

Public sector

National report

September 2004

Choice in public services

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our remit covers more than 15,000 bodies which between them spend nearly £125 billion of public money every year. Our work covers local government, housing, health, criminal justice and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

Summary

- 1 There is no doubt that the public want more responsive public sector services and to see more choice (of provider and of services) as a way of getting them. And they also want high universal standards, not a postcode lottery. The opinion polls say so. But the debate which started some time ago over whether greater choice is the right approach to improving public services still continues, partly because the two sides seem stuck in entrenched positions with little movement into the no man's land between them.
- 2 The rhetoric is either 'expanding choice will help public services improve and become more responsive to users and more efficient'; or 'choice may be fine in theory, but it will be expensive, offer poor value for money, will result in greater inequity, and may be divisive'. It is time to move from rhetoric to reality. We all want more responsive, personalised services. Choice is potentially an important way of getting there but it can not be unlimited either in its scope or use. We need to address the real challenges.
- 3 The first real challenge is to be clear on the relative value of the particular type of choice available to the public and users, its cost and whether we are prepared to pay for it. The public is often asked if it would like choice without reference to its relative importance or if money mattered. So the answer is predictable – yes, of course we would.
- 4 Our own recent MORI poll of local government services found that the public of course wanted more choice but there was a clear hierarchy of relative values with more choice for those using social services high on the list. Importantly support was strongest from women, those in the north and from lower socio-economic groups. It is precisely those groups, that many think will be less able to benefit from choice, who want it most. Our poll also clearly demonstrated that there was no enthusiasm for paying more for choice through higher taxes. More is being invested in public services, so the issue is how can greater choice be introduced in a way which gives good value for money and, arguably, better value for money than other improvement mechanisms.
- 5 The second challenge is to ensure that greater choice is matched with greater fairness. Greater choice is here to stay and those who rely most on public services also want it most. So the issue is not whether to introduce choice but how to do it and safeguard or increase fairness. Public services will need in future to demonstrate that they are fair and have the mechanisms to ensure it, not simply assume or assert that they are because they are public.
- 6 The third challenge is to be clear about the real practical barriers to expanding choice and how to overcome them. It is already clear that existing, greatly valued choices are not so widely available as they should be. For example, there are 1.4 million social care packages provided to people in the community but although they were introduced in 1996 only 9,600 receive direct payments and the geographical variation of those 9,600 is quite marked. Public services have much to do to remove their own cultural and operational barriers to greater choice.

- 7 The fourth challenge is to manage the limitations of choice in producing more responsive services. Diversity of supply is a necessary condition of choice but it is not sufficient to produce a responsive service of high standard, especially where a relationship between user and supplier is likely to be long term. We have all had a choice of GP since 1948. This has brought many benefits but it has not produced a universally high-quality and responsive service. Targets, standard setting and incentives have played a major part in recent years in producing a higher-quality service. Getting major quality improvements and greater responsiveness into public sector contracts continues to be a major issue.

The menu of choice

- 8 Any debate needs to start by defining its terms. Choice comes in different shapes and sizes. A possible categorisation is given below (**Box A**).

Box A

Categorising choice

	Community choices	Individual choices
Strategic	Society decisions: for example, spending priorities between services.	Lifestyle choices: for example, moving house to get a better mix of services; supplementary private provision.
Tactical	Community decisions: for example, CCTV or community wardens; a controlled parking zone or not.	Provider choices: for example, which school; which hospital; which council house or flat.
Operational	Majority user view: for example, change in leisure centre opening hours following survey of users.	Personal preferences: for example, what time of service; which drug; what method of payment.

- 9 Each of these categories has its own literature, benefits and supporters. Each overlaps with others – it is easy to see how individual choices will affect community ones and vice versa and what the trade-offs might be. And some people may be more able to participate in the choices than others may. The government's approach and the current political debate emphasise choice of provider, although local community choice can be a powerful weapon. It is community choice that lies at the heart of the 'new localism'; and the development of, for example, NHS foundation trusts where local decision making has been taken as synonymous with local ownership.

- 10 Ultimately, it is not choice that matters, but the responsiveness of the particular service to individual needs. Choice of provider can enhance and incentivise more responsive services but it may not be sufficient on its own. Parents and children may choose a particular school but they expect that school to remain responsive to their different needs as they grow and develop over five or seven years. And, importantly, where choice of provider is not an option – for example, a local A&E department or in an isolated rural community – public sector services still have a duty to be responsive. In both cases, other incentives and pressures need to be brought to bear, either to support choice of provider, or to drive responsiveness in its absence, and they must be incentivised to be so in different ways. Standard setting and regulation have a significant part to play here. Internal arrangements – for example, pay or performance management arrangements – also need to be aligned in order to make a service more responsive.

The choices people most want from public services

- 11 A key policy issue for local and national government is what choices do the public most value and, importantly, whether they are willing to pay for them. The public have been polled frequently on whether choice in general is attractive ('yes it is') and whether some specific choices are favoured, usually concentrating on choice of school or hospital ('yes they are'). A poll by YouGov for the Economist^I showed, people believe that more choice would help improve public services:

What's more, they want choice not just for its own sake – 66 per cent say choice of hospitals is very or fairly important to them, 76 per cent of parents with children at state schools say the same – but also because they think it will make public services better... While 37 per cent of respondents said (the health service) needed more money, 50 per cent said what it needed most of all was reform to give patients more control over their treatment.

- 12 But little polling work has been done on the relative value placed on different choices, and none on whether the public is prepared to pay more for choice. To help answer these questions MORI undertook a survey on our behalf^{II} aimed at understanding the relative value placed on different choices and willingness to pay through taxation. This research concentrated on local government services, partly because there has already been work on the relative value of different choices in health.
- 13 The MORI research began by asking survey respondents to say how important (on a range from 1 to 10) they thought it was to have choice in a sample of eight service issues, *regardless of whether or not they currently used these services*. These choices were a mix of choice of provider and service responsiveness to personal preferences.

I *The Economist*, 7 April 2004.

II MORI interviewed a representative sample of 1,063 British adults aged 15+ between 22-27 July 2004. In addition, MORI conducted two focus groups with the general public in Leicester in August 2004.

14 The issues we selected were:

- giving council tenants the choice over who manages the housing service;
- giving council tenants more choice over which property they live in;
- giving parents the choice over which school their child attends;
- giving parents and pupils more choice over which subjects children study at GCSE;
- giving parents of children with special needs the choice over which special school their child goes to;
- giving elderly people who live at home more choice and flexibility in the type and timing of the support they receive from social services;
- giving residents more choice over how to contact their council (for example, internet access; telephone; personal visit; or one stop shop); and
- giving residents more choice over how to pay their council tax (for example, bank direct debits or standing orders; cash payments).

15 Not surprisingly, and as demonstrated in previous polls, the public were strongly in favour of choice; but some choices were clearly seen as more important than others. The survey respondents ranked choice as absolutely essential (ie, ten out of ten) as follows (**Table 1**).

Table 1

Percentage of respondents saying that it is absolutely essential to have this choice

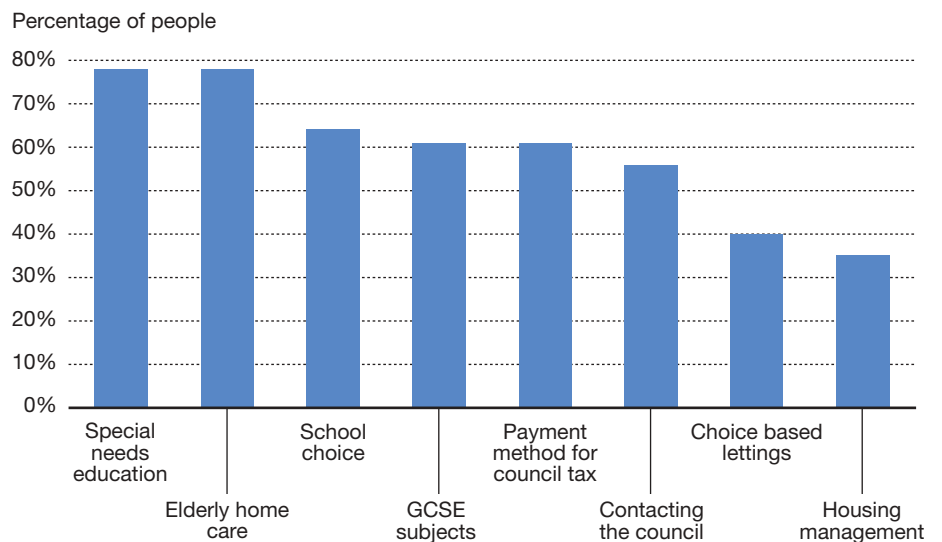
Choice of school for children with special needs	43%
More choice in support for elderly people living at home	42%
Choice of school	32%
Choice of payment methods for council tax	31%
More choice of subjects at GCSE	27%
Choice of ways for residents to contact the council	27%
Council tenants' choice on which property they live in ¹	16%
Council tenants' choice on housing service management ¹	14%

¹ Survey respondents included both council tenants, people renting privately, and owner-occupiers.

16 Taking respondents' highest three scores, gives this overall picture (**Figure 1, overleaf**).

Figure 1
The top choices

The percentage of respondents giving the highest three scores (out of ten) when asked how important choice in the following services is.



17 A detailed analysis of our survey respondents showed that:

- Generally, the least privileged people (social classes D,E) were most in favour of choice as ‘absolutely essential’ in all of the service areas we tested in our survey – these are the people who have the least spending power to secure choice at present and depend more on council services to a greater degree than other people.
- The picture in social classes C1 and C2 was more mixed; the ‘absolutely essential’ choices seem to depend on the service area and on the respondents’ personal circumstances. Generally, middle income earners rated fewer choices ‘absolutely essential’ than either the lower or higher income groups.
- Fewer respondents from the highest socio-economic groups rated the choices as ‘absolutely essential’ – this may be because they already have the buying power to secure what they want in the marketplace.
- More respondents from the north and the midlands rated choice as ‘absolutely essential’ than those from the south of England.
- Women consistently rated choice more important than did men.
- Unsurprisingly, council tenants were much keener on choice of who manages the housing service, and which property they live in, than either owner occupiers or those renting privately.
- Generally, it is service users who are most in favour of choice.

18 More detailed discussion in focus groups showed that group members felt strongly

about the NHS; the quality of street cleaning and refuse collection; public transport and car parking; and police presence in the community.

- 19 The groups were quite pessimistic about their ability to influence the improvement of existing services; they felt that someone else makes the choices for them – especially on how their money is spent through taxation.

You don't have a choice, public services are provided and you take it or leave it – that's the only choice.

... we use the public services – they run it (meaning the council) – so they should ask those that use the services (what they want).

... the messages about what people want are not getting through. Money is not being spent on the right areas.

The focus groups were able to suggest a small number of ideas for new areas of choice, but the overall impression was that they simply wanted better quality local services in the areas that were important to them.

Paying for choice

- 20 MORI also asked survey respondents whether, in principle, they thought that *taxpayers* should or should not have to pay more, in order for *service users* to have more choice on these eight services. In every case, more than half of the respondents thought that taxpayers should *not* have to pay more for users to have more choice (**Table 2**). However, there was greater sympathy (but no majority) for paying more so that the parents of children with special needs could have a choice of special schools, and for the elderly living at home to have more choice in the support they receive from social services. There was no distinction between socio-economic group, gender, age or geography. More choice and higher taxes to pay for it just do not go together.

Table 2

Paying for more choice

	Taxpayers should have to pay more		
	Yes	No	Don't know
Choice of school for children with special needs	36%	58%	6%
More choice in support for elderly people living at home	43%	51%	6%
Choice of school	23%	70%	7%
Choice of payment methods for council tax	15%	79%	6%
More choice of subjects at GCSE	22%	72%	6%
Choice of ways for residents to contact the council	15%	79%	6%
Council tenants' choice on which property they live in ^l	17%	77%	6%
Council tenants' choice on housing service management ^l	14%	79%	7%

^l Survey respondents included both council tenants, people renting privately, and owner-occupiers.

21 MORI asked the focus groups how they felt personally about paying for choice. Although the groups felt it was important to have choice, most participants did not accept that they should pay more for more choices.

...if you were not happy with a service, you shouldn't have to pay for it.

...I pay enough tax for those who don't work as it is.

...I've paid into NHS, I should see the benefits now...

...I don't see why I should pay extra but I will to reduce my waiting times.

One group strongly felt that there should be a baseline set of services that everyone should have, at no extra cost. This included street cleaning services and education. It was important that the baseline for expected services was affordable. The only area that had widespread agreement was paying more council tax, for the elderly to have better services. People felt that the elderly had 'worked all their lives', 'been through wars' and 'deserved a better standard of living' than currently offered. They did not think that elderly people should be subject to additional cost themselves.

22 The overall impression from these focus groups is that:

- Local council services need to consult more with residents, and to demonstrate greater responsiveness to customer priorities and complaints.
- Some council services need to work harder to create a customer-focused service which sees things from the users' perspective. One woman cited an example of where she had put out a microwave in a box for the refuse collection.

They took the microwave away, but left the box as they weren't prepared to collect cardboard.

Overall, however, people wanted better services and more choice, but they were not prepared to pay extra for it.

Choice and value for money

23 The public may not be prepared to pay more for choice but they do want better services and are already paying more for those through higher levels of public expenditure and council tax. In these circumstances, the cost of introducing greater choice and the value for money it brings compared with other improvement strategies become critical points. There is little hard evidence. The debate has focused on individual choice of provider where the issues will vary between sectors, particularly where relatively small shifts in activity or populations may result in step changes for the organisation. For example, choice of school poses different issues from choice of hospital. In schools, choices are long term (five years or more), and capacity may be hard to adjust with step changes quickly required, particularly for relatively small organisations. In hospitals, choices may be short term (for example a day surgery procedure), and capacity more easily flexed.

24 The principle of value for money applies across all forms of choice. For example, meeting personal preferences in payment methods for council tax may lead to higher costs. Indeed, there is anecdotal evidence that some councils are copying the utility companies' practice of reducing the payment options available, in an attempt to force customers into direct debit, the cheapest method of administration. Alternatively, extra collection costs might be justified by a reduction in the level of uncollected tax. As yet, this is an undeveloped area of study, with few hard facts available. We conclude that careful study needs to be made in each sector.

Choice and fairness

25 Much of the debate has focused on whether individual choice of provider will create inequity and in some cases even be socially divisive, or help to overcome it. The argument goes that people who are better resourced in terms of education or income are better able to obtain services, and that choice policies, particularly expanding the choice of provider, will enable them to do even better. The alternative view is that such people already have better services and more choice, and that specific policies to ensure that all can choose, with support being given where necessary, will reduce this existing inequity. The evidence here is patchy and inconclusive; evidence from a MORI poll for the BBC suggests that the public think choice will lead to service improvement, not inequity.

26 De facto, people already make such choices. Parents are prepared to make significant lifestyle choices, for example, by moving house, in order to – in their view – provide a better education for their children. Some people are also clearly prepared to pay for choice privately. When we analysed data from the ONS Expenditure and Food Survey¹ we found that the highest income group spends 5.84 per cent of weekly household expenditure on education fees, care (for children and for vulnerable adults), medical insurance premiums and hospital services. The average across all households was 3.04 per cent of total weekly expenditure. Spending is highest in the East of England, London and the South East.

27 Greater choice is clearly going to become a feature of public services and, as our poll shows, the public want it. Indeed, our poll shows that it is precisely those groups who one might have thought are less able to benefit from choice, who want it more. The issue is therefore not whether greater choice should be introduced because it might drive unfairness, but how it can be introduced alongside practical steps to prevent growing inequity and whether individual authorities are adequately addressing the issue; and how we should measure the impact. Equity of access to services and equity of ability to choose and have one's personal preferences met are becoming increasingly important. The challenge is to ensure that greater choice does not increase unfairness but reduces it, and that individual public services have the mechanisms and measures to secure that. Public services will, rightly, no longer be able to claim that they are fair just because they are a public service. They will have to demonstrate that they are, with clear evidence and measures.

¹ Office of National Statistics, *Expenditure and Food Survey, 2002/2003*.

The availability of choice

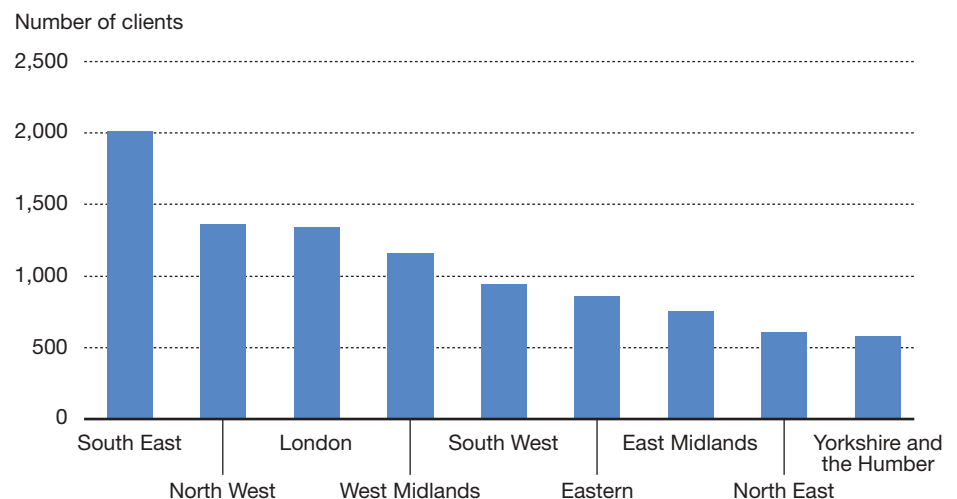
- 28 The availability of choice differs geographically. There will be differences in the availability of choices in an urban and rural area but a major factor, as demonstrated by the evidence, is the willingness or ability of public services to offer greater choice. Take-up of schemes which offer greater choice and which are known to bring significant benefits can be slow. Cases in point are direct payments for social care and choice-based lettings for council property, where evaluations^I suggest that users do perceive real improvements in their services, with the common factor being that the exercise of choice solves problems which users identify for themselves.

- 29 1.4 million packages of social care were delivered in 2002/03 but only 9,600 clients receive direct payments,^{II} although these have been available for younger disabled people from 1996 and for all others from 2000. A recent report from the Commission for Social Care Inspection^{III} listed the (mostly) cultural barriers within local authorities to extending direct payments and noted that progress had been ‘disappointing’.

- 30 The geographical variation between regions is clear (Figure 2).

Figure 2
Geographical variation in direct payments

The number of clients receiving direct payments in each region.



I ODPM, *Applicants’ perspectives on choice-based lettings*, 2004.

II Source: Department of Health, *Community Care Statistics*. More recent data from the Commission for Social Care Inspection suggests growth in the number receiving direct payments.

III Commission for Social Care Inspection, *Direct Payments, What are the barriers?*, 2004.

IV Hasler, Frances, *Clarifying the evidence of direct payments into practice* National Centre for Independent Living, 2003.

- 31 Several studies have evaluated the impact of direct payments and many of these are unpublished. However, one survey of the entire literature^{IV} notes that:

A significant feature of the findings from the various pieces of research and evaluations has been how the quality of life of the disabled person on the scheme has improved. The sense of feeling in control has been a central aspect in all the findings, which again illustrates the empowering experience of direct payments schemes which

increase user satisfaction. Choice and flexibility were the other themes, which were constantly expressed throughout all the reports.

The other significant point to mention, which was highlighted by the reports...was the cost-effectiveness of the scheme compared with an in-house direct service provision and how it exemplified the best in the principles of the Best Value approach.

- 32 The government introduced choice-based lettings (CBL) experimentally in 2000. The programme of 27 CBL pilots ran from April 2001 to March 2003. The ODPM evaluation report^I found that following the launch of CBL in the pilot areas, the number of households registered for social housing increased; in some cases, the increase was dramatic. More working households and members of minority communities were registering. Customers welcomed the transparency of CBL and considered that the benefits were worth extra effort required on their part. The weakest part of CBL was the provision of support to vulnerable households. Most participating local authorities rated their experience of CBL very positively. The discipline of the strict CBL advertising cycle also resulted in performance improvements in re-let time. The pilot programme showed that CBL could work in both high and low demand areas.

Consumer feedback generally indicates that the aims of establishing a more open, transparent and simple system that offers choice, were achieved.

Out of 354 authorities, 68 provide CBL (19 per cent) and a further 40 per cent plan to do so. This is progress, but the issue remains of whether prospective tenants elsewhere should be expecting and receiving a different type of service.

- 33 Underlying these points is the importance of making information available to users and citizens about what they can choose; how they can go about it; and what they might reasonably expect by way of provision, available choices and service standards. MORI's research^{II} shows that the public supports the idea of national standards rather than locally determined ones, partly because of concern about the post code lottery. The information available to citizens and users needs to be one component of those standards.

Organising for choice

- 34 Expanding choice is not straightforward. There are three main issues for public sector providers to consider:
- When is it desirable and appropriate to offer individuals choice about the services they receive?
 - What infrastructure and systems are needed to enable users to make informed choices and to ensure equity, especially for those least able to exercise choice themselves?
 - What incentives would work to make service providers responsive?

I ODPM, *Piloting Choice-based Lettings: an Evaluation*, 2004.

II MORI Social Research Institute, *Attitudes to uniform vs. locally set standards*.

35 Building an enabling infrastructure may take time. It should include:

- the systems needed to support choice, for example, facilities for e-booking appointments;
- a substantial increase in timely, relevant and easy-to-understand information;
- access to independent advice and advocacy services for people who need expert support in order to exercise choice;
- financial management information systems that can accommodate service options;
- staffing levels and institutional capacity appropriate to the choices offered;
- staff training and development that takes account of the commitment to promote user choice in all its forms; and
- incentives to encourage public sector organisations to increase choice.

And above all, public service providers need to embed a positive attitude to choice and customer service into the organisational culture.

36 Provider organisations need to be able to monitor their progress in implementing and expanding choice. To do so they will need a framework. One such might be:

- **Standards.** This element of the framework would cover minimum standards for service quality; governance; accountability; economy/efficiency/effectiveness; and professional standards.
- **Fairness.** This element of the framework would cover: equity of access; services meeting diverse needs; accessible information; support to exercise choice and advocacy.
- **Cost/value for money.** The framework would need to include an assessment of where there are (and are not) costs associated with choice (and the costs of not providing choice); an understanding of value for money overall – balancing any increased short-term and/or long-term costs against improved outcomes; potential savings and the scope for charging for additional choices.
- **Capacity.** This element of the framework would cover prioritisation; the capacity of services to expand and the willingness to do so; unused and under-used capacity, rationing/control; and contestability – ie, new providers; skill mix; incentives and barriers.

📄 Copies of this report are available at:

www.audit-commission.gov.uk

or to order a printed copy telephone:

0800 502030

Stock code: GAR3243

© Audit Commission 2004

For further information on the work of the Commission please contact:

Audit Commission,

1st Floor, Millbank Tower, Millbank,

London SW1P 4HQ

Tel: 020 7828 1212

Textphone (minicom): 020 7630 0421

Conclusion

37 The Audit Commission champions the delivery of more responsive services and sees greater choice as a means of achieving that. We will be undertaking a more detailed study on choice with the aim of identifying how more choices can be made available cost effectively and of providing a framework against which service providers and users can assess the progress being made and the further steps which might be taken.