest amount of regional expenditure on health per person in England after London.

Figure 2.1. UK identifiable expenditure per head on health by nation and region, 2003–04 to 2007–08

Source: HM Government 2009



Performance

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. Twenty-one of the 23 trusts were rated as either ‘excellent’ or ‘good’ for their quality of services in 2007/08, up from 18 in 2006/07, and no trust was rated as ‘weak’. Similarly, 17 of the 23 trusts were rated excellent or good for their use of resources in 2007/08, compared with seven in 2006/07, and no trusts were 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).

Some parts of the North East have gained deserved recognition for their work on health. South Tyneside Council is only one of a handful of authorities to win Beacon Status for its innovative approach to cross-agency working in developing Local Strategic Partnerships. For example, its *Healthier Communities Strategy 2008–2020* puts health inequalities in a community and multi-service context (South Tyneside Primary Care Trust/South Tyneside Council 2008).

Outcomes

According to the 2009 British Social Attitudes survey the public is now more satisfied with the National Health Service than at any time since 1984 (Park *et al* 2009). In the North East there has been considerable progress in improving health, but the health of people in the region remains generally poorer than in England as a whole. The region has the worst life expectancy and the highest rates of early deaths from cancer and coronary heart disease. Table 2.1 summarises the main health outcomes and national comparison.

Table 2.1. Health outcomes in the North East and comparison with England

Trends and statistics in NE	National comparison
Life expectancy increased by approx. 2 years for men, 1.5 years for women between 1996–98 and 2003–05	Same rise visible everywhere. NE still has some of the lowest life expectancies in England
Significant fall in Standardised Mortality Ratio (SMR) for coronary heart disease 1997–2005 from 194 to 113 for men, 191 to 121 for females; similar fall for cancer rates	NE still has highest SMR in England for coronary heart disease (second highest for men) and cancer
Fall in teenage conception rates from approx. 57 per 1,000 in 1998 to 50 per 1,000 in 2005	NE still has highest teenage conception rates in England

Reducing health inequalities is one of the five national priorities of the NHS operating framework and a local priority across services. Despite the increased investment and improved institutional performance, the inter-regional and sub-regional inequalities in the North East have proved hard to treat.

The Commission has found, however, that there are ways of reducing health inequalities that could be used more in the region. For example, road safety measures, such as enforced 20mph limits in all of the region's residential areas, would have a significant impact on reducing inequalities. This is because people, especially the young, from more deprived neighbourhoods are much more likely to experience road accidents than their more affluent peers (Grayling *et al* 2002). Introducing free school meals, which has proven popular in Durham, would also reduce inequality over time – see Box 2.1.

Box 2.1. Free school meal success in Durham

About 90 per cent of County Durham's primary school children are receiving free school meals under a two-year pilot scheme to provide free lunches to all children in the county's 244 primary schools.

There was near 100 per cent take-up at Shincliffe CE Primary, near Durham City. According to the *Durham Times*, 'Headteacher Jeanine Lowes said: "We're very pleased with how it's gone. We feel school meals are a big part of learning and social skills. ... We were wondering how quickly children who previously had school dinners would take to it, but they loved it. We've had a really positive response"' (Tallentire 2009).

The main aim is to cut childhood obesity and boost health, but 'it could also save a family with two children at primary school £17 a week – £1,300 over the trial period' (ibid).

Source: 'Free school meals in County Durham hailed a success', by Mark Tallentire, *Durham Times*, 8 September 2009

Life expectancy rose by approximately two years for men and 1.5 years for women between 1996–98 and 2003–05, but the North East still has some of the lowest life expectancies in England. The variation within the region is significant too – updated figures for 2005 to 2007 for male life expectancy at birth vary from 75.0 in Middlesbrough to 79.0 in Tynedale (Office for National Statistics 2009).

Figures 2.2 and 2.3 illustrate life expectancy for all people in the North East. The paired maps¹ presented in this report show conventional maps on the left and equal area cartograms, otherwise known as density-equalising maps, on the right. A cartogram resizes each territory according to the variable being mapped – throughout this report, that variable is population. Figures 2.4 and 2.5 show the whole region with local authority labels to assist with identification. The local authority area with the lowest life

1. All the maps were prepared by the Social and Spatial Inequalities Research Group at Sheffield University using the most up-to-date data appropriate to the topic of each map.

expectancies in the region (on data from 2004–06) is Hartlepool (76.5 years); the highest expectancies are in Berwick-upon-Tweed (81.8 years).

- 2. The maps throughout the report use the borders prior to the 2009 local authority reorganisation, as data is not yet readily available for the new authorities.

Cartograms are useful in demonstrating the full impact of inequalities between different geographical areas. They have been used in this report because a strong feature of the paradox in the North East is the inequality in outcomes, not just between the North East and other regions, but within the region too. Here, for example, looking at the

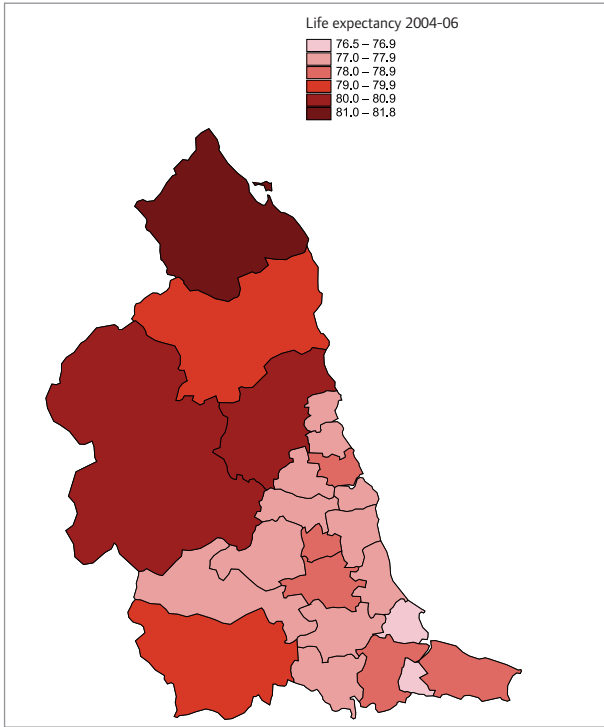


Figure 2.2. Life expectancy at birth 2004–6, all people, NE
Data source: Office for National Statistics

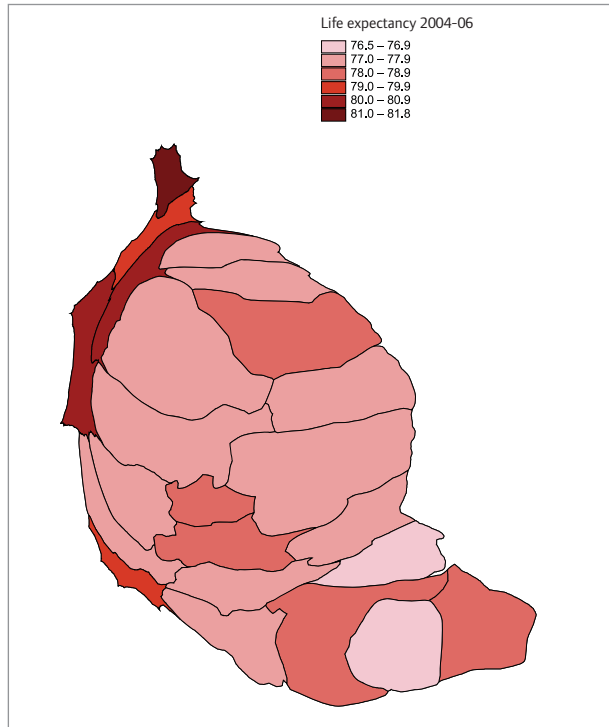


Figure 2.3. Life expectancy at birth 2004–6, all people, NE
Data source: Office for National Statistics

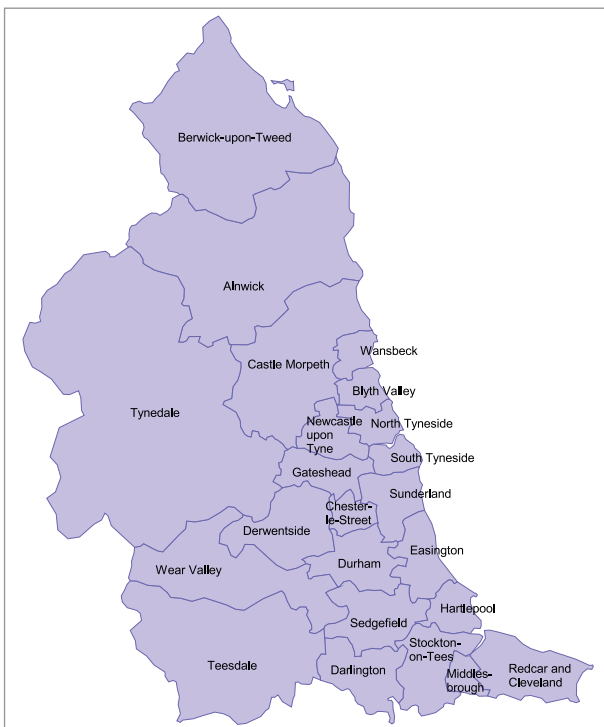


Figure 2.4.² Map: NE local authority locator

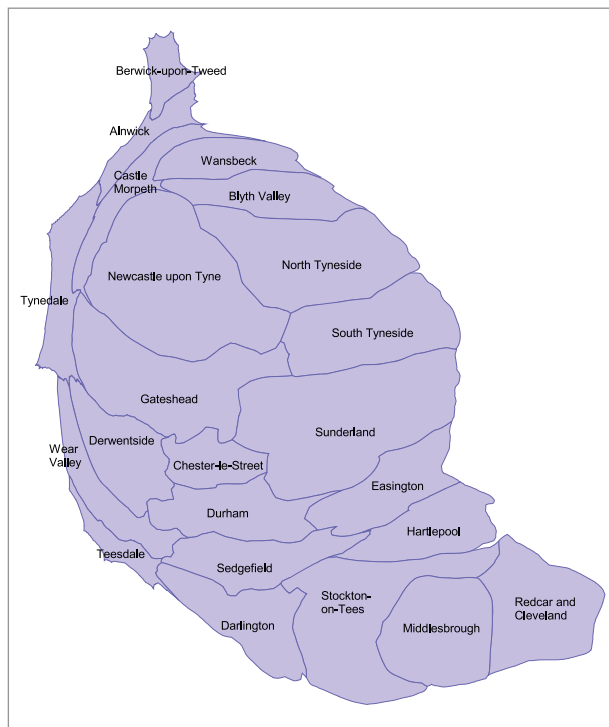


Figure 2.4. Cartogram: NE local authority locator

distribution of life expectancies on the conventional map can be misleading. It shows over half the region as having life expectancies of over 79 years. On the cartogram, where an area is drawn in proportion to population, presentation of the *same* data reveals that the region is dominated by areas where life expectancy is below 78 years. The cartogram therefore provides a more accurate graphical representation of the experience of people in the North East.

There has been progress on other key health measures, including significant falls in Standardised Mortality Ratios (SMRs) for coronary heart disease and cancer between 1997 and 2005, but the rates are still the worst nationally. This may be linked to the North East having the highest estimated levels of adult binge drinking and adult smoking in England (Association of Public Health Observatories 2008). Rates of smoking in pregnancy and breast-feeding initiation are the worst in England. The region's teenage conception rates have decreased to 48.8 per thousand under-18s, but are still the highest in England, where the average is 40.6 per thousand.

Figures 2.6 and 2.7 show wide variations across the region, with higher rates denoted by darker shading. Again, the cartogram on the right gives a more accurate picture of the intra-regional inequalities; it can clearly be seen that the lower teenage conception rates are found in the least densely-populated areas of the region and therefore the overall regional picture is in fact considerably less positive than would be suggested by the conventional mapping on the left. (Refer to Figure 2.5 to assist with identification.)

The North East also has pockets of high rates of low-birth-weight births (under 2500 grams), despite a regional rate in line with the national norm. For example, in Middlesbrough, 11.2 per cent of all births were below 2500 grams, in contrast with the national average of 7.9 per cent (2005 figures).

In summary, the data shows that the health sector in the North East has received higher than average investment and key agencies have been assessed to be working to a high standard when compared with the rest of the country. Key health outcomes have improved. However, the North East continues to lag behind the national average in a number of key areas and there remain considerable inequalities within the region itself.

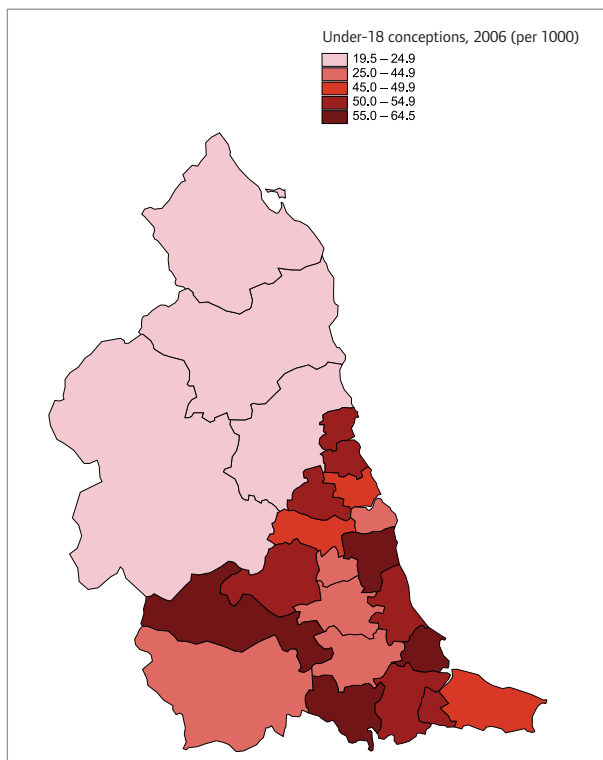


Figure 2.6. Under-18 conceptions, 2006, NE
Data source: Office for National Statistics

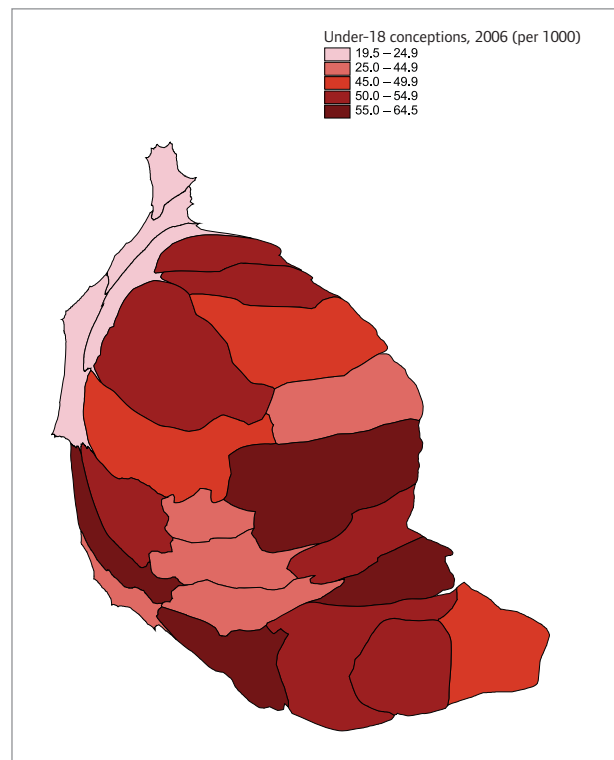


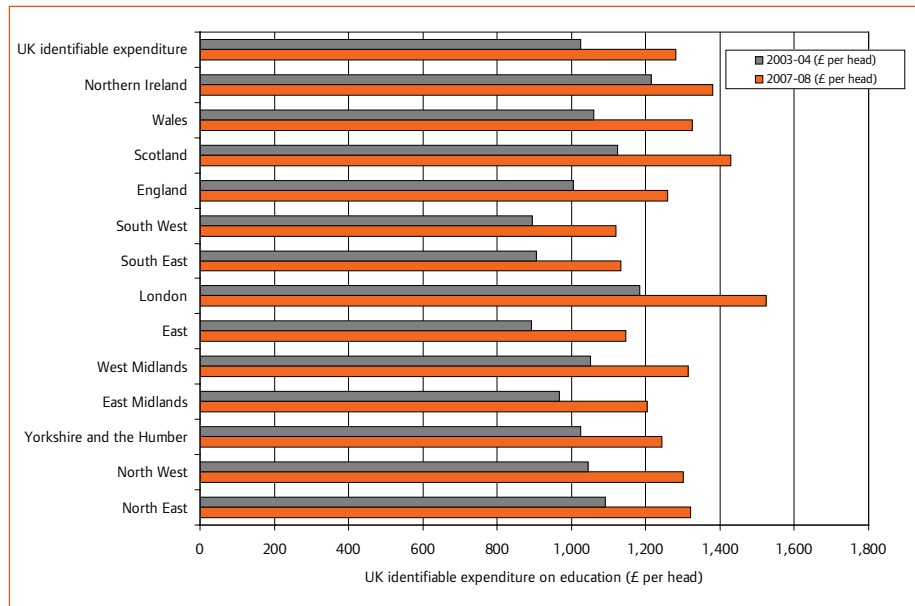
Figure 2.7. Under-18 conceptions, 2006, NE
Data source: Office for National Statistics

3. Education in the North East

Investment

The proportion of Britain’s GDP spent on education rose from 4.7 to 5.7 per cent over the decade from 1997. In England the North East region was second only to London in spending per head on education and training in both 2003/4 and 2007/8.

Figure 3.1. UK identifiable expenditure on education by nation and region, per head, 2003–04 to 2007–08
Source: HM Treasury 2009



Performance

Table 3.1. 2008 CPA scores for single tier and county councils

Council	Authority type	Direction of travel	Star category	Children and Young People’s services assessment score*
Darlington	Unitary authorities	Improving strongly	4 star	3
Durham	County councils	Improving well	4 star	3
Gateshead	Metropolitan district councils	Improving well	3 star	4
Hartlepool	Unitary authorities	Improving strongly	4 star	3
Middlesbrough	Unitary authorities	Improving strongly	4 star	3
Newcastle-upon-Tyne	Metropolitan district councils	Improving well	2 star	2
North Tyneside	Metropolitan district councils	Improving well	3 star	3
Northumberland	County councils	Improving well	4 star	3
Redcar and Cleveland	Unitary authorities	Improving well	2 star	3
South Tyneside	Metropolitan district councils	Improving strongly	4 star	3
Stockton-on-Tees	Unitary authorities	Improving well	4 star	3
Sunderland	Metropolitan district councils	Improving well	4 star	3

Source: Audit Commission

*Service assessments are scored on the Local Services Inspectorate Forum scale:

1 = Inadequate performance – below minimum requirements; 2 = Adequate performance – only at minimum requirements; 3 = Performing well – consistently above minimum requirements; 4 = Performing strongly – well above minimum requirements

Primary and secondary education is the responsibility (through Children’s Services) of local authorities, which appear to serve the North East well. All 12 local authorities in the North East have been very positively assessed by the Audit Commission’s Comprehensive Performance Assessment (CPA)³ (see Table 3.1). The majority are a maximum four-star rated and all are ‘improving strongly’ or ‘improving well’. The children and young people elements of the ratings, covering education, are generally good, too, but the majority are three rather than four-star.

There are, of course, many very good schools in the region that do very well in with considerable economic disadvantage and social issues. For example, Shiremoor Primary School in North Tyneside was recently named by Ofsted as one of ‘Twenty outstanding primary schools: excelling against the odds’, ‘which provide great service to highly disadvantaged communities in different parts of the country’ (Ofsted 2009) – see Box 3.1.

Box 3.1. Shiremoor Primary School – North Tyneside

‘The headteacher’s visionary and unremitting approach to continually improving teaching, learning and the care that pupils receive is at the heart of the school’s success.’ (Ofsted 2008)

Formerly a mining village, this large Tyneside estate reflects considerable economic disadvantage and social issues. Most children who attend the school are of White British heritage, with fewer than 5 per cent from minority ethnic groups. The school has the vision and commitment to make light of its many challenges, responding readily to the needs of its children – like providing a ‘second’ breakfast to provide the fuel for learning – and sustaining close links with both parents and the range of services which operate in the area, including police, fire brigade and health services and local businesses. Pupils love the school and know that the adults will sort out any problems they have.

Perhaps the most important vehicle for achieving success is the approach taken to managing behaviour, which began in 1990 when Helen Clegg became the headteacher. This involves strong moral purpose as well as being very practical. It is based on good manners, paying attention and mutual respect. The school has developed clear and well-established rules with the children, accompanied by rewards and sanctions. These are displayed prominently, explained to parents and demonstrated by staff. But the rewards are not what enable the pupils to behave so well so much as the school’s positive ethos and engaging curriculum.

The school has exceptionally well-organised management systems where what needs to be done, or adds value, is done efficiently by staff at the right level and what doesn’t, isn’t. Staff morale at all levels is very high; they see themselves as fortunate to work, with autonomy and enjoyment, in such a rewarding setting. The last inspection reported teachers’ enthusiasm for learning as infectious. Pupils like being expected to do things for themselves, which brings a sense of achievement and spurs them on to new challenges.

Source: quoted from Ofsted 2009, p74.

Outcomes

Educational outcomes have improved in the North East, but some are still poorer than in England as a whole. There are low participation rates in post-16 education and significant inequalities in key outcomes across the region. Table 3.2 below summarises some of the main education outcomes and national comparison.

Despite a modest change to staff numbers in the maintained (state school) sector, the North East enjoys some of the lowest pupil-to-teacher ratios for primary and secondary education in the country. During the primary phase of education, results for school children in Key Stages 1 and 2 (undertaken at ages 7 and 11) are above the English average, with girls out-performing boys (which is consistent with national trends).

3. The CPA inspection regime for local authorities is to be replaced from November 2009 by the new Comprehensive Area Assessment (CAA), which will look across councils, health bodies, police forces, fire and rescue services and others responsible for local public services. The new regime will work alongside the existing inspection bodies for health and police services.

Table 3.2. Main education outcomes in the North East and comparison with England	
Trends and statistics in NE	National comparison
Virtually no change between 2000 and 2006 at KS* 1	KS 1 results in NE close to national average in 2000 and 2006
Improvement at KS 2, at same rate as national average	KS 2 results in NE close to national average in 2000 and 2006
Improvement at KS 3, mostly at same rate as national average	KS 3 results in NE below national average in 2000 and 2006
Increase from 40% of pupils attaining 5 or more GCSE passes in 2000 to 57% in 2006	% of pupils attaining 5 or more passes in NE increased between 2000 and 2006 much faster than national average; attainment now matches national average
Only just over 40% of pupils achieve 5 GCSE passes including English and maths in 2006	NE had lowest achievement in England in achieving 5 GCSE passes including English and maths in 2006

*KS= Key Stage. Source: Midgley and Stirling (2007)

Primary-level attainment leads to the expectation that secondary achievement should also be high. However, this is not the case: by Key Stage 3 (at age 14) attainment in the North East has declined to below the national average.

GCSE results have improved over time but, when looking at the percentage of pupils who achieved at least five GCSE passes *including English and maths* at grade A* to C, the region still performs relatively poorly compared with the rest of England. Figures 3.2 and 3.3 illustrate that it is not only inequalities between the North East and other regions that are a concern: persistent inequalities remain in educational outcomes within the region. Darker shading shows that there are higher rates of scoring five or more grade A* to C GCSEs in the North East. Adjusted for population, in the cartogram (Figure 3.3), it becomes clearer that the average attainment across the region is lower than might have been suggested by the conventional map (3.2).

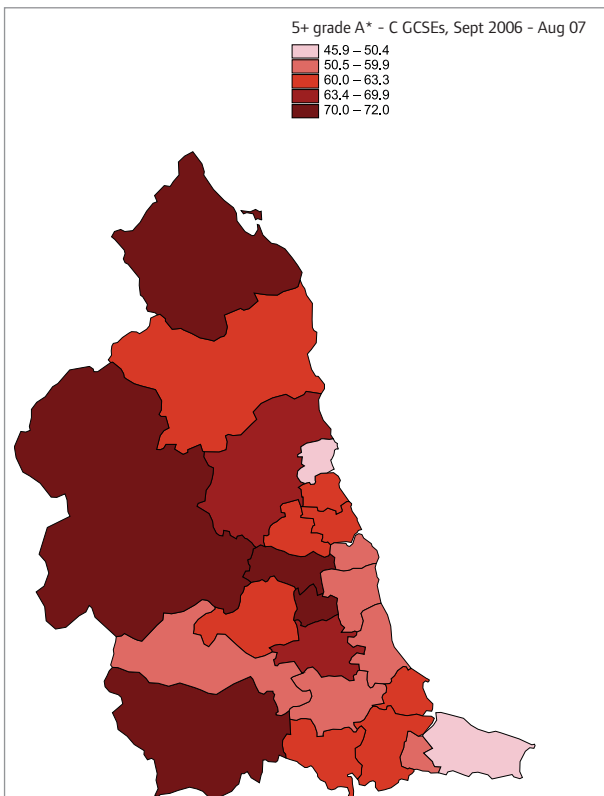


Figure 3.2. 5+ grade A*-C GCSEs, Sept 2006–Aug 2007 (%), NE
Data source: Neighbourhood Statistics (ONS)

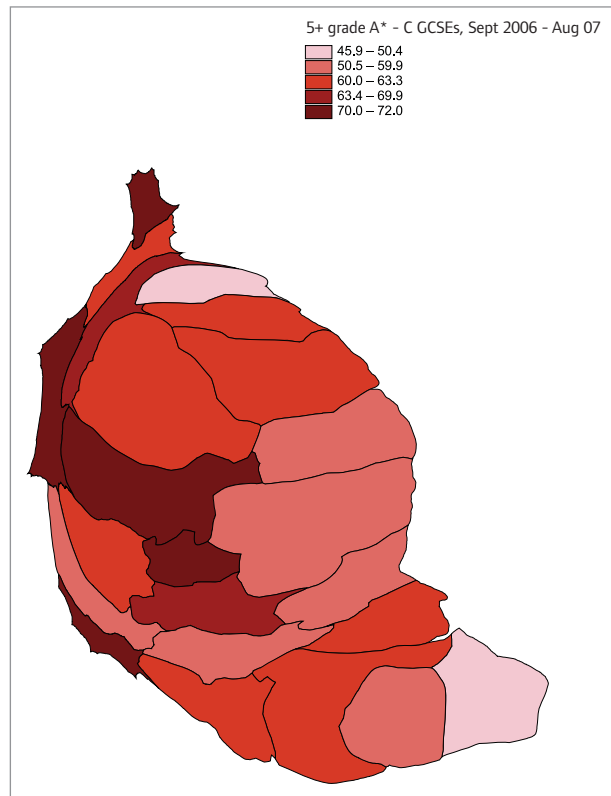


Figure 3.3. 5+ grade A*-C GCSEs, Sept 2006–Aug 2007 (%), NE
Data source: Neighbourhood Statistics (ONS)

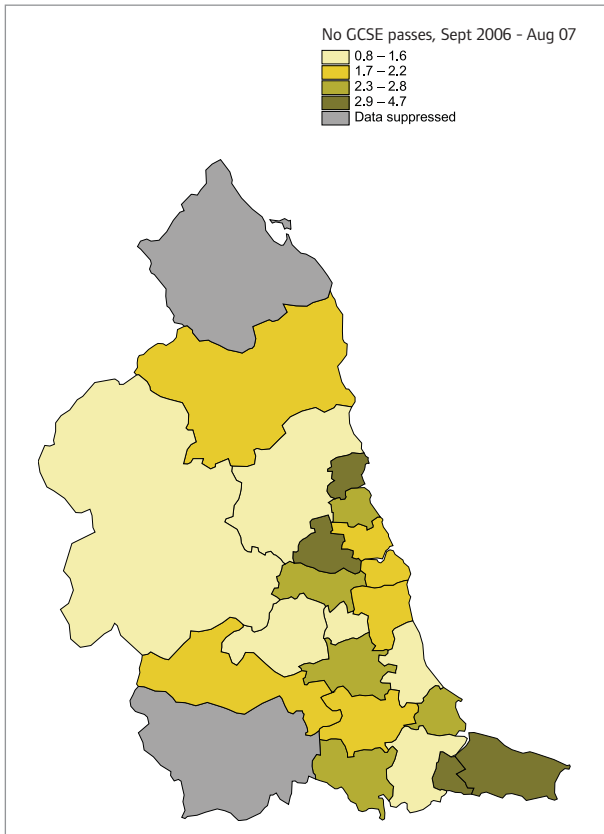


Figure 3.4. No GCSE passes, Sept 2006–Aug 2007 (%), NE
 Data source: Neighbourhood Statistics (ONS)

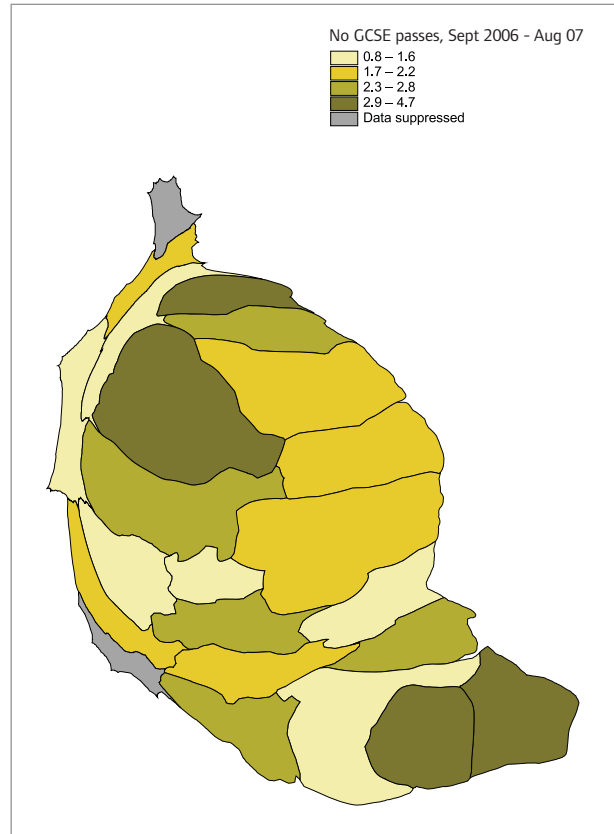


Figure 3.5. No GCSE passes, Sept 2006–Aug 2007 (%), NE
 Data source: Neighbourhood Statistics (ONS)

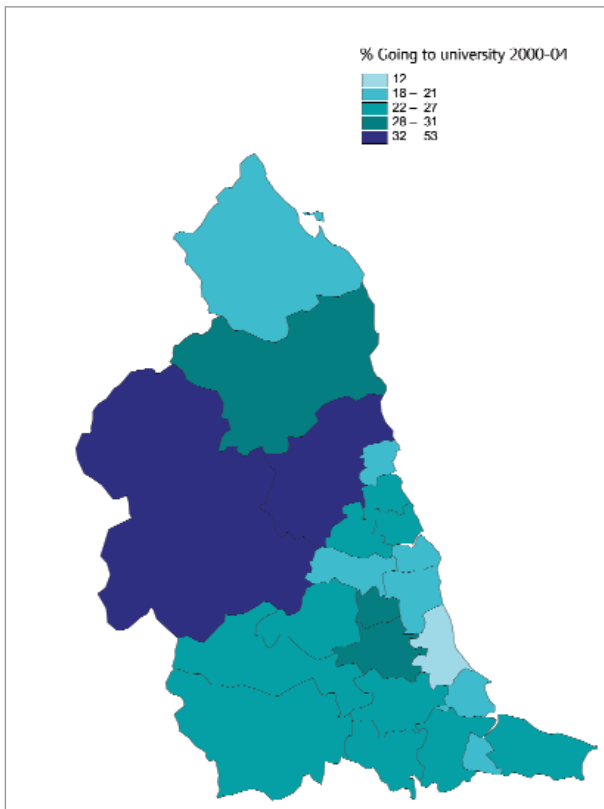


Figure 3.6. Attendance at university, 2000–04 (%), NE
 Data source: Corver 2005

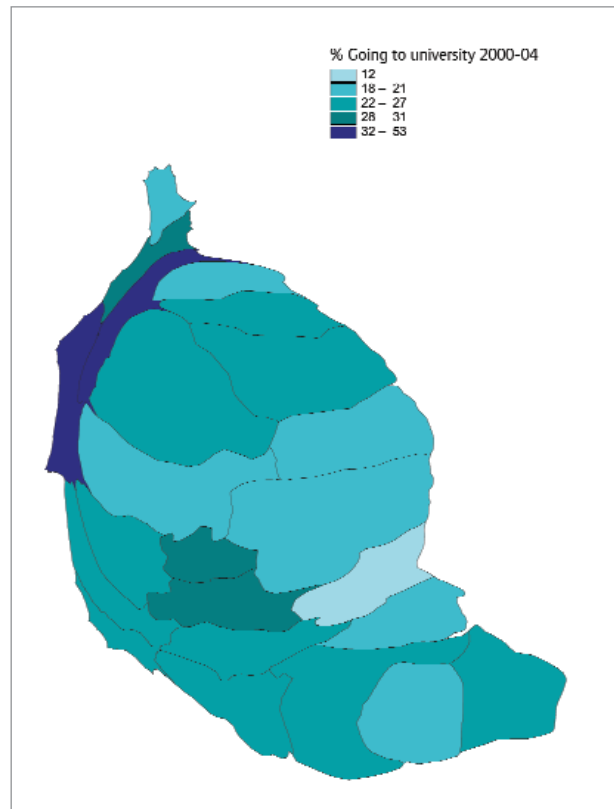


Figure 3.7. Attendance at university, 2000–04 (%), NE
 Data source: Corver 2005

Figure 3.4 shows the areas with the worst rates for 'no GCSE passes' with the darkest shading. The cartogram, 3.5, illustrates the fact that the highest-achieving areas at GCSE tend to be the least-densely populated, and the lowest-achieving tend to be the most-densely populated. Again, the aim of the cartogram is to represent educational performance across the region more accurately, giving equal weight to all students.

Participation rates in post-compulsory education (full- or part-time) and work-based learning are lower in the North East than in other English regions, contributing to what is seen as a 'qualifications deficit'. The paired maps 3.6 and 3.7 show the distribution across this region of those going to university between 2000 and 2004. The population-adjusted cartogram, 3.7, more accurately portrays the relatively low regional attendance rates than Figure 3.6, the conventional map.

The deficit is further illustrated by the rates across all regions of attendance at elite universities: 1.8 per cent in the North East versus an English average of 2.8 per cent (Corver 2005).

The North East could look to Nottingham, which has focused its Local Area Agreement on early intervention to tackle problems such as the long-standing lower educational performance associated with deprivation.

In summary, education in the North East, including the further education sector, has received higher than average investment and the majority of key bodies with overall responsibility have been judged to be performing well. Education outcomes have improved. However, the North East continues to lag behind the national average in a number of key areas and there remain considerable inequalities within the region itself.

4. Criminal justice in the North East

Investment

The proportion of Britain's GDP spent on public order and safety rose from 2.1 to 2.5 per cent over the decade from 1997. Of the English regions, the North East was behind only London and the North West in spending on public order and safety in both 2002–03 and 2006–07.

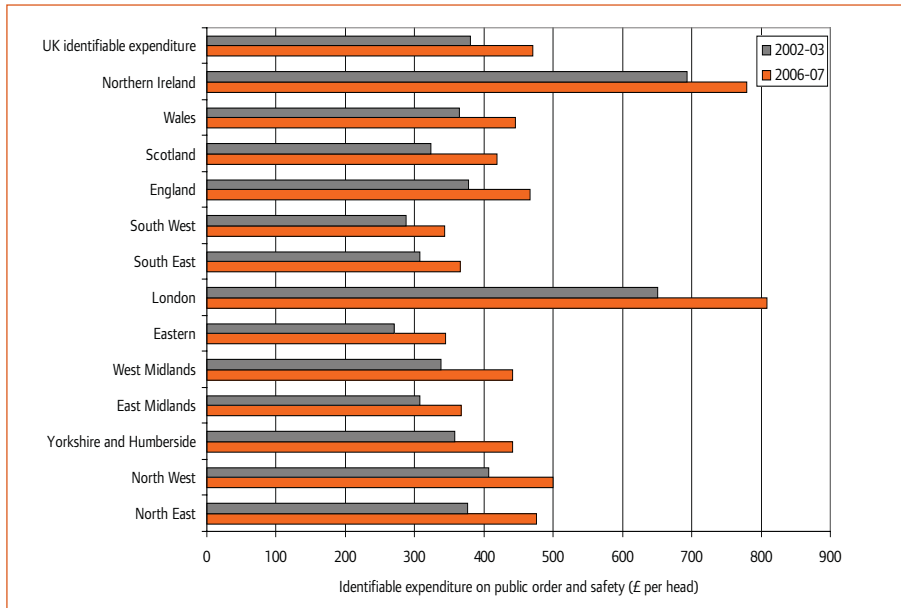


Figure 4.1. UK identifiable expenditure on public order and safety by nation and region, per head, 2002–03 to 2005–07

Source: HM Treasury 2008

Performance

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 Northumbria) 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 Northumbria 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 2008).

The wider influence of the performance of the criminal justice system in determining well-being has been recognised locally. An example is in the framework of measures of well-being developed by Hartlepool Mind in conjunction with the Local Strategic Partnership (Hartlepool Partnership 2008). This framework includes both objective measures such as the assault with injury crime rate and subjective measures such as the percentage of people feeling safe after dark.

Outcomes

The picture for the region is broadly more positive for criminal justice than for the other measures described so far, but there are some areas of concern. Table 4.1 below summarises the main criminal justice outcomes and the national comparison.

Residents of the North East are less likely to live in fear of burglary and violent crime than those elsewhere and crime rates have in fact fallen considerably. The region's criminal justice agencies in 2006 had the highest rate of detection and sanctioned detection (reported crime leading to prosecution) of any English region. The police forces in the North East (in 2006) enjoyed the highest levels of public confidence of any

Trends and statistics in the NE	National comparison
Fear of crime (burglary and violent crime) dropped considerably from 2001 to 2006	Fear of crime in NE lower than in most regions; downward trend similar everywhere except London
Over 50% of population confident that local police force 'doing a good job'	NE among highest confidence in police in England (with South West and London)
Only 41% of population confident that criminal justice system 'effective in bringing people to justice'	NE has lowest confidence in England (with North West) that criminal justice system 'effective in bringing people to justice'

region. However, the criminal justice agencies experienced some of the lowest expressions of public confidence in their effectiveness in bringing people to justice.

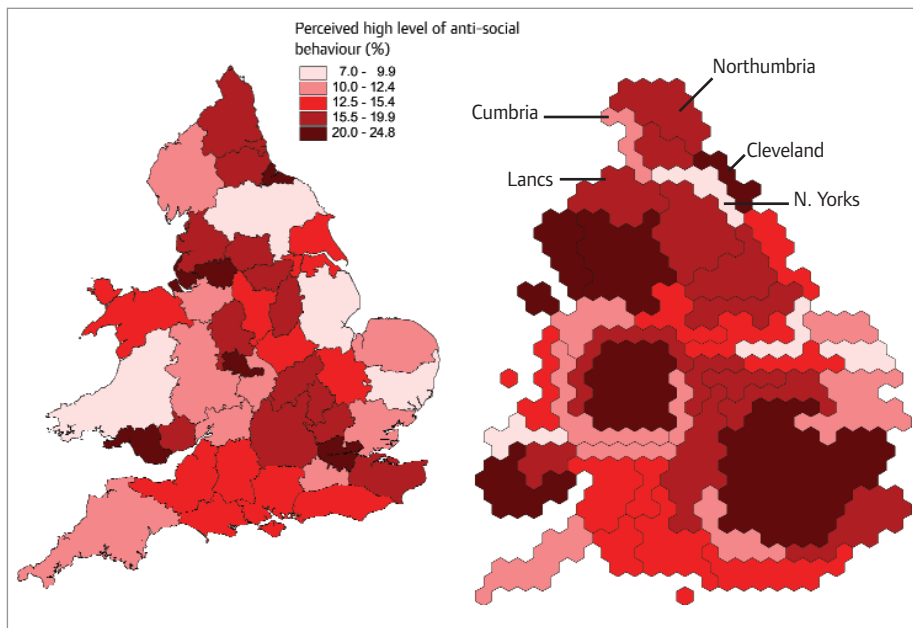
The North East's record on youth offending is mixed. There are low levels of custodial and community sentencing for young offenders, and lengths of time between arrest and sentencing are average (at target level). However, young offenders in the region falling under the supervision of Youth Offending Teams are among the country's least well supported in terms, for example, of ensuring they are in education, training or employment (Midgley and Stirling 2007).

One factor in the public's low level of confidence in the effectiveness of the criminal justice agencies in the region is concern about anti-social behaviour. Looking at public perception of anti-social behaviour across the region, the conventional map, on the left of Figure 4.2, shows that compared with the national picture there are believed to be high levels of anti-social behaviour in all three police force areas in the North East. Areas with the highest perceived levels are shaded more darkly and the maps show that the most negative public perception of behaviour is in the Cleveland force area.

The cartogram on the right in Figure 4.2 is in a slightly different form to previous examples, but the size of the areas on the cartogram is again adjusted for population. The cartogram illustrates what might be expected – that it is the more densely-populated force area of Cleveland that suffers from the highest perceived levels of anti-social behaviour.

Figure 4.2. Perceived high level of anti-social behaviour, England and Wales

Source: British Crime Survey 2006–07



In summary, the North East has received higher than average investment on criminal justice and the key bodies are generally performing well. Most relevant outcomes have improved. The paradox in this area of public service is the low confidence in the ability of the region's agencies to bring people to justice despite low fear of crime and a fairly high level of confidence in the police.

5. Welfare-to-work in the North East

Investment

The picture for welfare-to-work⁴ again shows the region is receiving high levels of resources, but spending in this area is much more demand-led than other services. Of the English regions, the North East received the highest spending per head on employment policies and social protection in 2003–4 and 2007–8. This reflects some of the lowest economic activity rates in the country and is an area of spending that is likely to see unwelcome growth during the recession.

Table 5.1. UK identifiable expenditure on employment policies and social protection, by country and region, per head, 2003–04 to 2007–08 (£ per head)

Region, 2003–04	Employment policies	Social protection	Total	Region, 2007–08	Employment policies	Social protection	Total
North East	75	2,909	2,984	North East	81	3,336	3,417
North West	63	2,769	2,832	North West	66	3,237	3,303
Yorks/Humber	61	2,551	2,612	Yorks/Humber	61	2,959	3,020
E Midlands	46	2,375	2,421	E Midlands	45	2,805	2,850
W Midlands	60	2,563	2,623	W Midlands	61	3,088	3,149
East	37	2,269	2,306	East	38	2,708	2,746
London	65	2,637	2,702	London	59	3,082	3,141
South East	33	2,200	2,233	South East	32	2,641	2,673
South West	37	2,515	2,552	South West	36	2,942	2,978
England	52	2,507	2,559	England	51	2,953	3,004
Scotland	56	2,860	2,916	Scotland	55	3,306	3,361
Wales	60	2,908	2,968	Wales	69	3,401	3,470
N Ireland	91	3,052	3,143	N Ireland	93	3,670	3,763
UK identifiable expenditure	54	2,572	2,626	UK identifiable expenditure	54	3,025	3,079

Source: HM Treasury 2009

Performance

For welfare-to-work, regional or local authority level data of provider performance is not easily available. The Department for Work and Pensions does measure satisfaction with a variety of services offered, including Jobcentre Plus. Nationally, the vast majority of Jobcentre Plus customers reported that they were either 'satisfied' or 'very satisfied' with the overall service that they received (Johnson and Fidler 2007). Levels of satisfaction in the North East were around the national average. There are some local examples of innovative practice; see Box 5.1 for one (p21).

Another example is Sunderland City Council's Northern Way Worklessness Pilot, which 'engaged with over 280 employers, practitioners and clients and used service design methods to map the public services needed to help disadvantaged individuals out of unemployment' (HM Treasury 2009c).

4. Help and support for people of working age to get a job and stay in work

Box 5.1. The Acumen Community Enterprise Trust

The Acumen Community Enterprise Trust is said to be an example of both a more personal and local approach to worklessness. It was established in 2003 and began its work in East Durham but now works in other areas of the North East. Kate Welch, Acumen’s Chief Executive, argues that in the disadvantaged communities in which it operates, many people are far away from employability and are poorly served by the standard programmes offered by Jobcentre Plus. Acumen’s clients often start with multiple problems, including health problems and low self-esteem, and do not believe that they can change their lives and find sustainable employment. Helping these people back into work requires long-term engagement that builds trust. ‘If we can give people the self-confidence and self-esteem to step up to the mark and say “actually, I could do something more with my life”, that’s a much better way of working’, says Kate.

Acumen aims to meet the need for personalised, local and joined-up services. It says that support must be tailored towards the needs of the individual if it is to be truly effective. Everything it does has strong roots in the local community. This is to ensure that people can see realistic routes into employment, and because Acumen believes that this is the best way to tackle cultures of unemployment and dependency. Kate Welch says: ‘It’s the completely workless households where you struggle. If you have sustained work going on in the local community, and you get to one person in every family, then bit by bit you start to get something happening in families that changes the way people work. It does work, but it takes a long time and investment.’ Finally, Acumen promotes a joined-up approach that builds strong links between other agencies and programmes, including public, private and voluntary sector organisations. Welch argues that all sectors have something to give, but they will only be effective if they are integrated and working in unison.

Acumen has helped thousands of people back into employment or self-employment over the past five years through community engagement. It has also established a number of social enterprises at the heart of local communities. In the context of the recession, such social enterprises potentially offer an important pathway for people to develop work skills and gain confidence, ensuring that they can still follow a transition back to work even in an economic downturn.

Source: Commission roundtable on welfare, 25 March 2009

Outcomes

Before the recession, economic activity rates had improved in the North East, but still lagged behind the rest of the country. Table 5.2 summarises the main welfare outcomes and shows the national comparison.

The North East had experienced significant increases in economic activity rates pre-recession, with corresponding declines in unemployment rates and claimant counts. But the region still had some of the lowest economic activity rates and highest unemployment and claimant count rates in England. Unemployment rates and claimant counts regionally (and nationally) are rising rapidly in the current downturn. The latest figures show a claimant count of 7.3 per cent (Dolphin 2009).

Table 5.2. Welfare-to-work outcomes in the North East and comparison with England

Trends and statistics in the NE	National comparison
Unemployment rate fell from over 9% in 1997 to below 6% in 2005 (though starting to rise again from 2008)	Unemployment rate still higher in NE than everywhere in England but London, though gap has reduced
Claimant count rate fell from nearly 6% of working age population in 1997 to just over 3% in 2006	NE claimant count still highest in England (with London and West Midlands), though gap has reduced

Figures 5.1 and 5.2 show regional employment and unemployment rates in 2008 and illustrate the North East’s problem. Lighter shading indicates lower employment in the first map (5.1). Darker shading indicates higher unemployment in the second map (5.2).

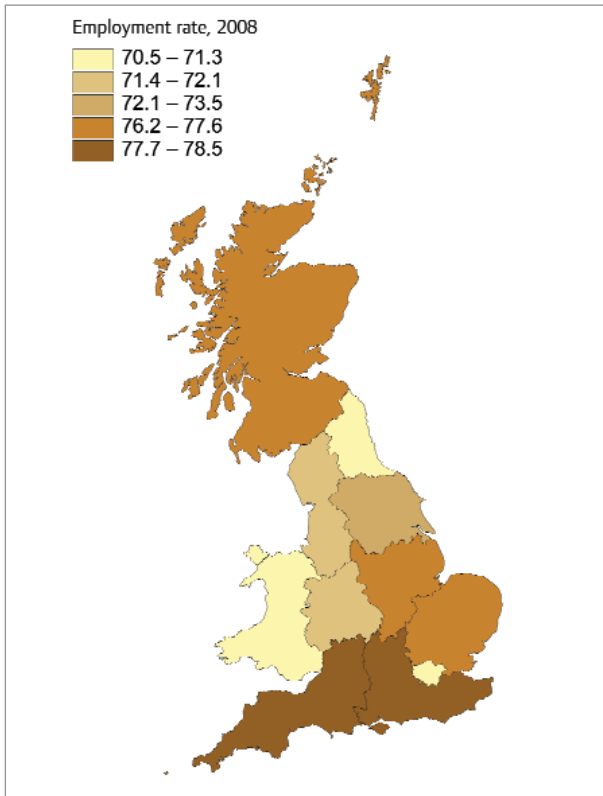


Figure 5.1. Employment rates, England, Scotland and Wales, 2008

Data source: Annual Population Survey (ONS)

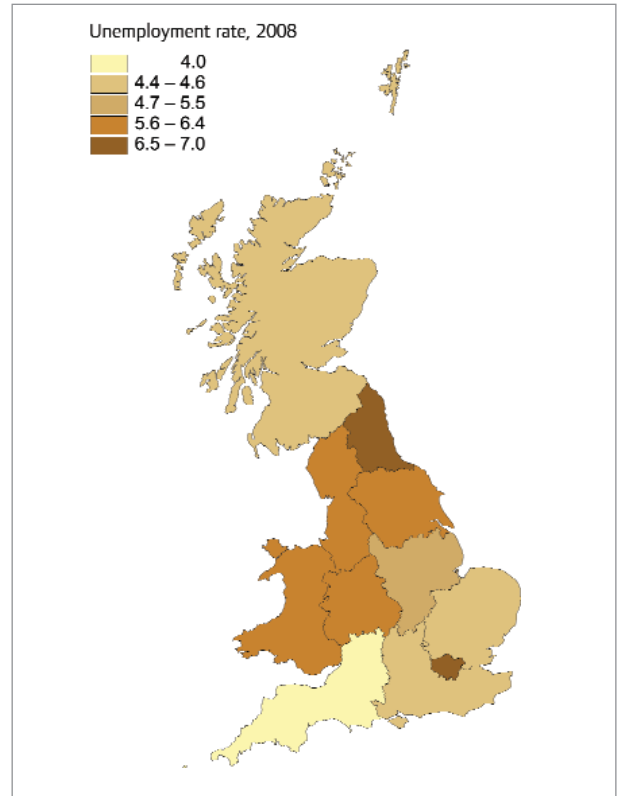


Figure 5.2. Unemployment rates, England, Scotland and Wales, 2008

Data source: Annual Population Survey (ONS)

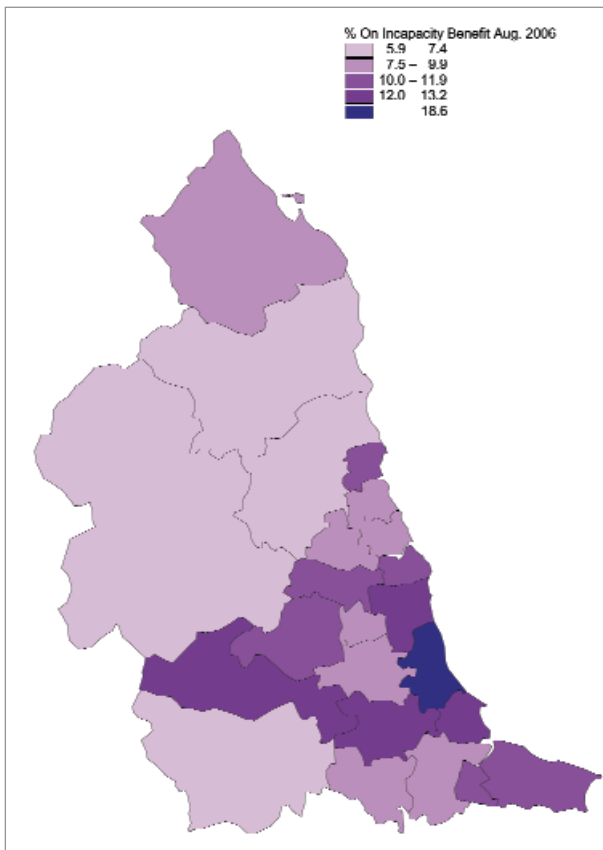


Figure 5.3. Incapacity Benefit claimants, % of working-age population, 2006

Data source: Neighbourhood Statistics (ONS)

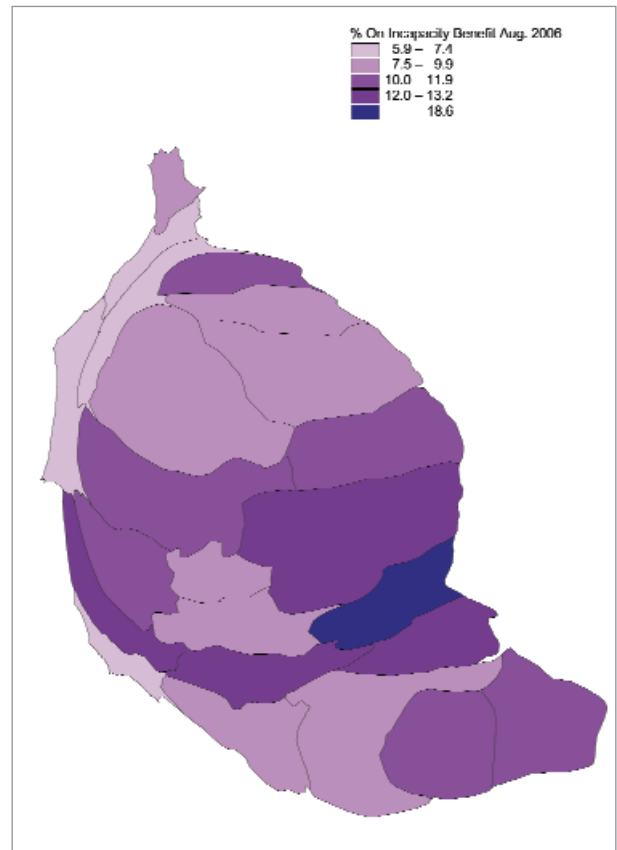


Figure 5.4. Incapacity Benefit claimants, % of working-age population, 2006

Data source: Neighbourhood Statistics (ONS)

The picture at sub-regional level is mixed. Figures 5.3 and 5.4 above show darker shading for higher rates of working-age Incapacity Benefit claimants. Lower claimant rates seem to predominate in the conventional map (5.3), but those areas with higher claimant rates are also the most densely-populated and so the cartogram (5.4) gives a more accurate indication of the true impact across the region.

Job gains through participation in Jobcentre Plus's New Deal programme are among the lowest in the country for all target groups except disabled participants and those who have long-term unemployed partners (but numbers are relatively small if compared with other New Deal target groups). The North East also still possesses the second highest rate in England (after London) of children living in workless households (Midgley and Stirling 2007).

To summarise, the North East is spending a lot of money on welfare-to-work and the relevant bodies appear to be providing a reasonable service. The North East does still lag behind on key outcomes and there are notable inequalities within the region. The paradox of high performance and investment versus poor outcomes, as seen in other areas of the public sector, does not apply in quite the same way to welfare-to-work. Spending in this area of the public sector is largely demand-led, higher spending being a reflection of higher unemployment. Investment in welfare-to-work, therefore, cannot be seen in exactly the same light as investment in health services or education (though elements of health and education spending are of course also demand-led). The welfare-to-work outcomes observed are less directly related to public spending in this area, and more likely to be a reflection of the wider problems faced by the region in terms of its economy and related levels of poverty and deprivation, which we turn to in the next chapter.

6. The economic and social context in the North East

Public services play a crucial role in the life of every citizen and community, but they are only one, albeit very important, determinant of whether a person leads a good and fulfilling life or whether a place is successful. To take a broad example, public services policy may have some effect on the impact of and recovery from the current recession, but global factors may be more influential. Public services and servants – teachers, doctors, police officers – are all too aware of this and very often have to tackle problems ‘downstream’ that are generated ‘upstream’ in the wider economy and society.

For example, we know that children from poorer households are seriously disadvantaged before they have attended their first day at school – and in many cases even a good quality primary and secondary education cannot help them catch up with their better-off peers. We also know that household incomes are the best predictors of people’s general health. In places where there is persistent and inter-generational poverty, outcomes are bound to be worse than in more prosperous areas. It is therefore essential that we understand North East public services in their wider economic and social context.

The North East’s economy

While the North East has seen rising prosperity in the last 12 years (tempered by the current recession), the region continues to lag behind the rest of the UK in economic terms. The standard government measure for economic performance across the different regions is usually Gross Value Added (GVA) – the contribution to the economy of each individual producer, industry or sector in the UK⁵. On that measure the North East’s relative position worsened between 1990 and 2005: in 1990 the North East had a GVA per head that was 82 per cent of the UK average. By 2005 this had dropped to just 78 per cent – the lowest of any English region and evidence of a decade and a half of lower than average regional growth. GVA per head in the North East in 2006 was £15,200 compared with £19,100 for the UK as a whole.

5. GVA + taxes on products – subsidies on products = GDP

Table 6.1. Ranking of all indicators, by region and nation, 2006

Region	Productivity	Income	Employment rate
North East	7	12	10
North West	9	7	8
Yorks and Humber	10	9	6
East Midlands	5	6	4
West Midlands	8	8	7
East of England	3	3	3
London	1	1	11
South East	2	2	1
South West	4	4	2
Wales	11	10	9
Scotland	6	5	5
Northern Ireland	12	11	12

Source: *Economic & Labour Market Review 2009*, from ONS data.

Notes: Data for productivity and income is provisional. Employment rate is for persons of working age, including females aged 16 to 59 and males 16 to 64

The Office for National Statistics (ONS) has recently looked at the merits of the use of a wider set of measures of economic performance, including productivity, income and employment rate. Table 6.1 above shows the regional rankings by three different measures. It shows a more detailed (and complex) picture than that given by GVA figures alone; the North East comes bottom of the national league for incomes (as it does for GVA), and near the bottom for employment rates. Its productivity ranking, however, is just below halfway.

The ONS says that 'Using a catch-all indicator cannot account for the varying regional performances on productivity, income and labour market issues' (*Economic & Labour Market Review 2009: 7*). The North East is one of the regions that displayed the largest ranking differences.

The ONS also compared the three factors over time, concluding that:

The North East experienced a relative improvement on income and employment from 2000 to 2006, while productivity grew more slowly than the UK average and therefore declined in relative terms. The employment rate has relatively improved, which aligns with the region's household income per head having relatively increased from its low level. The relative decline in productivity from 2000 to 2006 alongside a relative improvement in employment rates could reflect people taking jobs which are less productive in terms of GVA per hour worked, reducing the productivity relative to the UK average. (Economic & Labour Market Review 2009: 8)

While the ONS work shows that taking a broader look at the North East's economic performance gives a more mixed view than examining GVA alone, the overall picture is still poor, even before the impact of the recession. This lower than average regional economic performance is partly a legacy of relative economic decline through the 1970s and 80s, during which the region's traditional industries (coalmining, steelmaking, shipbuilding and heavy engineering) shrank or disappeared completely. The sheer concentration of these heavy, mass-employment industries in the North East meant that this region was hit harder than any other by their decline, and its economic position compared with other regions therefore deteriorated.

During the 1990s and beyond the North East regional economy suffered from the continued decline in manufacturing, which fell from making up 30 per cent of the region's GVA in 1989 to just 19 per cent in 2004. This has meant a loss of 100,000 manufacturing jobs in the last 25 years – jobs which tended to be at the higher-skilled, higher-wage end of the labour market (Johnson *et al* 2007, Midgley and Stirling 2007).

Demographic changes

The manufacturing decline of the late twentieth century, which as described hit the North East particularly hard, was closely tied to a loss of population from the region. In more recent years there have been significant changes in the make-up of the population of the North East. Between the 1991 and 2001 Censuses, the proportion of people in the North East born outside the British Isles (the UK, Ireland and the Channel Islands) rose from 1.87 per cent of the population to 2.67 per cent (a 42 per cent change). This remains a small proportion, however, and a low one compared with other UK regions (Kyambi 2005).

According to the 2001 Census data, the distribution of the non-British-Isles-born population is disparate across the region, with the lowest proportions in Easington (1 per cent), Derwentside (1.2 per cent) and the Wear Valley (1.3 per cent) and the largest proportions around the city-region of Newcastle upon Tyne where 6.4 per cent of the population were born outside the British Isles (Pillai 2006).

In 2007 a Policy Exchange report looked at the economic performance in a number of northern towns including Sunderland and suggested, 'It is time to stop pretending

that there is a bright future for Sunderland and ask ourselves instead what we need to do to offer people in Sunderland better prospects' (Leunig and Swaffield 2007: 31). The report was widely condemned at the time, with the *Sunderland Echo* responding robustly with 'Go South? No thanks!' (Robertson 2008). The suggestion that Wearsiders give up on Sunderland and move to the South East, even prior to the credit crunch, may have been 'idiotic and ignorant' as the local MP put it in the *Echo*, but it does at least give an indication of some of the structural challenges faced by the regional economy.

Recent migration from Eastern Europe, particularly following the 2004 round of European Union enlargement, and the subsequent return (accelerated by the recession) of some of those migrants, has further complicated the picture. Recent ippr research has shown that 'most immigrants spend less than four years in the UK and such short-stay migration is increasing (it doubled between 1996 and 2007), largely as a result of an increase in the number of foreign students and of temporary labour migrants, particularly from the European Union' (Finch *et al* 2009: 3). The new diversity and volatility in the population trends perhaps pose particular challenges to the North East's public services, which are relatively unused to adaptation to such demands.

It is important to note that the North East manufacturing story is not exclusively one of decline. There has been recent growth in microelectronics, oil and gas, biotechnologies and the automotive sector (predominantly Nissan). Rayovac, for example, a hearing-aid manufacturer based in Washington, Tyne and Wear, is a world leader with a 70 per cent market share in Europe and 55 per cent globally. Developments such as these, and the continued strength of chemicals and pharmaceuticals, contribute strongly to a positive balance of trade for the North East region – a contrast with the national picture. The University of Teesside is building on this regional strength and has developed a 'Science to Business Hub', designed to help more than 100 small local businesses access the latest research and best practice in the speciality chemicals sector.

Some have identified great potential for the North East to exploit its natural assets. A recent report for the Smith Institute highlighted the offshore wind industry (Tomaney, ed., 2009). The North East region has both the right location and relevant skills and experience as a consequence of its historic strengths in shipbuilding, oil and gas, aerospace, offshore engineering and chemicals.

There are also moves to boost the region's tourism. A third of the land is designated either as a National Park (Northumberland and part of the North York Moors) or an Area of Outstanding Natural Beauty (North Pennines and the Northumberland Coast). The region has two World Heritage Sites in Durham Cathedral and Hadrian's Wall.

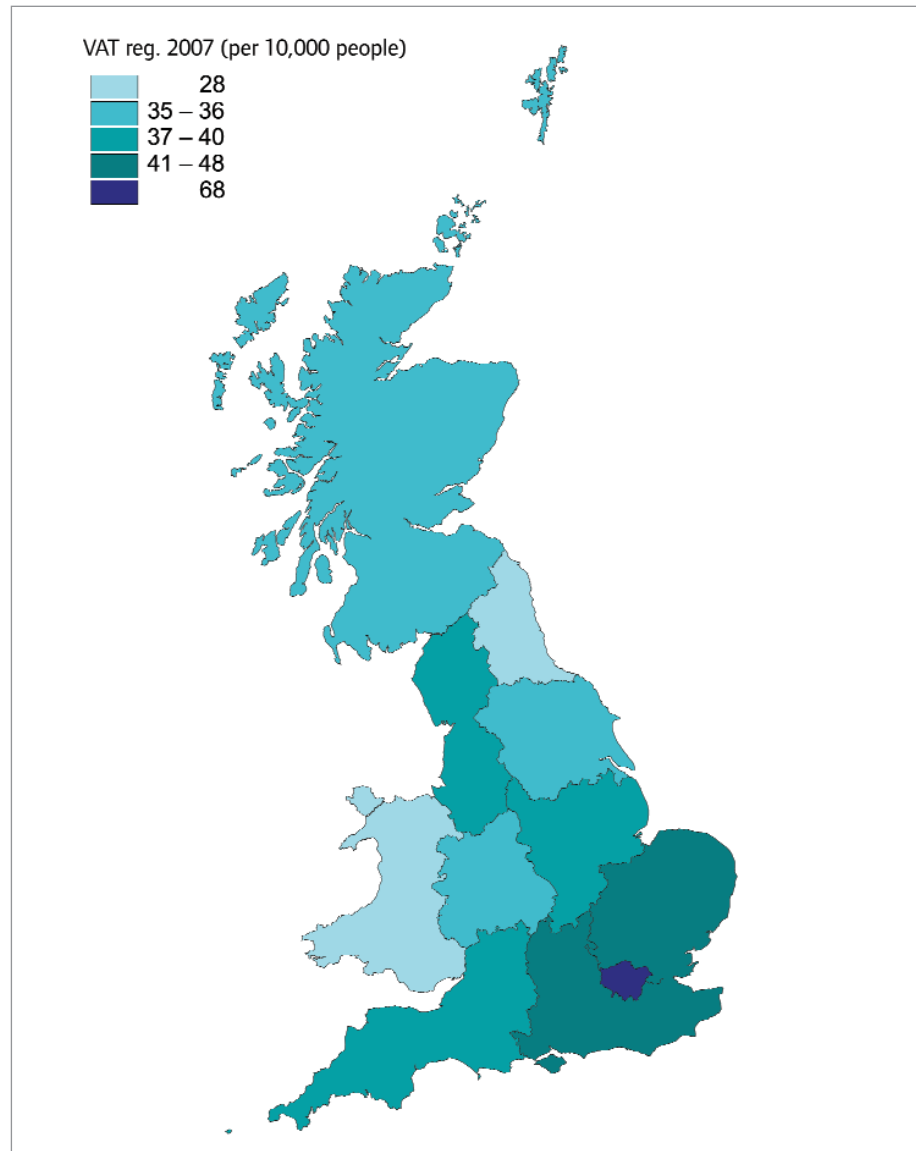
Despite these success and opportunities, private sector growth remains a challenge in the region, which suffers from a lower business stock than the national average (although VAT-registered business stock did grow at a rate above the national average between 2002 and 2007) (Clarke 2009). Figure 6.1, next page, shows the national comparison for VAT registrations, with lighter shading for lower rates.

Another issue is that the North East has become increasingly dependent on the public sector to sustain employment, and to a greater degree than the national average: 32 per cent of the region's employment base is in the public sector, compared with 27 per cent nationally (NERIP – *State of the Region 2008*, cited in Tomaney, ed, 2009). Some think that the size of the North East public sector itself accounts to some extent for low levels of entrepreneurship in the region. However, as the ippr's *Northern Economic Agenda* project⁶ has shown, the public sector is not especially large relative to the size of the population and there is little evidence that it crowds out private sector activity (Johnson and Reed 2008). There may be a problem that the relatively high level of public sector wages compared with wages for medium-to-high skilled workers in the private sector (as discussed in Mrinska 2007) might deter movement of employees from the public to the private sector and so

6. See www.ippr.org.uk/ipprnorth/research/teams/project.asp?id=1837

Figure 6.1. New VAT registrations per 10,000 people, 2007

Data source: Department for Business, Enterprise and Regulatory Reform



restrict private sector growth, but this wage gap is in itself a reflection of the weakness of the private sector and so of labour market competition in the region. Rightly or wrongly, it would appear that public service investment may be a key reason why overall economic weakness has not led to an increase in inequalities and a worsening of outcomes.

Poverty and deprivation

Reflective of this wider economic story, the North East remains England's poorest region. It has the highest proportion of households living on less than £100 per week in England.

Figure 6.2 shows the national comparison, with lighter shading denoting lowest incomes.

Figures 6.3 and 6.4, p30, demonstrate that there is significant inequality in incomes across the region. Lighter shading denotes lower incomes. The cartogram, 6.4, once more gives an indication of the predominance – hidden by the conventional map – of lower incomes.

In 2006/07 the North East (alongside Yorkshire) had the lowest median hourly wages at around £9.80 per hour in England – and the same is true for female median wages – and this is only partially offset by a lower than average cost of living (Johnson *et al* 2007, Midgley and Stirling 2007).

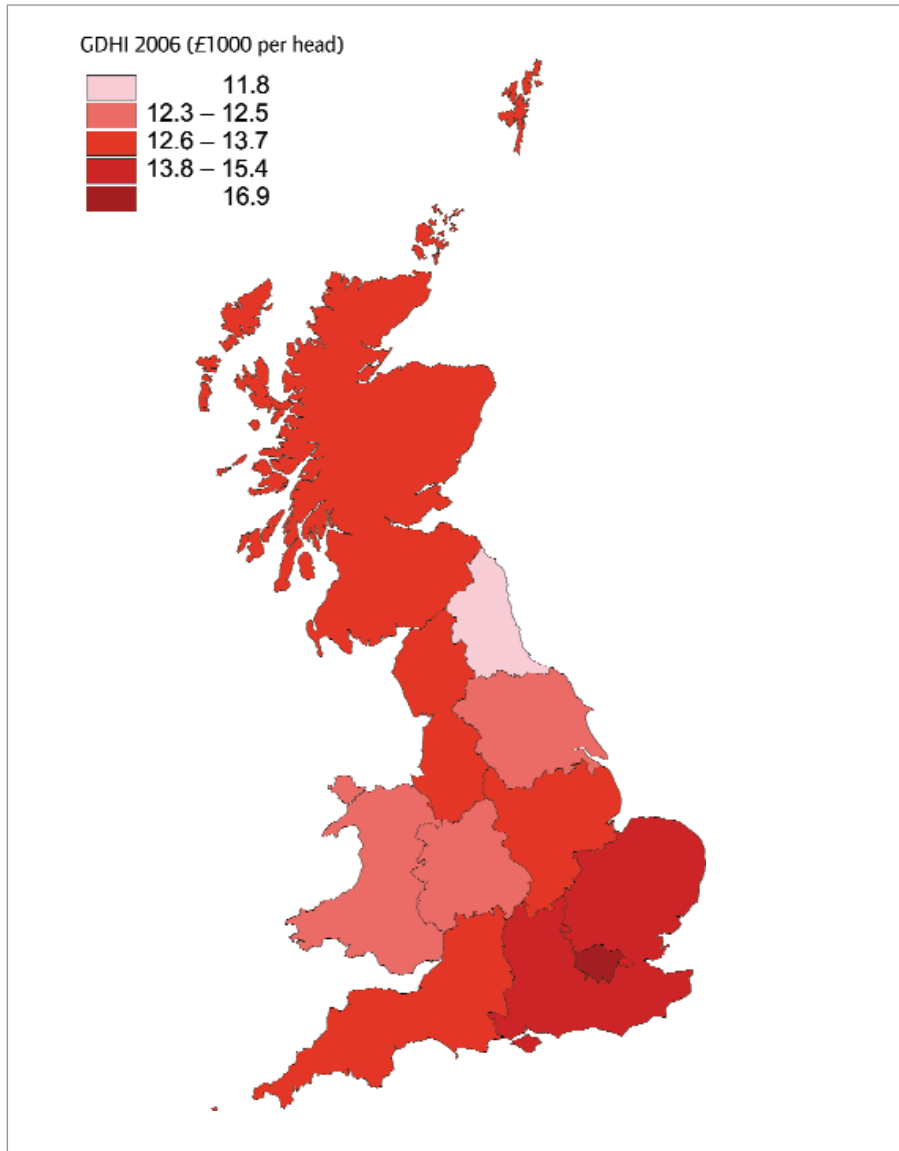


Figure 6.2. Gross domestic household income (GDHI) per head, 2006, England, Scotland and Wales

Data source: Office for National Statistics

“The big issue for the North East has been about addressing inequalities, despite the good work that’s gone on, and we have some good increases in employment rates and economic activity rates. We still have the same places that have the same problems, and a lot of that is about short-termism. Once you’ve established something that’s started to work, you need to have it sustained and working in the right kind of way to have impact, because these are not problems that happened overnight, these are problems that happened over a long period of time. Therefore the solutions should be over a long period of time.”

Delegate, Commission roundtable on welfare, 25 March 2009

The 2007 English Indices of Deprivation represents the most recent national overview of deprivation (Communities and Local Government 2007). The Indices use the new Index of Multiple Deprivation 2007, which is based on the small-area geography known as the Lower Super Output Area (LSOA). LSOAs have between 1000 and 3000 people living in them, with an average population of 1500. These areas are mostly smaller than wards, thus allowing identification of small pockets of deprivation. The Index of Multiple Deprivation 2007 contains seven domains which relate to income deprivation, employment deprivation, health deprivation and disability, education skills and training deprivation, barriers to housing and services, living environment deprivation, and crime. The North East is the region which has the greatest

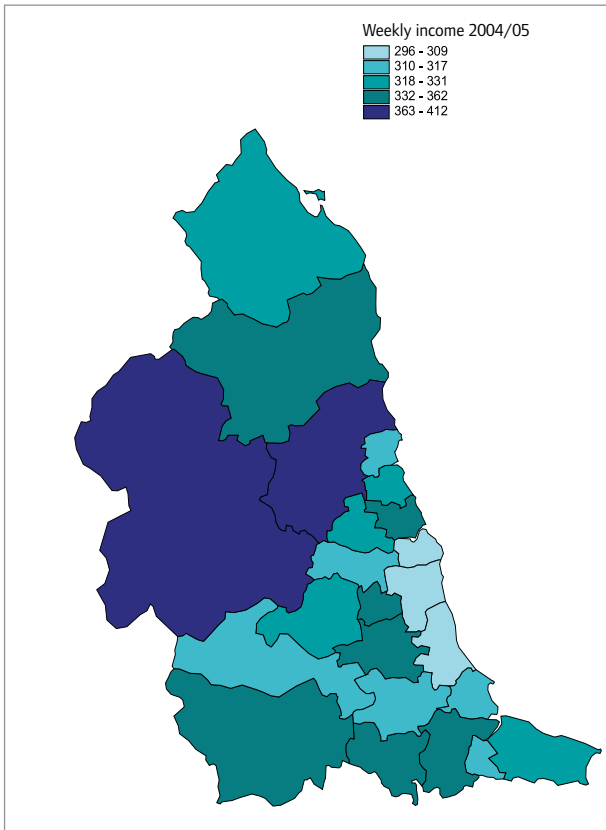


Figure 6.3. Average weekly household net income estimate (equivalised after housing costs), NE
 Data source: Aggregated from model-based estimates at Middle Super Output Area (MSOA) level, ONS 2004/05

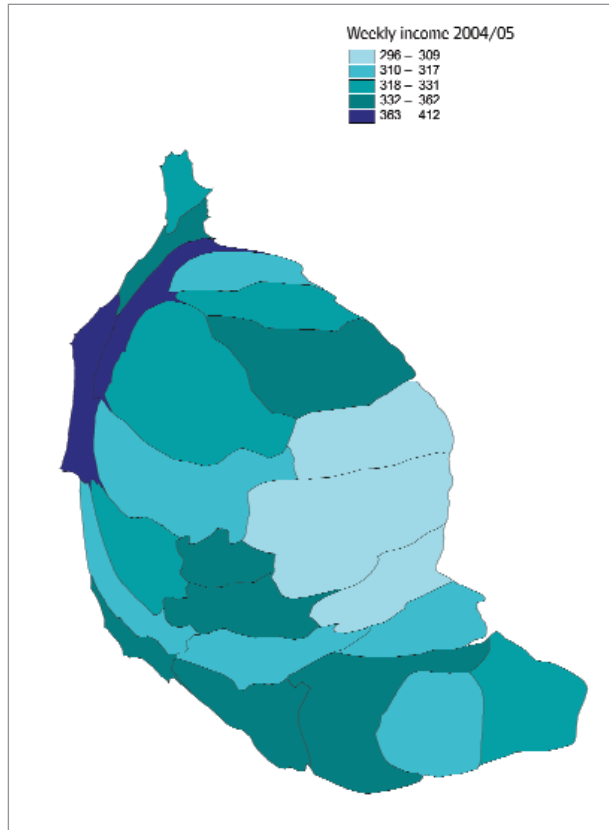


Figure 6.4. Average weekly household net income estimate (equivalised after housing costs), NE
 Data source: Aggregated from model-based estimates at Middle Super Output Area (MSOA) level, ONS 2004/05

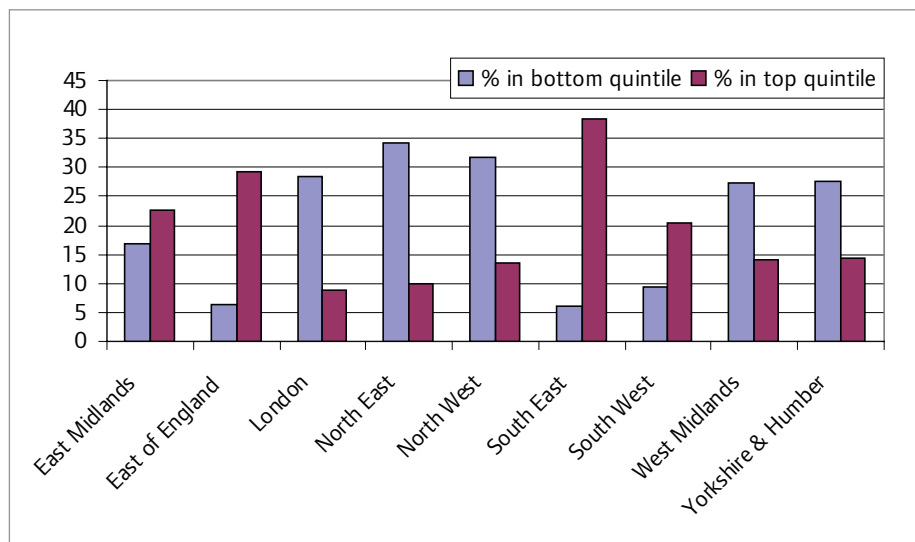


Figure 6.5. Percentage of LSOAs in the most and least deprived 20 per cent of LSOAs in England on the Index of Multiple Deprivation 2007, by region
 Source: Communities and Local Government (2007)

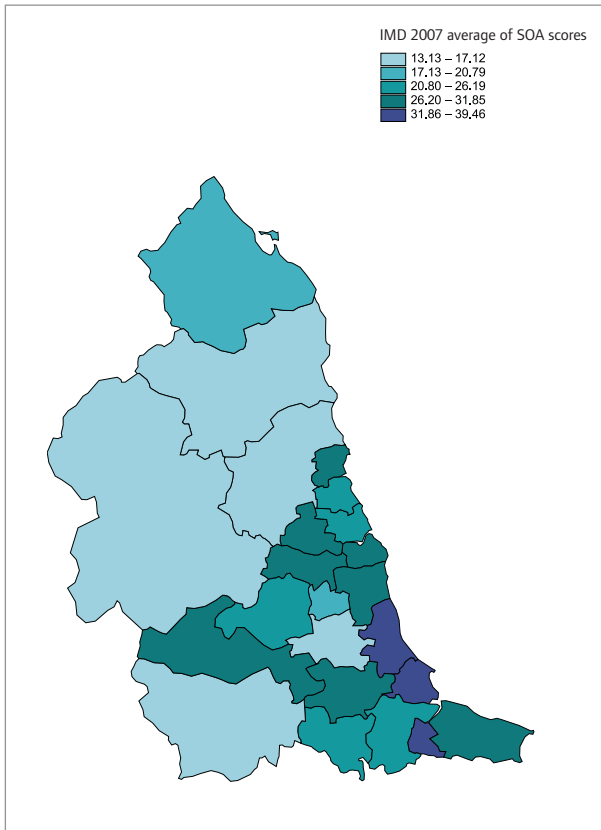


Figure 6.6. Index of Multiple Deprivation 2007 scores, NE

Data source: Neighbourhood Statistics (ONS)

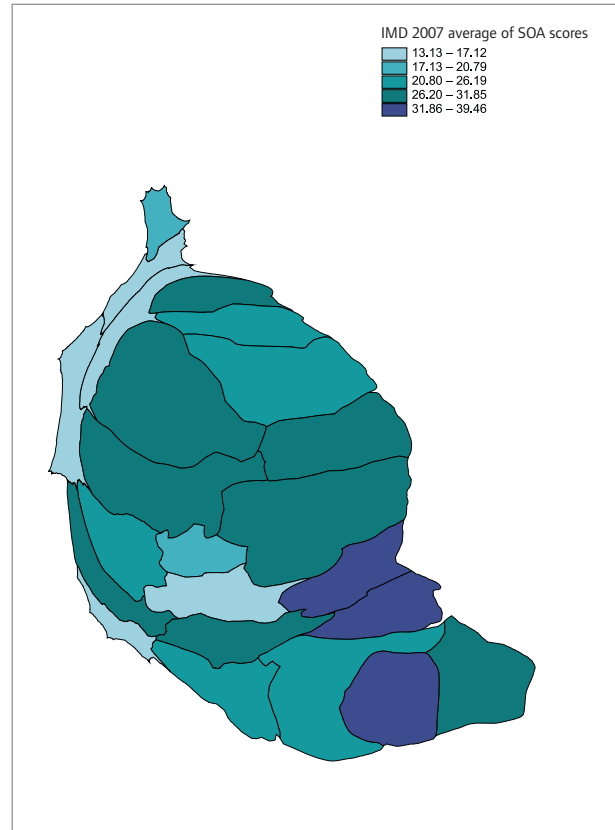


Figure 6.7. Index of Multiple Deprivation 2007 scores, NE

Data source: Neighbourhood Statistics (ONS)

percentage (34.2 per cent) of its LSOAs that fall in England's most deprived 20 per cent, followed by the North West (31.8 per cent) (Figure 6.5).

In the pair of maps 6.6 and 6.7, darker shading denotes higher levels of deprivation.

The apparent correspondence between the deprivation maps and the variety of outcomes we looked at in the previous chapters is obvious. It seems there is a significant correlation between poor outcomes in life expectancy, under-18 conceptions, educational attainment, participation in higher education, perceptions of antisocial behaviour, economic inactivity and high levels of deprivation. This will not come as a surprise to many, but the analysis provided in this report serves to emphasise how dominant the influence of deprivation is for so much of the population in the North East.

The social and economic context outlined above begins to explain in part the paradox of increased investment and improved services and yet weak regional outcomes and intra-regional inequalities. The recession and cuts in public spending will not help. The rest of this report looks at the current public service reform agenda and why a new approach may be needed for the North East to meet the challenges it faces.

7. The current public service reform agenda

When Labour came to power in 1997 the country's public services were widely believed to be performing inadequately because of many decades of under-investment. This view was reflected in opinion polls at the time, which showed that the public's first priorities were to improve the quality of health and education services. Over the last 12 years the Labour government has succeeded in putting public services at the centre of public debate and government action.

The Government's basic approach to public services during this time has been one of investment and reform. It did not want to increase the amount of investment if it could not be confident that it would be well spent. Broadly, there have been three phases of public service reform since 1997:

- Phase 1 focused on top-down initiatives from the centre, with the explicit introduction of clear national standards and targets to drive up performance. Examples include the introduction of numeracy and literacy hours in schools.
- Phase 2 attempted to drive reform through the use of choice, competition mechanisms, and the diversification of service providers (involving a greater role for the private and voluntary sectors). Examples include patient choice in health and the creation of Academy schools in education.
- Phase 3 has prioritised personalisation⁷ and citizen empowerment. Examples include reform of GPs' opening hours, the promise of one-to-one tuition in schools, and individual budgets in social care.

Phase 4, currently taking place, continues to build on the theme of personalisation and citizen empowerment but also stresses the need to develop a new relationship with the public sector workforce and a less prescriptive and more strategic role for Whitehall. Most recently the Government has suggested that targets and central direction should be replaced by a set of citizen entitlements (HM Government 2009a).

Key issues for the North East

A number of general observations have been made about the Government's approach to public service reform. Below we summarise some of the key issues that may be relevant to the paradox we have described in this paper. Some of these have been acknowledged in the most recent Cabinet Office report on the topic, *Working Together: Public services on your side* (HM Government 2009b).

- Record levels of investment in public services have not yielded equivalent improvements in outcomes, particularly in terms of tackling the underlying causes of social problems. Too often the state gets involved after problems arise, instead of focusing on early intervention and prevention. Policies designed to change behaviour remain in their infancy.
- There was something of a 'mix and match' approach to modernisation. Labour attempted to reform public services by using a combination of a traditional 'command-and-control' model, with additional market reforms such as greater contestability.
- Power was concentrated at the centre and not sufficiently shared between different tiers of government, notably with local government, and the public services, and their users. Despite some localist initiatives in recent years (for example, a reduction in the number of targets) Labour intensified the post-war trend of centralisation, and largely failed to encourage pluralist and decentralised solutions.
- Reform tended to concentrate on the front line – for example schools and hospitals – rather than reform to Whitehall and central government. Consequently, the centre was only partially reformed.

7. Services that treat their users as individuals in a responsive manner, as well as being sensitive to their needs and preferences.

- Parts of the public service workforce and professions, especially in health, became disenchanted and disillusioned with top-down reform. Government did not do enough to listen and learn from the front line.⁸
- Not enough has been done to personalise public services around the user (for example, in terms of harnessing the opportunities provided by new technology), or to empower citizens more meaningfully.
- Significant emphasis was placed on the choice and competition agenda without a clear account of the circumstances in which quasi-markets are most likely to generate improvements. British Social Attitudes data suggests that the public supports greater choice, especially in health and education, but appears to have little enthusiasm for these services being run by private or voluntary sector organisations (ippr and PWC 2009).
- Public service reform tended to concentrate on structures, not relationships. Reform was often too mechanical, too top-down, and therefore failed to focus on understanding and improving the relationships between government (national and local), services (public, private, the third sector, and the workforce) and citizens, communities and users. Getting these relationships right is crucial to improving outcomes.

It is important to note that the Conservative Party has started to set out some of its thinking on public service reform, which is shaped by the idea that society is entering a 'post-bureaucratic age'. At the heart of this agenda is a desire to redistribute power from the state and government to individuals and communities. It rejects top-down central control, arguing that the state 'crowds out' innovation, and advocates much greater involvement of social enterprises, voluntary groups, and the private sector in public service delivery. This thinking also includes ideas for policing and education which claim to enhance local accountability and empower professionals.

At an ippr/PriceWaterhouseCoopers LLP event for the joint project 'the Smarter State'¹⁰, Liam Byrne MP (at that time Minister for the Cabinet Office) and the Conservative Michael Gove MP (Shadow Secretary of State for Children, Schools and Families) laid out their views and debated public service reform. In many respects there was agreement on the need for a smaller state, empowering citizens and devolving power. There was less agreement on how this should be done and Gove said, in relation to local authorities: 'the last thing we want is a return to municipalism'.

In relation to the paradox in the North East, the current proposals for public service reform, the recession and associated spending cuts throw up more questions than answers. For example:

- How is it possible to decentralise power to individuals and communities and guarantee equity?
- Is it possible to ensure that choice operates in a way that is fair to all – won't such an approach create high levels of segregation along lines of social class?
- Is there sufficient capacity in third sector organisations to cope with the pressures of extensive public service delivery? Will greater involvement lead to more bureaucracy?
- Is there a public appetite for empowerment? For example, do parents have the time and inclination to set up schools?
- Are there such things as 'smart cuts'? Can performance improve when spending is decreasing?

The apparent paradox and unanswered questions arising from the current proposals suggest that, on their own, the reform agendas and spending plans set out by the main political parties will not be sufficient to close the 'outcome' gap in the North East. So, what else will be required? It is to these challenges that we turn to in Chapter 8.

8. See National School of Government (2009) for latest proposals on this issue.

9. www.ippr.org/uploaded/Files/pressreleases/2008/smarter_state_launch.pdf

8. Tackling the North East paradox

The Commission has found that the North East region has high-performing public services and some of the highest per-capita public investment, but significantly higher levels of deprivation and disadvantage compared with other English regions, exacerbated by great intra-regional disparity, which has negative implications for outcomes. This chapter identifies some of the key challenges we believe the sector must overcome to tackle the paradox.

Challenges for the public sector in the North East

The Commission has identified three inter-linked themes under which the public sector and the region face challenges. For each theme we have made one key recommendation.

- *Theme 1: Delivering the best services. The public sector in the North East is hitting central government targets, but missing the point.*
- *Theme 2: Accountability and funding. The public sector in the North East has lots of responsibilities, but not enough rights..*
- *Theme 3. A just and sustainable economy. The public sector can only do so much for the North East as the state of the economy is a barrier to progress in the region.*

All three play a role in the paradox and the Commission's work has found that overcoming the first challenge of delivering the best services will not be possible until more fundamental changes are tackled regarding how we currently manage regional accountability, funding and economic development.

The best services

The public sector in the North East has proved to be very good at doing what Whitehall has asked it to do. Earlier chapters of this report illustrate how the region's public services have consistently hit the targets that have been set for them. The fact that we have not seen a relative improvement in outcomes suggests that they were not always the right targets for the North East. This has been partly acknowledged through, for example, moves towards Local and Multi-Area Agreements and Comprehensive Area Assessments. Our works suggests that parts of the North East have begun to make good use of these initiatives. But we would argue that more fundamental change is required if the region is to tackle the paradox.

The public services in the North East need to be **measured by their effect on outcomes**. Judgement of the performance of, for example, the region's health service should reflect factors like life expectancy, heart disease and health inequalities. At the moment performance measurements highlighted earlier are too focused on access to, and quality of, resources. If these factors improve they can mask lack of progress on outcomes.

Taking the example of health: health inequalities only narrow when a variety of health and 'non-health' interventions combine. Figure 8.1¹⁰ illustrates the point. Public service performance is mainly measured in the top tier, with a little in the second and less in the third. The third tier represents lifestyle, including levels of smoking and drinking, and the fourth is environmental, including housing and pollution.

David Albury, an ex-Principal Adviser in the Prime Minister's Strategy Unit, says that this is a reflection of a 'producer-driven, medicalised, hospital-centric system'. Some argue that the current approach is as likely to increase as reduce inequalities, despite the Government's best intentions.

It would appear that new measures of public sector performance are needed which are less centrally-driven and might include well-being and happiness over time as well as the

10. Thanks to David Albury for the allowing the use of this diagram based on one he presented at a Commission roundtable.

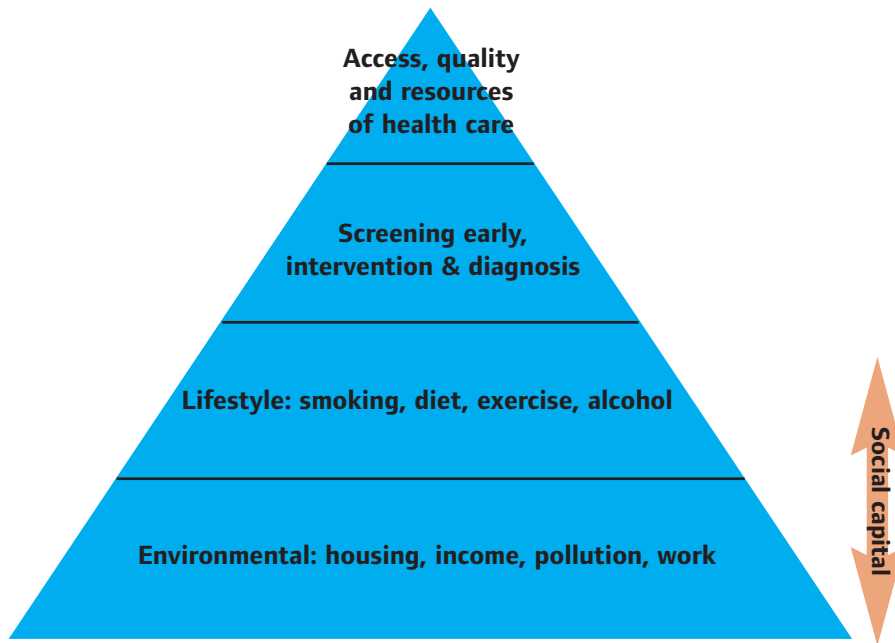


Figure 8.1. Public service interventions and performance measurement: health inequalities

“Until recently, in relation to PCTs [Primary Care Trusts], and now, overwhelmingly, in relation to 90 per cent of the resources that are channelled into the NHS, there’s nothing that would incentivise the bulk of the NHS to focus its effort in a way that would reduce health inequalities. Indeed, perversely, the chasing of real performance against traditional targets may adversely affect health inequalities through all sorts of marginal decisions that are made.”

Delegate, Commission roundtable on health, 19 March 2009

collective performance of the sector against regional outcome targets. This leads to the next challenge.

The public sector needs to focus on prevention of long-standing problems in the North East. Too much of the time, public services are treating symptoms and not the cause of problems; reacting not preventing. The earlier analysis shows this in all four case study areas and demonstrates the inevitability of that being the case when, for example, the criminal justice system is measured on its toughness on crime and not the causes of crime. In the context of the impending cuts in public spending and the way funding is allocated (which we turn to later) this is a huge challenge, but the Commission has found that the North East lags in areas where it has been behind for a very long time.

Two areas that seem to stand out from our previous analysis are attainment in maths and English and access to Further Education. Some ways that the Commission believes that the region could make progress in these areas could be to: look at proactive labour market (job creation) strategies alongside supply-side strategies (welfare-to-work), and make better use of existing powers to take the lead on piloting investment in preventative approaches with medium-term savings associated with them.

“The difficulty is always that what are really sensible interventions – we know that intervening there will save money over there – the only problem is that it’s intervening in the education system when the saving is to the Police, or it’s intervening at the local authority level when the saving is to the health service, and actually they’re not cashable savings, anyway. There’s a lot of work that needs to be done, which again it seems to be is national (though we might try and pilot some of this locally). It’s about how you enable those long-term preventive strategies to be put in place.”

Delegate, Commission roundtable on health, 19 March 2009

These measures require a new kind of interaction between users and providers, leading us to the next challenge.

The public sector must **respond to the needs of the people of the region and engage local people and communities and work with them to solve problems**. Too often the public sector gets trapped into trying to solve problems for people and communities, rather than with them. This can mean that a lot of energy can go into consulting on and developing unsuccessful solutions to the wrong problems. This is not satisfying for the passive receiver of services or the provider and it is not efficient either.

The region's poor record on teenage pregnancy could well be an area where a more responsive and empowering approach could yield benefits. This relates to an issue that has been of great interest to the Commission, namely the personalisation of services. During the investigation of the issues relating to personalisation it became apparent that many people in the region felt that there was a particular problem with engagement in the North East. The suggestion is that part of the explanation of the paradox is that the region's public services have performed best where recipients are passive and worst where engagement is required.

"If you have a low sense of efficacy, the personalisation agenda is actually your enemy. ... Most of us faced with a choice are quite happy to engage with the whole intellectual business of choice – tell me about this one, tell me about that one. But there are quite a lot of people who do not even want to begin that discussion with their GP."

Delegate, Commission roundtable on welfare, 25 March 2009

This leads to the next challenge.

A challenge for the region's public sector is to **develop services with a better understanding of how different people and communities might make changes in their behaviour and how services might support such change**. If the public sector is to be measured by its effect on outcomes, through greater prevention and more effective engagement, then the sector needs to be better at understanding behaviour. Behavioural change is increasingly being recognised as a prerequisite for positive social change, but to date public services and government policy have not been very good at recognising it. It is thought to be particularly important in regions with high levels of long-term disadvantage, like the North East. The challenge is to determine which changes are required and how best to bring them about. The public sector must work towards a shared understanding with their users of what needs to be done, why it needs to be done, how it can best be done and when.

"We do start from a service model. We had a discussion recently about breastfeeding. ... It's all about the content of the service, it's not about 'let's look at this from the point of view from those whose first interaction is with the midwife', there's a whole approach to the relationship between the midwife and the mother. But none of the analysis about where to invest was about what do we know about the contextual barriers to breastfeeding, what gets in the way of even an exhortation of breastfeeding being resisted by the mother."

Delegate, Commission roundtable on health, 19 March 2009

In South Tyneside there has been some work involving behavioural psychologists in regeneration projects, which is the sort of initiative we would like to see develop and spread.

A further challenge for the sector is to be **innovative and open to new ways of doing things through and beyond the coming cuts in public sector spending**. The North East must not just look to surviving the recession and impending public spending cuts. Some have even optimistically suggested that if innovation is embraced then regions like the North East with a relative dependence on the public sector could be strengthened.

In a 2009 report NESTA acknowledged that, in the context of job losses and public spending cuts, suggesting that the economic crisis offers opportunities ‘might appear crass and naïve’, but without innovative responses to the recession ‘our public services will be over-stretched by the short-term demands of the downturn and overwhelmed by the long-term challenges of the future’ (Harris and Albury 2009: 4).

Matthew Taylor of the RSA¹¹ suggests that if the public sector were given more freedom to innovate during this difficult period then regions like the North East could see real benefits:

As public service budgets get squeezed the temptation for central Government will be to tie everything down, promising that budgets and service levels will be maintained in the areas the public seems to care about most. But such an approach would be disastrous, leaving service managers and front line workers no room or incentive to do things differently. Currently it is assumed that the areas that will be most badly hit by public service retrenchment are those – like the North East – which have the highest proportion of their local economy in the public sector. But if the squeeze leads to new ways of thinking and working it could be those areas that see the biggest advances in overall productivity. (Taylor 2009)

The Commission believes that innovation is not a luxury, it means being open to doing new things, doing things differently and stopping doing other things. Innovation means connecting with different organisations in new ways, being ambitious and motivated to change. For example, we have identified particular problems in relation to perceptions of the criminal justice system and probation services. It may be that more innovative approaches, such as restorative justice schemes, may improve public perception in these areas.

The public sector needs to foster a culture of proactivity and innovation, develop a new approach to risk and give permission to frontline workers to work with users to define and solve problems. The region’s public sector must learn to weigh up the short-term risks associated with innovation against the long-term risk of allowing long-standing problems, which underpin the poor outcomes, to go unaddressed.

However, some of the innovative things they need to do to move towards offering the best services to the people of the North East are not currently possible.

Key Recommendation 1:

That the public sector in the North East is granted greater freedom, within a framework of stronger user accountability, to improve its own performance with more of a focus on longer-term outcomes than short-term targets.

Accountability and funding

The Commission set out with a keen interest in the role of localisation in the reform of the North East’s public sector. In our case studies we have seen that what the sector does and how it does it is largely dictated by Whitehall. We also see that most of the money to do it with comes from London too. This creates both real and perceived restrictions on the ability of local services to direct their efforts to local priorities. It also creates confusion about accountability. The sector could be said to have lots of responsibilities, but not many rights.

To overcome the paradox the public sector in the North East needs to be more flexible and responsive and to do so must **lead on the development of a new clear vision for the future of the North East**. This vision needs to reflect the challenges from point 1 (‘the best services’) above.

To develop such a vision, the region must **have leadership that is visible, accessible, accountable and with the power to makes changes needed to achieve the vision**.

11. The Royal Society for the encouragement of Arts, Manufactures and Commerce

“In dealing with [the Department for Work and Pensions] over many years, they’re extraordinarily blind to differences up and down the country. They design national policies and then pretty much apply those national policies everywhere, OK with a little bit of devolved delivery. If you work your way through the White Paper on Welfare Reform, there’s hardly a mention of place in there, yet actually, up and down the country, there’s huge variation in the sheer scale of the problem we’re dealing with... in the North East of England, you’ve got 155,000 adults of working age out of the labour market on incapacity benefit, that’s fractionally under one in ten of all adults between the ages of 16 and state pension age. That is a staggering number, yet there are large swathes of the rest of the country, in South East England for example, where it’s typically just 2 or 3 per cent of all adults of working ages.”

Delegate, Commission roundtable on welfare, 25 March 2009

The Commission would argue that overcoming the other challenges outlined here is contingent on making progress in this area. For example, additional challenges we have identified are the need to **gain more control of local public spending and move to outcome-based budgeting and increase the proportion of the region’s expenditure that is raised locally**. If this were to occur, for example through hypothecated green taxes, and local leaders were seen to be the ones deciding how to spend more money that has come straight from local people, then citizens would be more likely to want to know who those leaders were and how they could get rid of them if they disliked what they were doing.

If progress was made on regional accountability and funding, public sector leaders would still have the challenge of being **more proactive, open and innovative about overcoming real and perceived barriers to making the region succeed**. Some have argued that there is a regional ‘culture of dependency’ and low aspiration, particularly among low-income groups, but there are some parts of the UK where some low-income groups (for example, certain ethnic minority groups) appear to buck the trend. This could suggest that the characteristics of the North East – with its long-term disadvantage and lower ethnic diversity than other regions – may make the problem more challenging.

Some would argue that making judgements as to whether aspirations are low or high misses the point. As stated earlier we think engaging citizens and communities will be crucial if the region is to change behaviours and improve outcomes. The basis of successful engagement is working from where people are and through reaching an understanding of and nurturing their aspirations. This could be particularly important with regard to those working with young people and in education.

“Young people may have aspirations but parents, carers, others who are giving advice, may let them down. Actually, if you go and talk to young people, they’ve got realistic and quite strong aspirations, but those are being dampened by adults in the region, whether that be parents, carers, advisers, whoever, who are saying ‘actually I’m not sure you can do that, I’m not sure that’s available in the North East’.”

Delegate, Commission roundtable on education, 27 March 2009

Another challenge that follows on from the accountability and funding issues is around the need for the region to ensure that public sector organisations are shaped and linked by local need and opportunities. There is no reason why Whitehall should determine which local agencies should be created or axed. If local leaders are accountable for delivering on priorities, then they should have the power to determine the best way of doing so.

Key Recommendation 2:

That the public sector in the North East has greater freedom over public finances to address local needs and priorities and to strengthen and develop local accountability.

The economy

The maps in this report show that where deprivation is highest, outcomes are almost always poorer. The cartograms also show that there is a lot of deprivation in the North East and like the rest of the UK it is an unequal place. This suggests that at the heart of the answer to the paradox is the relative weakness of the North East regional economy. Economic disadvantage is a powerful barrier to good outcomes for people and places. Some measures of poverty have fallen in the North East, but they may rise again due to the recession. Until poverty levels drop significantly, gaps in outcomes between other regions and within the region are going to be very difficult to close.

The Commission's work has shown that the public sector has a key role to play in the development of a just and sustainable North Eastern economy. Overcoming some of the challenges in the chapters above will help, but the public sector must also face the challenges of how to **create the conditions for increased employment and more equal economic participation**. It must work out how to work with partners to **create a more diverse economy with a stronger private and third sector**. An example from our analysis of an area for action is the low wages in the region.

The Commission believes the sector must face the challenge of **providing services that reduce multiple deprivation and inequality in outcomes**. This could mean initiatives like an across-the-board commitment to reduce inequality or auditing the impact of decision-making on the most deprived communities and people. As well as reacting to deprivation the sector should look to be **providing services that address the cause of multiple deprivation**. ippr north is looking further at this issue through a new project, 'Making City Regions Work for Deprived Communities' and investigation at a regional level. Recent work by Wilkinson and Pickett (2009) says that 'more equal societies almost always do better'.

One way to tackle deprivation is by the North East's public services playing their part in **continuing to promote enterprise and attract investment and employers to the region**. Commissioners believe that there is potential for the development of a 'green' technology specialism for the region and the development of overarching regional jobs targets. The Commission would also like to see initiatives such as the creation of local authority partnerships to provide banking to small businesses in the region.

Key Recommendation 3:

That the public sector in the North East should extend its work with the third and private sectors to develop innovative approaches to service delivery that promote economic development focused on tackling regional disparities, responding to the recession and preparing for sustainable recovery.

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