

Better PUBLIC Services

The Green Paper accompanying
Better Public Services, A Manifesto

March 2018



Launched at the Institute for Government on 27th March 2018

<http://digitizinggovernment.org/manifesto>

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This green paper is the outcome of a series of workshops, discussions, 1-2-1 meetings, conversations, working dinners, twitter interactions, blogs, conferences and unconferences, research, collaborative authoring and (more) discussions. It is not intended as a definitive guide, but rather to spark debate about the future of our public services – and how best to make improvements to the benefit of us all.

Continue the discussion on Twitter with the hashtag #LegoGovernment

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Preface

Our public services face difficult challenges and uncertainty about their future. Almost daily, media headlines illustrate that many of our public sector organisations are struggling to cope.

At the same time we also see media headlines about how digital technology has become a game-changer for many modern organisations, radically improving the way they operate and organise. They've become far more efficient, delivering more of their resources directly into better frontline services that people like to use. In stark contrast, however, management and other senior administrative functions in the public sector are on the rise, the frontline is being cut, and standards of service are falling behind those available in other sectors.

We believe it's therefore essential for our public services to make similar improvements to these new digital organisations if they are to thrive. Our public services currently operate in hundreds of separate silos and islands of duplicated activities and costs. The result is inefficient and frequently frustrating for everyone – be they frontline workers, citizens, politicians, businesses or suppliers. This becomes obvious – and most damaging – in areas such as health and social care, where many people become caught between two closely related, but separate, services.

We believe the new operating models of digital organisations show us how we can create an exciting new deal between the citizen and the state, an opportunity to renew and reinvigorate our public services. Even at modest levels of improvement, we estimate that £46bn or more every year can eventually be freed up for our frontline services.

Successfully modernising and improving our public sector will require a rare clarity of purpose and cross-party consensus. To achieve this, we need to start a much-needed national conversation about the beneficiaries of modernisation: citizens and frontline workers.

However, we do not claim to have all the answers, or to suggest that a top-down “grand plan” can provide an instant or easy solution. Any plan will need to grow, learn, adapt and evolve as organisations

and services are modernised. Our ideas and proposals are intended to catalyse debate and action, and to persuade frontline workers and citizens to expect and demand better.

We recognise that the scale of improvements required will be disruptive and potentially painful at a personal level for some of those currently employed in the administration of existing organisations and systems. It is therefore important that we work together to make this journey as painless, compassionate and successful as possible, for all concerned.

As citizens, we argue that now is the time for the same intensity and passion of debate, political consensus, purpose, and ambition for our public services as when the welfare state itself was created.

It is time for all of us to take a more active role in saving and renewing our public services. Time for us to agree a new deal between the citizen and the state – a new deal fit for the twenty-first century.



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Introduction

Public services must thrive and remain under the control of the public. These beliefs underpin this manifesto, written at a time when our services face unprecedented challenges and uncertainty.

Public sector adoption of business-like concepts such as “customer”, “markets”, “innovation”, and “added value” illustrates a growing confusion about the line between public services and business. Such confusion often ignores the most essential reality, that few of us are able to take our “custom” elsewhere. For most of us, the public service provider – our local council, our children’s school or the NHS – is our only provider.

Some councils seem focused on trying to become businesses, outsourcing their jobs wholesale to large commercial organisations. Some government departments see their future in creating internal software houses, whilst others rely entirely on external software and consulting companies. Some public employees have even taken to describing themselves as “entrepreneurs”.

These inconsistent and contradictory approaches across the public sector raise important questions. How can we organise ourselves more productively as a society in the way that we design, shape and interact with our public services? In our digital age, in which activities are public employees most socially useful, and which activities are best left to the voluntary or private sectors?

Digital innovation has been a game-changer for the way many commercial organisations modernise and organise. Yet we have seen little real equivalent impact on our public services. A Victorian civil servant awakening from a lengthy slumber would find the way our public sector still works comfortably familiar: largely centralised, hierarchical, and organisation-centric.

The internet and modern technology has affected most of our public sector in only the most superficial of ways. There has been a move from vellum to paper to on-screen forms without any real change in the way our public sector organisations achieve policy outcomes, or in the way they operate, design and deliver their services. Technology has all too often been used simply to automate current ways of

working instead of helping to redesign the system itself to deliver better outcomes. Frontline public employees, and we as citizens, are suffering the consequences.

There is a pressing need for an open and public discussion about how our public services should respond to the enormous potential of the internet. As increasingly sophisticated consumers, we participate daily in the disruption of industries from banking to transport to entertainment. Yet as a nation we have been strangely reticent to apply the same disruptive principles to our public services.

As a result, the twentieth century structures of government are becoming blurred, confused, inconsistently applied, and progressively incapable of keeping pace with demands and expectations. Large scale public and private organisations – from the Department for Work and Pensions¹ to Carillion² – often struggle to meet the demands they face, and consequently fail to deliver the quality and timeliness of the outcomes citizens require and deserve.

We lack a public consensus about what principles and structures should take their place, and how to frame these within the “public-versus-private” politics of the twenty-first century. Neither the artificial polarisation of “big state” or “privatisation” offer viable answers. Whilst no amount of simplistic “tax-and-spend” will ever fill our expectation gap, neither are open-ended “austerity” and the continuing cuts to often essential public services sustainable or desirable. Worse, the periodic and costly flip-flopping between these two opposing political positions weakens our public services, pointlessly consuming precious resources, and demoralising and undermining those who deliver them.

These apparently opposing models actually have far more in common than their proponents might care to admit. We still end up with corporate, “too big to fail” entities under both “public” and “private” models – organisations that struggle to operate effectively at scale and which have been slow and ineffective at using technology to modernise and improve.

The current failure to act meaningfully is having serious consequences. Without more radical action the

1 Up to 75,000 benefit claimants were underpaid for years. Mistakes in payment of employment and support allowance could cost up to £500m to correct. *The Guardian*, 17 November 2017. Retrieved January 2018.

2 Carillion collapse leaves 30,000 businesses losing out on up to £1bn. *The Telegraph*, 16 January 2018. Retrieved January 2018.

situation will only worsen: we're living longer as a nation and consuming more services. We also have falling real wages, growing inflation, low productivity, and an unclear outlook post-Brexit. And we need to overcome all of these things and still meet growing requirements for public services from a declining share of world gross domestic product (GDP).

In response, **this manifesto sets out an approach to modernisation that will help deliver better and more sustainable public services. But we are sceptical that modern technology in itself can provide an easy solution.** The poor and expensive track record of technology-led "change programmes" over many decades indicates otherwise – often only delivering "disaster faster"³.

We need to learn how modern organisations have used technology to reduce or even eliminate costly bureaucratic overheads and pointlessly duplicated processes, functions and organisational structures. Doing so will help reduce and even eradicate the unnecessary competing organisations, management, procurement, governance, back-office administration, technology, outsourcers, and so on that currently intrude between frontline workers and the public they serve, depleting essential time and resources better directed to the frontline.

Modern organisations make smart use of data and technology to reduce or even eliminate costly bureaucratic overheads and unnecessary processes, functions, transactions and organisational structures. They maximise their efficiency and cost-effectiveness whilst improving the quality of their services. They aim to remove everything that's not absolutely essential for serving their customers, streaming it on demand like say, entertainment, electricity, or water – and constantly learning from every transaction and its outcome about how to continuously improve their services (albeit often in a privacy-invasive and exploitative way unsuitable for governments).

What if our public services became as flexible, streamlined and easy-to-use for citizens as Uber – but with higher wages and in public ownership? As efficient as Amazon's operations, and as intuitive as Google – but with 100% of the money invested into ethical and trusted public services,

3 Margetts, H., Willcocks, L. 1993. [Information technology in public services: Disaster faster?](#) Public Money & Management 13(2), 49-56 April 1993.

instead of pocketed by shareholders and a small elite of businesses? And all while securing and protecting citizens' personal data, working with us in partnership, rather than monetising and exploiting our personal information like the worst of the private sector?

To do this, we need to develop a new digital public infrastructure fit for the twenty-first century, a public commons of digital utilities. An open community of real collaboration that enables the sharing, distribution and communal ownership of informational resources, services and technology across the public sector.

This digital commons would be beneficial for frontline public employees and citizens alike. Increased resources would begin to flow into frontline services instead, into the human things that matter most and that should not or cannot be automated, instead of into organisational, administrative and managerial overheads. It would re-empower the frontline, giving them access to the tools, information and technologies they need to develop and sustain a culture of continuous improvement.

In contrast, most government "digital reform" has focused on minor improvements to existing organisational processes and front end websites, not on fundamental re-design from policy to delivery. The focus has been on digitising current services and transactional interactions, not on rethinking how best to achieve better outcomes in the internet age. Such changes have done little more than insert a thin veneer of technology over existing paper processes, services and analogue organisations. Too much time and considerable expenditure over more than 20 years has already been lost on well-meaning but ultimately trivial tinkering and automation of the past. Technology used in this way has become an expensive displacement activity from the real work required to update and modernise our public services.

Reinventing our public services for the internet age will be a significant undertaking. It will be as big a challenge as when the UK created the welfare state, often in the face of fierce opposition from vested interests. **It will require a similar act of political vision and courage.**

In the same way that Beveridge asked back in 1941:

"How would one plan social insurance now if one had a clear field... without being hampered by vested interests of any kind?"

we are asking:

"How would one plan a modern, internet-enabled, state if one had a clear field... without being hampered by vested interests of any kind?"

And, most importantly, how can we transition successfully from our current state to that future state?

What *is* clear, even now, is that modernising and upgrading our public services will produce a very different-looking public sector. It will still comprise citizens, politicians, policy makers and, in particular, far more frontline public employees – but there will be far fewer managers and administrators. The workings of the state will become more transparent, and more answerable, to citizens. We will become more democratically empowered as a result.

In time, we believe such changes could enable us to redirect £46bn or more into frontline public services every year. This is why we are calling for more honest discussion about the necessity for the modernisation of our public services. And it's essential that we ensure the enormous benefits to be gained remain in the public domain to be enjoyed by us, our children and grandchildren.

This manifesto offers a political call to arms, and an outline implementation approach for this journey. We do not have all the answers and we do not suggest that a fixed "grand plan" can provide an instant or easy solution. Our ideas and proposals are intended to catalyse debate and improvements that will take at least a generation to implement. Along the way, the implementation approach will need continuous adapting and updating in the light of experience to meet ever-changing political, economic and social challenges, and to reflect the increased national debate that we hope may result.

This manifesto green paper offers some ideas to get us started on the difficult road ahead.

1 – Time for a new approach

Summary

Preserving and
enhancing our
public services

Reform is
nothing new

An economic and
demographic
time bomb

Towards a
progressive
digital politics

Public value: an
essential metric
for modernising
government

Summary

We need to improve and sustain our public services to work better for us, and ensure they are still there for future generations. We have a duty to protect and enhance life-critical services. To achieve this, we need a radically different understanding of how modern public services can achieve the best possible outcomes.

In this Chapter, **the first part** explains how attempts at technology-based modernisation of the public sector have been going wrong since the 1980s and explores why we've missed the opportunity for sustainable public reform offered by the internet.

The **second part** argues this opportunity is something the UK can no longer afford to miss. Given the impossibility of achieving more, and better, public services against a backdrop of deteriorating economic performance and a slender tax base, the time for tinkering is over.

In response, **the third part** attempts to offer a new, more radical political vocabulary. It provides a way for us to challenge, and modernise, the outdated lens through which we view our public services. We reveal the potential scale of resources currently wasted on a cadre of management and administrative functions and processes – across both public and private sectors. If these activities were simplified and consumed the way we consume electricity, water, or entertainment, we could add an additional £46bn or more to the frontline every year – as well as improving outcomes.

The fourth part then suggests a new consensus on what constitutes **Public Value**, to decide what our public services should consume, and what they should retain.

Preserving and enhancing our public services

We believe in the essential role of public services. As Nicholas Timmins, in his epic account of the creation of the welfare state, describes it:

“...for all its myriad faults, some form of collective provision had always seemed, to put it at its lowest, the least bad way of organising education, health care and social security – things we all need, and which not all of us can guarantee to provide for ourselves either all the time or at the time they are needed.”⁴

The UK rightly prides itself on having pioneered some of the best universal public services anywhere in the world – in particular, our National Health Service (NHS). Yet if we want to ensure we have great public services, we need to confront their unsustainability in their current form, and to be honest about their strengths and weaknesses.

In this section, we show that tinkering with the current, siloed organisation of these services, as we’re currently doing, is just endlessly rearranging the deckchairs on the Titanic – and that no amount of tax-and-spend bailouts or austerity-rationalised cuts will ever fix the underlying and much more fundamental problems.

Reform is nothing new

We’ve long accepted the need to modernise

Mainstream political parties have long recognised the need to modernise the way our public services are designed and operated. Indeed, perhaps the tendency to inflict top-down political change without having first mapped the landscape and understood the problems that need fixing, and how we might best fix them, is part of the reason why our public services are in the state they are.

*...if we want to ensure we
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⁴ *The Five Giants: A Biography of the Welfare State* (New Edition). Nicholas Timmins, 2001. HarperCollins (p.2).

Our public services and long-suffering frontline employees have endured decades of unproven ideas being imposed upon them, of tinkering and restructuring without any real benefit. Services have been dragged first in one arbitrary direction and then in another, often undermining and distracting from effective delivery.

One of the most significant top-down, politically-imposed changes was that of the late 1980s. It saw a move towards “agencification”⁵ of the public sector, resulting in the creation of quangos⁶. Many functions that were previously the responsibility of central government departments were instead farmed out to new satellite agencies. The theory was that these new bodies would become less susceptible to constant political interference and more cost-effective by adopting private sector practices.

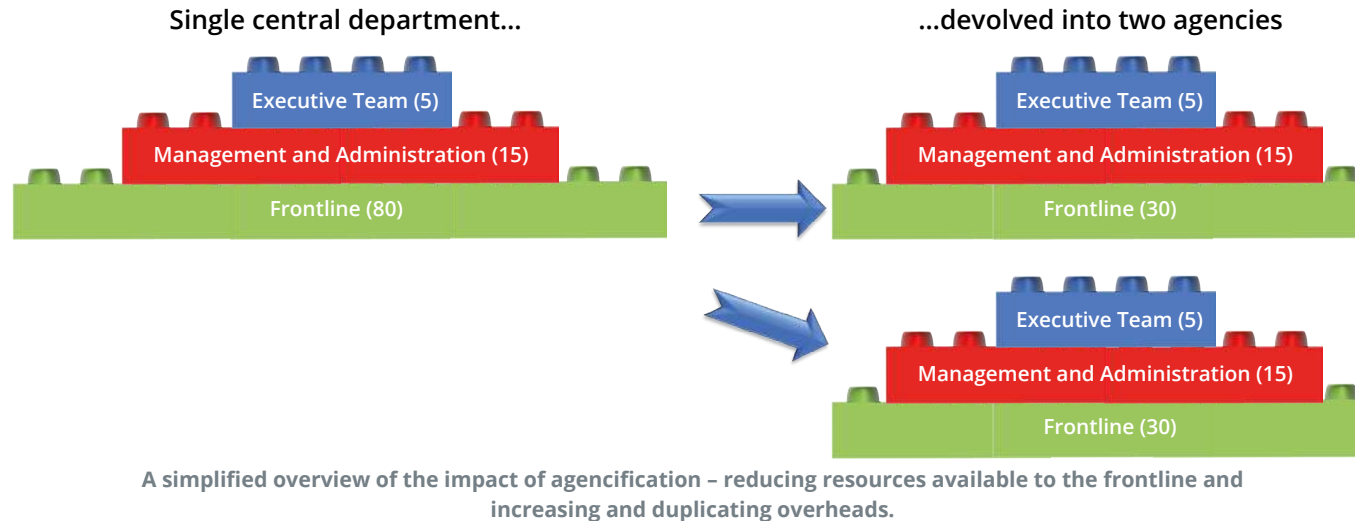
...but in practice this tended to be just misguided copying from the private sector

This imposition of ideas lifted from the private sector – referred to as New Public Management, or NPM – may have looked encouraging on paper. But in practice it created fragmentation, adding unnecessary friction and bureaucracy into the public sector (by creating so-called “internal markets” where administrators across the public sector would pointlessly spend time and resources accounting for their services and cross-billing each other for their time), and imposed endless performance targets and metrics that could be assessed and accounted for (regardless of whether these measures actually produced any improvement in operational efficiency or better public services and outcomes).

NPM spawned wholesale duplication of overheads and administrative services, with all their associated policies and processes, including a complex spider’s web of executive boards, senior management teams, finance, HR and technology systems. Doing so directly reduced the amount of resources available for frontline services. The intentional distancing from political control also arguably made the management and operation of our public services less democratic: it became more difficult for citizens to ensure services were working directly for them, rather than to meet Chief Executives’ own organisational priorities and “business” plans.

⁵ [Improving Management in Government: The Next Steps](#). Efficiency Unit, 1988.

⁶ [Read Before Burning](#). How to increase the effectiveness and accountability of quangos. Institute for Government, 15 July 2010.



...exacerbated by a basic misunderstanding of technology

In 1998⁷ the Parliamentary Office of Science and Technology (POST) argued that technology can often exacerbate the problems of poor organisational and service design. Technology silos that simply mirror organisational silos make it difficult to redesign and improve services around citizens' and frontline workers' needs.

Far too much effort has been focused on using technology to optimise what already exists, rather than rethinking how to achieve better outcomes. Paper forms have been repeatedly replaced by online forms since the mid 1990s, but have done little if anything to improve the way government works. Technology has been used to automate, rather than improve, inefficient and outdated ways of working. The result has been that poor analogue processes and services have simply become poor digital processes and services instead. And at great cost.

Far too much effort has been focused on using technology to optimise what already exists, rather than rethinking how to achieve better outcomes.

⁷ Electronic Government. Information Technologies and the Citizen. Parliamentary Office of Science and Technology, February 1998.

From the late 1990s a new focus on modern and “smarter” public services⁸ by the Labour government superseded the Conservatives’ private sector-inspired NPM of the 1980s and early 1990s. As with earlier efforts, the aim of these technology initiatives was laudable:

“...to give citizens what they now demand: public services responsive to their needs and driven by them. At the same time it provides us with the means to deliver public services in a way that maintains their quality but brings down their cost... we will meet these new challenges by strengthening the role of citizens and civic society; recasting the relationships between the centre and the frontline and between the citizen and the State; and streamlining government.” (pp.5-6)

Importantly, it was recognised that:

“...restructuring government must be based on our enduring beliefs in equality of opportunity and a fairer society, in which government gives people the tools to shape their own lives and protection from those forces they cannot handle alone.” (p.6)

These remain valid principles. Our concern is not with the intentions of various governments – we believe they genuinely have tried to improve our public services for the best – but with the mistaken way they have approached and used technology.

UK governments have long viewed technology as a potential solution to the problem of modernising the public sector⁹. However, technology has not been the magical saviour some hoped for. The recent efforts of the Government Digital Service have had little substantive modernisation impact, ultimately reverting to the usual displacement activity of website redesign and tinkering on the periphery of government by updating the look and feel of the central government website. And yet when GDS started there was a much more revolutionary promise – that it would help overhaul and modernise the

⁸ [Putting the frontline first: smarter government](#). HM Government, December 2009.

⁹ [Appraising the impact and role of platform models and Government as a Platform \(GaaP\) in UK Government public service reform: towards a Platform Assessment Framework \(PAF\)](#). Brown, A., Fishenden, J., Thompson, M., Venters, W. *Government Information Quarterly*, Volume 34, Issue 2, April 2017.

organisations, functions, processes and services of the way government itself is designed and operated. That it would, in effect, redesign the operation and delivery of government itself. That it would build the new public infrastructure required for twenty-first century public services.

Technology-led efforts at reform have repeatedly failed to make any meaningful change to the design and operation of our public services – in the same way the management at Blockbuster, too focused on renting DVDs via their network of high street stores and malls, repeatedly failed to reinvent their own business in a rapidly changing technology-enabled world. Government has become mistakenly mesmerized by the *technology* itself despite the fact that when poorly applied all it does is strengthen existing broken structures, and further embed existing fragmented services. There has been insufficient focus on how to achieve better outcomes.

If we are to understand how our public services can benefit from new technology, we need to behave more like the management of Netflix than Blockbuster. We must confront the disruptive implications of technology¹⁰ for what government does and how it operates, not use it to paper over the widening cracks in its existing approach. For Blockbuster it was obvious when it had lost to Netflix: it went bankrupt. In contrast, public services cannot go bankrupt, so they continue to exist in increasingly creaking and inefficient ways. Our public services cannot be allowed to fail or even disappear in the same way as Blockbuster. This is why we need to act now.

In the next section, we make a plea for urgency. We argue that politicians have avoided providing the leadership to implement just such a reimagining for far too long – and that the time to do this is now running out.

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¹⁰ Such disruption is widely discussed. Eg Christensen, C.M. (1997), *The innovator's dilemma: when new technologies cause great firms to fail*, Harvard Business Press.

An economic and demographic time bomb

A declining structural situation

While the UK ranks as the fifth largest economy in the world¹¹ it was the weakest in Europe in the first quarter of 2017¹² and the worst-performing advanced economy in the world¹³ according to the Office of National Statistics¹⁴. Despite talk of “austerity” and “balancing the budget”, in 2017 total UK public spending was £780 billion – and in 2018 is expected to be £814 billion¹⁵.

Health, Education and Pensions account for nearly half of this expenditure. And UK government expenditure on the welfare state increased between 2010 and 2014 from around 33% to around 35% of all government spending¹⁶. The UK national debt is currently £1.83 trillion – nearly 90% of GDP. The UK’s real growth rate leaves it 144th in the world¹⁷, with over 7% of the UK population experiencing persistent poverty – around 4.6 million people:¹⁸ this is even setting aside the reported changes in the UK’s position triggered by Brexit¹⁹. Just over half (50.5%) of all UK households received more in benefits (including in kind benefits such as education) than they paid in taxes (both direct and indirect)²⁰.

We’re also living longer: life expectancy at older ages in England has risen to its highest ever level²¹, and supporting our ageing population may consume half of government revenues by 2061²². And all of this is happening against a backdrop of continually increasing citizen/consumer expectations, with the appearance of more and more services, treatments, and forms of support that will only further

11 [The world's 10 biggest economies in 2017](#). World Economic Forum, 9 March 2017.

12 [The UK economy was the weakest in Europe in the first quarter of 2017](#). *The Independent*, 8 June 2017

13 [UK is the worst-performing advanced economy in the world, official figures confirm](#). *The Independent*, 30 June 2017.

14 [Quarterly National Accounts: Jan to Mar 2017](#). Office for National Statistics. Retrieved December 2017.

15 [UK Public Spending](#). Retrieved October 2017.

16 [How is the welfare budget spent?](#) Office for National Statistics. 16 March 2016. Retrieved October 2017.

17 [The World Factbook](#). CIA. Retrieved October 2017.

18 [Persistent poverty in the UK and EU: 2015](#). Office of National Statistics. 27 June 2017. Retrieved October 2017.

19 [How has the economy fared since the Brexit vote?](#) *BBC News*, 28 March 2017.

20 [Effects of taxes and benefits on UK household income: financial year ending 2016](#). Office for National Statistics. Retrieved October 2017.

21 [Life expectancy at older ages is the highest it's ever been](#). Public Health England, 12 February 2016.

22 [Spending on health and social care over the next 50 years](#). The King's Fund, 2013.

increase demands for funding²³. We all want more, but have less in real terms to fund it with.

...that we can't address from our slender tax base alone

It's unlikely that our tax base can meet the increasing demand for public services as they're currently structured against this background of poor global performance. Sources of income tax are already heavily dependent on a relatively small number of UK taxpayers, with more than a quarter of income tax paid by the 1% of taxpayers with the highest incomes and 90% of income tax paid by the 50% of taxpayers with the highest incomes²⁴.

Despite the perception of increasing income inequality in recent years, the Office of National Statistics observes that *"There has been a gradual decline in income inequality in the last 10 years"*²⁵, with median disposable income for the poorest fifth of households *rising* by 5.1% between 2014/15 and 2015/16 and the income of the richest fifth of households *falling* by 1.9% over the same period. *"The ratio between the average income of the top and bottom fifth of households (£63,300 and £17,200 respectively) is reduced to less than 4 to 1 after accounting for benefits (both cash and in kind) and taxes (both direct and indirect)"*²⁶. And yet the UK's overall poverty rate of 16.8% still makes it the 12th highest out of the 28 EU countries²⁷.

Whilst this is a complex and changing picture, we are concerned about inequality and the significant earnings gaps that exist between many frontline workers and the chief executives, directors and senior managers of organisations across both private and public sectors. Increases in income make a much more important difference to the lowest paid and could also help them become net contributors rather than net beneficiaries, with wider socio-economic benefits to the UK and the funding and success of its public services.

23 Patient expectations and the paradigm shift of care in emergency medicine. *Journal of Emergencies, Trauma and Shock*. 2011 Apr-Jun; 4(2): 163-167.

24 Reality check: Are lower earners bearing the tax burden? *BBC News*, 19 April 2017.

25 Household disposable income and inequality in the UK: financial year ending 2016. Office of National Statistics. 10 January 2017.

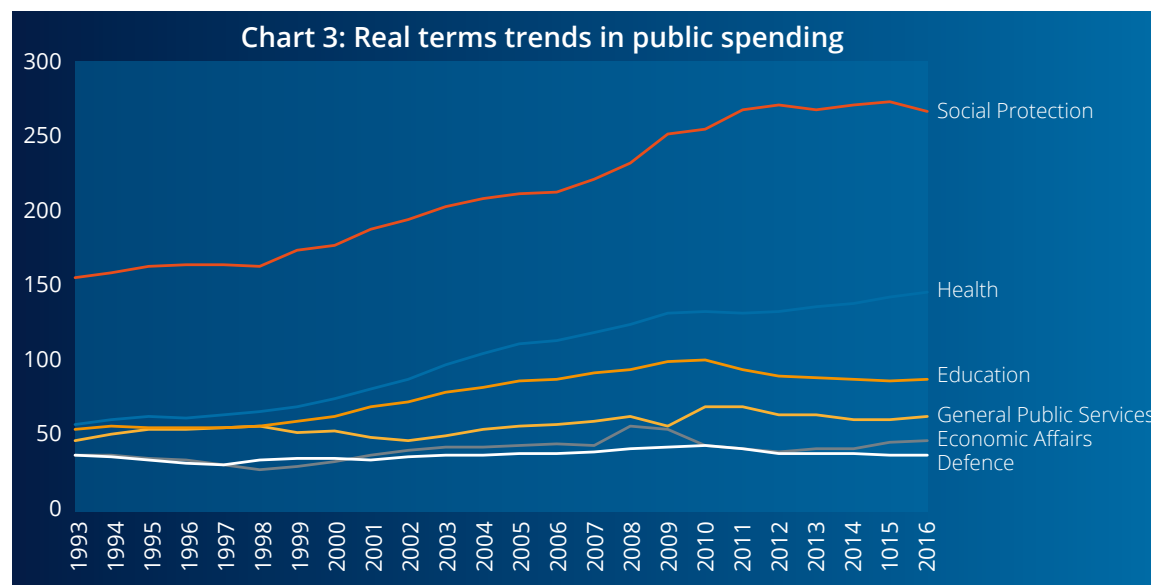
26 Effects of taxes and benefits on UK household income: financial year ending 2016. Office for National Statistics. Retrieved October 2017.

27 Persistent Poverty in the UK and EU: 2014. Office of National Statistics. 16 May 2016.

...leading to an unsquareable circle

The recent IMF Fiscal Monitor report *Tackling Inequality*²⁸ suggested that raising taxes for the top 1% can help reduce income inequality. However, the UK is already applying tax rates higher than those the IMF suggests are productive. In any case, our narrow tax base can raise nowhere near enough tax to safeguard public services.

While spending in some areas of the public sector decreased between 2016-17, many others saw a real increase in spending over the same period²⁹. Substantially altering the trajectories of the lines in Chart 3 below will take a great deal more than imposing an additional 5-10% tax on the “super-rich”:



Source: *Public Spending Statistics July 2017*, HM Treasury (p.46).

We need a corresponding commitment to address the much larger structural issue of improving productivity across the broader tax base – generating decent wages to fund public services more sustainably, with significant alteration to the lines on Chart 3 (above).

²⁸ IMF Fiscal Monitor: *Tackling Inequality*, October 2017.

²⁹ *Public Spending Statistics*. HM Treasury, July 2017 (p.54).

Such a task is non-trivial. The UK's productivity is currently in decline³⁰. We lag behind major trading partners including the US, Germany and France³¹. UK productivity is 19% below the average of the rest of the G7 countries³², with the Office for National Statistics reporting that:

*"...UK productivity growth on a rolling 10-year basis suggests that the recent UK performance has been among the weakest since official records began and may not be comparable with any period since the early-1820s."*³³

Time for a more modern, and ambitious, conversation

In summary, it's not an immediately encouraging outlook. Our economy is weak, our national debt is growing, we're unproductive on the global stage, we're already highly reliant upon a small tax base, and yet we're living longer, and want more, not less, from our already cash-strapped public services. These are not easy problems to solve and it's not a great landscape on which to fund and deliver better public services!

Our public services face deeper structural imbalances than can ever be fixed by "business as usual" and a simple distributive manifesto. That said, as progressives we do acknowledge that changes to tax may form part of the answer, particularly in areas such as taxation of wealth rather than income, and by ensuring a level playing field for business through the taxation of global digital companies who operate in the UK but don't currently pay their corresponding taxes here.

We believe that many others in the UK also sense the inadequacy of both the traditional "Left" and "Right" soundbite political positions for dealing with the growing complexity of the citizen-state relationship, and that it's time for a more modern, more realistic, honest, grown-up and ambitious political conversation.

30 UK productivity introduction: Jan to Mar 2017. Office for National Statistics, 5 July 2017.

31 UK productivity falls to pre-crisis level. *BBC News*, 5 July 2017.

32 House of Commons Library Briefing Paper Number 06492, 7 July 2017. *Productivity in the UK*. (PDF) (p.8).

33 UK productivity introduction: July to September 2017. Office for National Statistics. Retrieved January 2018.

Towards a progressive digital politics

Public or private? Is this *really* the most important question we should be asking?

What do we mean anyway when we talk about “public services”? There doesn’t seem to be any clear political or general definition of a “public service” – something that muddles and confuses the endless partisan arguments about “nationalisation” versus “privatisation”, or any hybrid models in-between.

For simplicity, in this manifesto we define a public service as a “service predominantly paid for, or underwritten by, taxpayers and operated for the public good”. We adopt this definition, imperfect though it may be, to aid our analysis of complex ideas such as co-creation, co-production, co-operatives and mutuals, “privatised” versus “nationalised” services, etc.

The balance between state and voluntary and private ownership is a fluid and evolving one rather than fixed in stone for all time. Early social housing for example was the domain of benevolent private sector individuals and organisations such as Octavia housing, the Guinness Trust and Peabody Estates. It was only later that the state took a much more significant role. At the other end of the scale, the UK’s national airline (what is now British Airways) was in public ownership – but only 14% of people today believe it should be in the public sector³⁴.

Most public services have found the need to apply an intelligent mix of models in their operation and delivery – aiming to combine the best of public, private and voluntary sectors – to deliver the best possible outcomes.

Revisiting Marx for the internet age

Simplistic and tired “public/private” binary politics restricts our ability to think clearly about how best to modernise our public services. We need to see beyond old-fashioned structures that benefit management and administrative functions at the expense of frontline public employees and citizens – on both sides of the public/private sector divide.

³⁴ [Nationalisation versus privatisation: the public view](#). YouGov, 19 May, 2017.

To achieve this, our argument re-uses a Marxian idea – the labour theory of value – to argue that confusing inputs (management and administrative activities within the public sector for example) with outcomes (via frontline service delivery) is a significant part of the problem. In short, the Marxian perspective implies that a managerial and administrative “class”, *located across both public and private sectors*, extracts “rent” from frontline public employees, as well as from the public they serve.

Government moves towards creating “internal markets” and arms-length agencies have only exacerbated this problem. They have increased the number of managerial and administrative roles (inputs) and reduced resources available to the frontline (outcomes). The problem is compounded by the fact that the “rent-taking” functions tend to be valued far more highly than those providing the services, rewarded with salaries that are often multiples of those available to frontline workers.

One of the interesting aspects of digital businesses is that they place more value on *doing* rather than managing and administering. In the twenty-first century many standardised processes have been optimised and automated. The fact that much of our public budget is, however, still spent on such activities (inputs), instead of on public services themselves (outcomes), has important political implications. Particularly in an era when public services are being cut, or placed under growing and unsustainable pressure.

These political implications are visible in the notion of economic rent, rooted in the labour theory of value. In economics, economic rent³⁵ is any payment to a factor of production in excess of the cost needed to bring that factor into production. The economist Bryan Caplan³⁶ provides an example³⁷:

“A worker earning \$10 an hour, when their alternative on the open market is merely \$9, is considered to earn a \$1/hr rent... (t)he general assumption is that rents are just useless inefficiencies. They are basically just like the government granting a monopoly on salt; the price of salt then exceeds its opportunity cost, and for no good reason”.

³⁵ [Factors of production](#). Wikipedia. Retrieved October 2017.

³⁶ Bryan Caplan. Retrieved October 2017.

³⁷ [What is a Quasi-Rent?](#) Bryan Caplan. Retrieved October 2017.

The surplus value (earning in excess of opportunity cost) accrues to the rent-taker, instead of being spread among the population as a public good.

How the internet exposes rent-taking in public services

So how does the notion of rent-taking offer the clarity of thinking that we need to save our public services? This is where a digitally-informed understanding of politics comes in.

A good place to start is with a short TED talk by the political activist Jeremy Heimans³⁸. He explains how the arrival of the internet enables people to exchange value in more direct ways³⁹ that bypass traditional, command-and-control models – often more cheaply and with a better service outcome for all⁴⁰. A screenshot from Heimans' talk summarises his take on this shift from “old” to “new” power:

Old Power	New Power
Currency	Current
Held by few	Made by many
Downloads	Uploads
Commands	Shares
Leader-driven	Peer-driven
Closed	Open

The shift from old to new power: source Jeremy Heimans

This was foreseen by Marx, who explained how technological innovations eventually undermine monopoly situations by providing cheaper or more efficient inputs than those controlled by the monopoly. For public services, the “shared plumbing” of the internet⁴¹ increasingly empowers public employees who are responsible for providing service outcomes to assemble and consume standard

38 What new power looks like. Jeremy Heimans, 2014.

39 Understanding “New Power”. Jeremy Heimans and Henry Timms. *Harvard Business Review*, December 2014.

40 Government as a platform, or a platform for government? Which are we getting? Mark Thompson. *Computer Weekly*, June 2015.

41 Time to get mapping – how a blind government can develop sight. Mark Thompson. *Computer Weekly*, October 2015.

building blocks of administrative capabilities⁴² such as information management, accountancy, logistics, payments, identity checking, registration, workflow, etc, locally, and in ways that bypass – or “disintermediate” – traditional bureaucracies⁴³.

Distinguishing between public service and public administration

Borrowing Marx, distinguishing between outcomes and inputs reveals that, in many cases, the managerial and administrative functions and processes, located across both public and private sectors, unwittingly extract “rent” from frontline public services, employees, and the public they serve. This is true not only from those aspects of our public services that have been “privatised” or “outsourced” but also those that remain fully “nationalised” in-house too. This problem cannot be fixed simply by shuffling services into or out of the public sector: we need to address the underlying structural problem.

How much rent-taking is going on? Looking at local government

In local government in England we have 353 councils, each surrounded by health, social care, housing, blue light, and third sectors, each with its own, duplicated, infrastructure, suppliers, and institutional processes. Yet they all work to deliver almost the same services under the same policies and legislation. They also have little reason to be different from one another, apart from the few services and expenditure where they have local discretion about their priorities or very specific needs.

Services in common to many local councils			
Education	Housing	Planning applications	Strategic planning
Transport planning	Passenger transport	Highways	Police
Fire	Social services	Libraries	Leisure and recreation
Waste collection	Waste disposal	Environmental health	Revenue collection

Many local authorities are supported by large private-sector corporates which have effectively “captured” key functions like revenues and benefits, but which sell councils many different versions of

⁴² APIs Are The New FTEs. *Tech Crunch*, 6 September 2015.

⁴³ Reinventing the company. *The Economist*, 24 October 2015.

these functions. Yet while this large scale duplication of effort is happening, councils are all engaged in shutting important frontline services in response to budget cuts and constraints. Local authority budgets across Britain were cut by £18bn in real terms between 2010-2015, with another £9.5bn further cuts due to take place by 2020⁴⁴. Some councils have effectively started going bankrupt⁴⁵.

Attempts at reform have so far generally only tinkered with the fundamental problem: that there's much less money left over for frontline services, the important activities that deliver value to citizens. Significant resources are instead directed into the wholesale duplication and replication of the same inputs as all other councils, the systems and internal operations that serve the organisation's own internal needs, not those of the frontline.

Our councils continue to operate like this despite the fact that internet technology now exists to consume their common needs (such as licensing, booking, registration, payments, case management, and so on) cheaply at scale. If councils standardised and consumed much more of their administrative needs from a shared digital commons – a public community of shared digital infrastructure – could we enable councils to concentrate their efforts (and our precious funds) on the areas that citizens value, such as social workers, public transport, and daycare centres for the vulnerable and old? Just as a multitude of small businesses harness the shared digital infrastructure available via the internet (with the likes of eBay, Amazon, and SagePay) to run their different businesses, could councils not do something similar?

To be clear, this is not about restricting local democracy and flexibility to address local voters' needs by imposing a top-down, rigid and inflexible standard "one size fits all" way of doing everything across the country. It is, in fact, precisely the opposite. Technology is often used at present to capture, lockdown and enshrine the way things have always been done – rather than to enable organisations to respond quickly to evolving and locally-defined socio-economic needs in their own, locally-appropriate way. Most of the current systems in the public sector have been built with a Victorian engineering mindset of "build to last" when they should have been developed with a twenty-first century mindset of "build to change".

⁴⁴ Austerity's £18bn impact on local services. *FT*, 19 July 2015.

⁴⁵ Northamptonshire County Council 'warned it was unsustainable'. *BBC News*, 3 February 2018.; see also Council tax rise as Surrey councillors set budget. *BBC News*, 6 February 2018.

It's now possible to upload data and access standardised administrative processes – for example registering and qualifying for housing benefit, or requesting a green bin – to shared algorithms running in the Cloud⁴⁶ (computing resources offered as a utility via the internet⁴⁷). Such “vanilla” business rules can provide us with the outcome we're after at next-to-no cost – a bit like when we use Citymapper, or Google, for example. It's also possible to learn in real-time about these services and how well they are performing for citizens by analysing the data from systems across the country.

Unfortunately, identical functions like these are procured, bespoke and duplicated again and again in councils across their own services (such as waste management, planning and transport), as well as again within many of their suppliers' services. This creates islands of duplication, and depleted service quality. All of our 353 councils expensively replicate and manage and administer all these routine tasks tens of thousands of times over and over again.

This focus on inputs and duplication brings with it a significant cost impact, robbing essential resources from frontline services. But internet-based technology offers the ability to tackle this problem directly, via a radical form of organisational “delaying”⁴⁸ involving increased productivity, reduced costs, and radically better outcomes. So, how much money could we potentially save nationally for our councils if we streamed, say, just 40 percent of these common activities – rather than managing, administering, resourcing and buying and running them all over and over again?

According to the Ministry of Housing, Communities and Local Government (MHCLG), the total revenue expenditure by local authorities in England is budgeted at £94.1bn in 2016-17⁴⁹. Assuming, conservatively, that they spend 14% of their budget on administration – the percentage that the NHS admits to spending⁵⁰ (although most people we speak to estimate that the figure is actually much higher) – 14% of £94.1bn is £13.1bn, and 40% of that is £5.2bn. Assuming each council benefited from this equally, that's an additional £14.7m for each England council every year.

46 [Cloud computing](#). Wikipedia. Retrieved October 2017.

47 Willcocks, L., W. Venters and E. Whitley (2014). *Moving To The Cloud Corporation*. Basingstoke, Palgrave Macmillan.

48 [Delaying](#). *The Economist*, 8 December 2008.

49 [Local authority revenue expenditure and financing England: 2016 to 2017 budget](#). DCLG, 30 June 2016.

50 [The NHS budget and how it has changed](#). The King's Fund. Retrieved October 2017.

This conservative figure ignores the many hidden costs to the “x-inefficiency”⁵¹ of local services resulting from the lack of coordination and duplication that do not appear in the financial records of local government. The Estonian government for example claims that “Digitizing processes reportedly saves the state two percent of its GDP a year in salaries and expenses”.⁵² Although there will of course be some cost associated with implementing and streaming such services, if all councils, together with housing, blue light services, health and social care, shared and streamed these in the same way from a digital commons, costs could reduce to a standard, utility-like commodity.

It’s important to emphasise that we’re not “blaming” councils, or their management and administrative employees. This situation isn’t their “fault”. Modernising what they do and how they operate for the internet age is difficult. Councils typically dislike sharing, and they all inherited the current complex mess in the first place. Keeping the “lights on” to ensure essential public services never fail is understandably always given higher priority than making time to rethink and improve the way they operate.

However, our Marxian lens reveals that the net result of this way of organising – however unintentional – is largescale rent-taking. The public value available from lowering the cost of these inputs – value that might have been distributed across the population – is instead skimmed off. The inevitable result is cuts to the frontline⁵³. The problem is compounded because of the way frontline workers’ jobs are often less valued and rewarded financially within the public sector than those working in management and administration, which acts as a destructive multiplier on essential resources lost to the frontline.

This problem is not restricted to the public sector alone. Consider higher education in the UK, where there was a 33% increase in managers⁵⁴ (public administrators) between 2003-04 against a 10% increase in academics and 9% increase in students (public employees). The Oxford academic Peter Oppenheimer explained the situation at Oxford University⁵⁵:

51 [Steps to Local Government Reform: A Guide to Tailoring Local Government](#). Lockner, A.O. 2013. Retrieved October 2017.

52 [Estonia, the digital republic](#). *The New Yorker*, 18 December and 25 December 2017.

53 [Birmingham Against The Cuts](#). 25 October 2017. Retrieved October 2017.

54 [The irresistible rise of academic bureaucracy](#). Tariq Tahir. *The Guardian*, Tuesday 30 March 2010.

55 [How come our cash-strapped universities can afford so many administrators?](#) Melanie McDonagh. *The Spectator*, 6 June 2015.

“... a defensible estimate is that at least 500 (of the administrators) are surplus to requirements for the effective running of the university. The corresponding unnecessary annual cost is around £1,500 per Oxford student (all 20,000 of them) per year, plus extensive non-quantifiable academic damage.”

According to these figures, £30 million a year is taken away from academic activity in bureaucratic rent just at Oxford. The same is also happening in the US.⁵⁶

Turning to healthcare, consider these observations from researcher Max Gammon⁵⁷ in 2005:

When the NHS was established in 1948 we had 480,000 hospital beds. By the year 2000 the number had fallen to 186,000. This represents a fall from 10 beds for every thousand of the population in 1948 to 3.7 in the year 2000. It means that we often now have insufficient hospital capacity for prompt investigation and treatment even of first class emergencies. According to the official statistics we have just under one million patients waiting for hospital admission. There is no margin for handling epidemics and admissions for elective surgery are frequently cancelled owing to lack of beds. In an attempt to deal with this state of constant crisis patients are now being sent to France and Germany for their operations. And still the number of NHS beds is falling.

As for staff, the number employed by the NHS has more than doubled from 350,000 in 1948 to 882,000 in 2002. The greatest percentage increase has been among designated administrative staff. Between 1997 and 2002 Senior Managers and Managers increased by no less than 47.6% compared to an overall increase in the workforce of 16% (nurses increased by 1.8%). But these figures reveal only the tip of the bureaucratic iceberg. For example large numbers of nurses are now wholly engaged in management but are still counted as nurses. Of even greater significance is the proliferation of bureaucratic procedures involving all staff, progressively displacing their productive activity.

⁵⁶ [New Analysis Shows Problematic Boom in Higher Ed Administrators](#). Jon Marcus. *Huffington Post*, 6 February 2014.

⁵⁷ [Gammon's Law of Bureaucratic Displacement](#). A note from Dr Max Gammon with some quotes from Milton Friedman. Australian Doctors Federation, 25 January 2005. Retrieved October 2017.

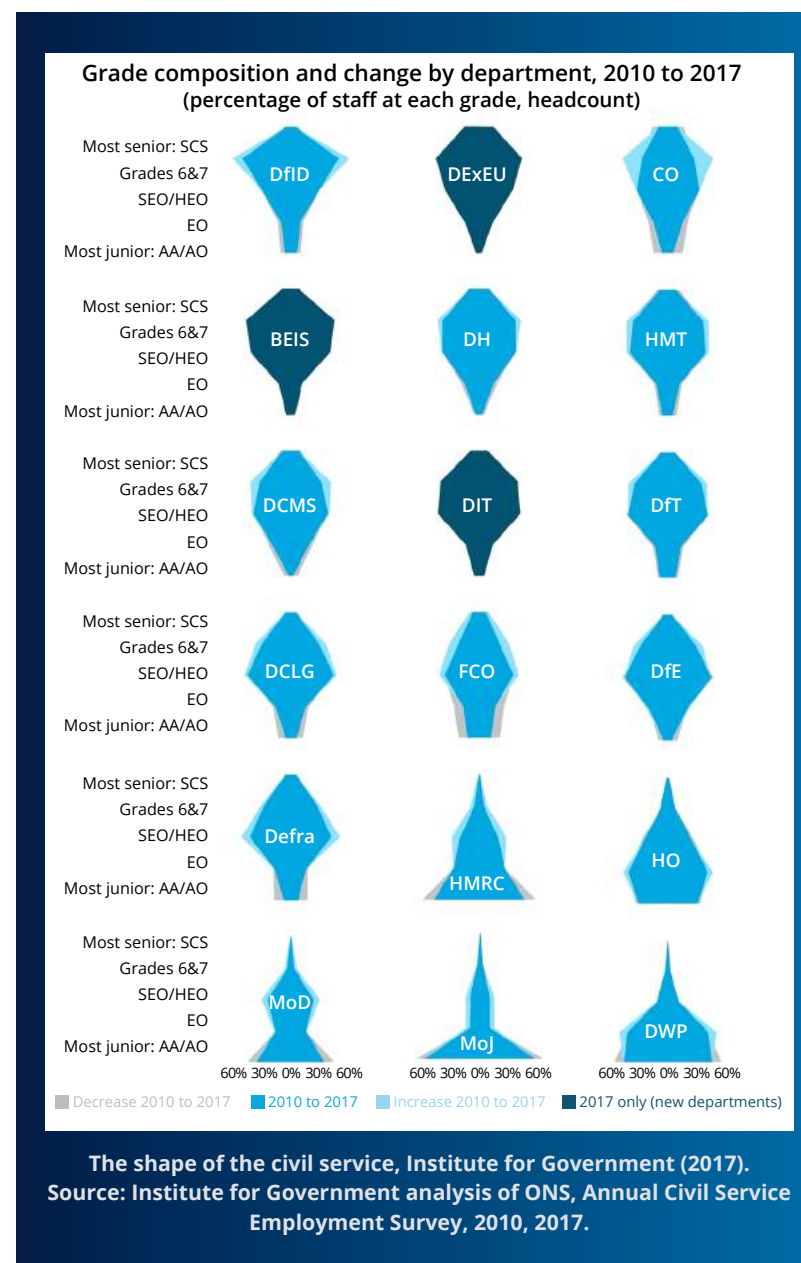
Gammon talks of a “law of bureaucratic displacement”⁵⁸, where in “a bureaucratic system... increase in expenditure will be matched by fall in production...”, as bureaucratic concerns come increasingly to eclipse the activities for which the organisation was originally conceived. Similar arguments have been made for the proliferation of developmental NGOs⁵⁹, which are frequently started, but rarely wound up when they have outlived their usefulness. This is why current technology investments in our existing public services often only exacerbate the situation – by freezing public services and current processes, roles and organisations within their existing silos. Ironically, this is making it harder to redesign and reconfigure services more flexibly around the needs of citizens and frontline workers alike.

The Institute for Government has produced a range of useful reports since 2014, “The shape of the Civil Service: remaking the grade”⁶⁰. These reports have looked at the breakdown of the civil service by salary grade. The results illustrate a wide range of organisational shapes in terms of the relative distribution of staff across the grade scales, with the most recent looking like this:

58 Gammon’s Law. Mises Wiki. Retrieved October 2017.

59 How can we curb the proliferation of NGOs in a crisis? Madeleine Bunting. *The Guardian*, 11 May 2011.

60 The shape of the Civil Service: remaking the grade. Petr Bouchal, Institute for Government, 23 October 2014.



It also noted what has been witnessed elsewhere in the public sector – that lower grades (often associated with frontline workers delivering public services) are given less focus than middle management and administrative grades, which are on the increase.

The Civil Service employs a higher proportion of staff at senior grades than in 2010. This is because, first, the lowest grades have seen the sharpest cuts throughout this Parliament: the number of staff in the lowest grade fell by 27% between 2010 and 2014, in contrast to a 17% reduction across the Civil Service as a whole. In addition, the number of staff in the more senior grades has grown in absolute terms recently – the year to March 2014 was the first since 2010 in which the number of senior civil servants grew, although it has still seen a 4% reduction since 2010. The number of staff in the second most senior group – grades 6 and 7 – has grown by 3%, from 36,600 in 2010 to 37,800 in 2014⁶¹.

It is, however, difficult to interpret whether this represents a move towards an increasing emphasis on input-focused roles and away from outcome-focused roles, or something else. The Institute for Government observed:

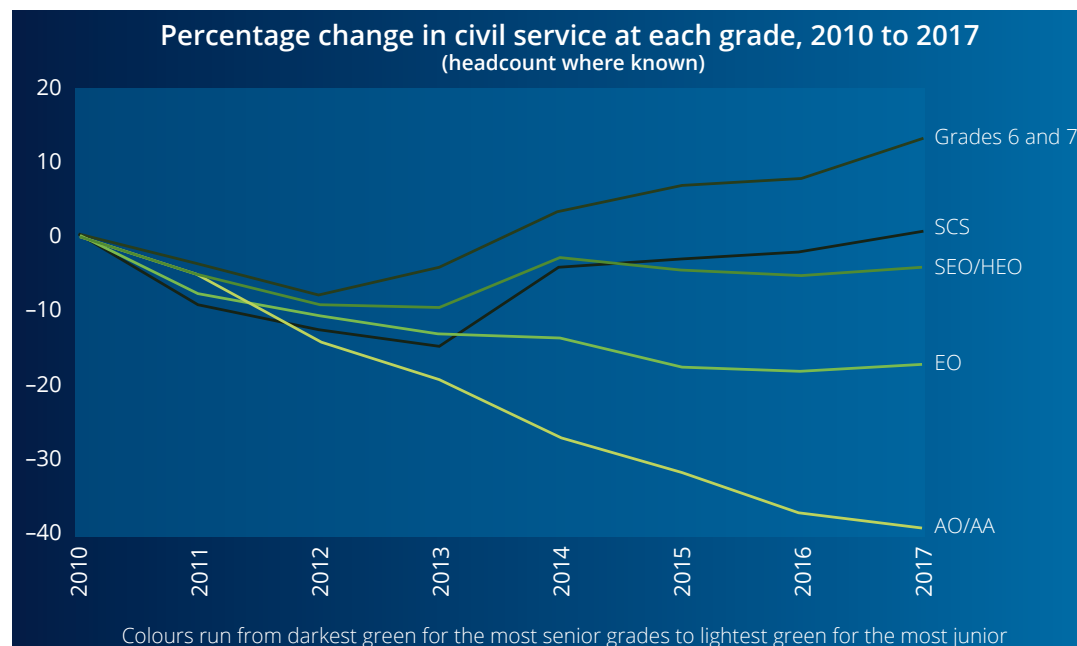
This change in the shape of the Civil Service could be driven by changing requirements in departments, but the pay constraint (two years of no increases followed by 1% increases) could also have contributed by creating pressure to promote staff or recruit at more senior grades when pay increases were unavailable.

It noted a trend for all departments to become increasingly top heavy – the very opposite of what is being seen in internet-era organisations elsewhere. This appears a potentially perverse and expensive trend for the public sector, directing resources away from frontline services and into their internal administration and management.

Such analysis can, however, be complicated by the movement of some roles in or out of the public sector. For example, when IT or other functions are outsourced, it means they are no longer counted as part of the public sector despite continuing to be funded by the taxpayer. Under our definition of

⁶¹ Ibid.

“public services” – a “service predominantly paid for, or underwritten by, taxpayers and operated for the public good” – such arrangements would still be included and accounted for properly, and not artificially hidden as at present.



Source: IfG analysis of ONS, *Annual Civil Service Employment Survey, 2010 to 2017* (SCS includes civil servants at equivalent level).

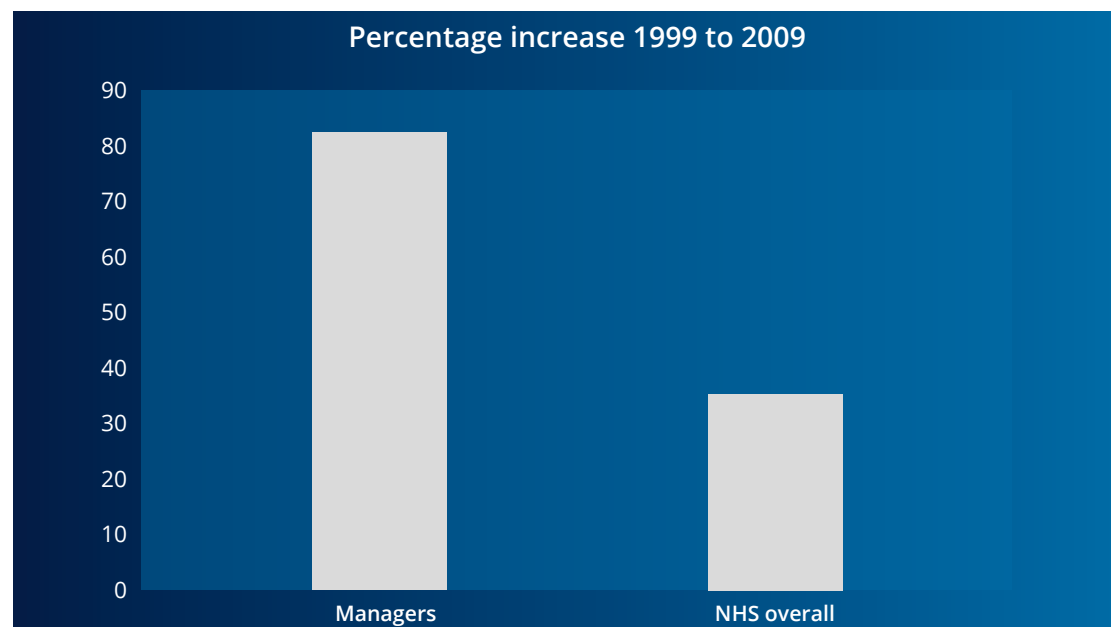
The IfG also commented on the preponderance of low level grades:

Many Job Centre staff in DWP (the biggest department) are in the lower grades, as is a large portion of tax officials in HMRC and prisons and probation officers in MoJ. Home Office, which includes the borders and immigration operations, also employs a relatively large portion of its staff at the lower grades. MoD looks similar in this respect.

The continuing explosion in management and administration can also be seen within our 650 NHS Trusts⁶² where these roles increased by 82% against a 35% total increase in NHS staff between 1999

⁶² [How many managers are there in the NHS?](#) The King's Fund. Retrieved October 2017.

and 2009 – with the result that by 2010 management and administration consumed £15.4bn, 14% of the entire health budget⁶³. That's the equivalent of 427,000 junior doctors⁶⁴.



The percentage increase in NHS managers versus overall staffing, 1999 to 2009.

How much of our total NHS budget is spent on clinical, versus standard management and administrative, activities that could be standardised and streamed? If we streamed say, 40% of our management and administration in health, which itself constitutes 14% of the current Department of Health budget of £126.5bn⁶⁵, we could save £7bn: that's 191,985 junior doctors.⁶⁶

This is the potential impact of adopting internet-era organisational models to radically improve our public service delivery model: the numbers are just so large – as is the potential reward for getting it right.

⁶³ NHS spends 14% of budget on management, MPs reveal. *The Guardian*, Tuesday 30 March 2010.

⁶⁴ NHS spends 14% of budget on management, MPs reveal. *The Guardian*, Tuesday 30 March 2010.

⁶⁵ The NHS budget and how it has changed. The King's Fund. Retrieved October 2017.

⁶⁶ Pay for doctors. Health Careers. Retrieved October 2017.

Indeed, taking our public services as a whole, assuming a similar 14% of our total 2018 government spend of £814bn⁶⁷ goes on management and administration, streaming just 40% of this could save £46bn year-on-year. That's 1,254,157 frontline public employees, assuming an average salary of £36,678⁶⁸.

Impossible? A mad idea? The evidence suggests otherwise.

In the private sector, the multipliers for internet firms are extraordinary: Instagram only had 13 employees, but they had over 30 million users when they were acquired by Facebook. In 2017, Netflix employed around 4,700 employees⁶⁹ to around 100m subscribers. Of course, some of these are not directly equivalent to the people-intensive and often complex nature of many public services. But by way of a more representative comparison, in the third sector, Buurtzorg (see Chapter 3) is a community nursing organisation in Holland that has achieved a 7,000 to 30 frontline to back-office ratio⁷⁰ by explicitly freeing itself of rent-taking. It's been able to distribute the gains as public value, with happier patients and public employees. These changes show that productivity gains at this level can be achieved – where there is a clear will to do so.

Replacing “public/private sector” with “public service/administration”

The tired and seemingly endless “public/private sector” binary political debate provides a convenient displacement activity for those in denial about the fundamental reality that we need to make real improvements to fix the fundamental structural failings of our public services. Equating “public services” with “public employees” is a false narrative that prevents open debate about how we improve resources available to the frontline and redesign for better outcomes.

Debate has all too often been silenced by the mistaken notion that to criticise the current organisation of the public sector is the same as criticising public services. Not so. We need to tease apart the true

67 What is the Total UK Public Spending? *UK Public Spending*. Retrieved October 2017.

68 What is the average salary for Public Sector jobs? *Total Jobs*. Retrieved October 2017.

69 Number of Netflix employees from 2015 to 2017 by type. Statista, The Statistics Portal, 2018.

70 UK voters are being sold a lie. There is no need to cut public services. Mark Thompson. *The Guardian*, Thursday 12 February, 2015.

value of public services (the *outcomes* we all value) from those roles, processes and organisational overheads that disappear elsewhere (the *inputs*). Every pound that does not make it to the frontline must be challenged and justified: and if we can ensure even a small additional fraction can make it to the frontline we should make that happen.

If we are to move the debate about the future of public services beyond the “taxes-or-cuts”, “left/right”, “nationalise/privatise”, “insource/outsource” stalemate to consider wholesale administrative reform, we need the right vocabulary to have this discussion. A good start would be to replace the traditional “public/private” categorisation with a more accurate distinction between the corporate interests of *managers and administrators* (in both public and private sectors) on the one hand, who are concerned primarily with inputs, and *public servants and recipients of public services* on the other, who are concerned primarily with outcomes.

This vocabulary enables us to expose the fundamentally extractive nature of corporate organisation, whether it operates in the private or public sectors. It enables us to challenge what is effectively a form of exploitation. This distinction is a useful way to start to establish a way forward for progressive politics in a digital age. In an age of finite resources, it enables us to prioritise resources towards the top of the “public value chain”⁷¹ – to the doctors, teachers, nurses, social workers, etc, who serve the public, and in whose activities the value of, and moral justification for, public services lies.

There is a long way to go, of course. Official statistics from the Office of National Statistics (ONS)⁷² on public sector employment make no distinction between input and outcome roles. They slice by vertical sector and existing organisational structures, where the resources appropriated by those at the top remains hidden. Whilst chronicling frontline cuts, however, the ONS document does show that overall employment in executive non-departmental public bodies (“quangos”) rose by 1,510 *in just 3 months* between September 2015 and December 2015 – so we can see which class is in charge there.

⁷¹ [An Innovative Public Value Chain to Improve Public Services](#). Padula, A. *International Journal of Advances in Management and Economics*, Sept-Oct 2013.

⁷² [Public sector employment, UK: December 2015](#). Office for National Statistics, 16 March 2016.

We need to frame a new political discussion for a digital age. This is a revolution in which developments in technology are outflanking the comforting mantras of the mutual self-interest of both corporate “Left” and corporate “Right”⁷³. Modern democratic revolutions are no longer accomplished with pitchforks, torches and guillotines but with reasoning and persuasive discussion – but we need a practical framework that enables us to see the wood for the trees.

If we are serious about maintaining face-to-face public services for future generations in the face of a finite tax base and elastic demand, we will need nothing less than revolutionary political thinking. We think Marx, and the notion of economic rent, is as good a place as any for us to start.

Public value: An essential metric for modernising government

So how do we decide what the state should, and should not, do?

We’ve set out why we believe that many overheads in our public services are unnecessary in the internet age, and that tackling this properly could save £46bn year on year. But how do we start to negotiate the difficult process of deciding which functions add most value within this new politics? And which services should instead be streamed and consumed as common services, releasing billions of pounds each year to the frontline?

We suggest that the notion of *public value*⁷⁴ can provide us with a way of differentiating between those activities undertaken by the state that benefit the public, and those that don’t.

In traditional government, “Sir Humphrey knew best” (or thought he did). In the 1980s, when new public management (NPM) tried to bring in so-called best practices from the private sector, it was “managers knew best” and they became a new form of priesthood. And since the mid-1990s, proponents of public value have sought to argue that “citizens know best”. Whereas NPM had tried to add “efficiency” to

⁷³ Don’t politicise digital government – public platforms belong to no-one. Mark Thompson. *Computer Weekly*, December 2013.

⁷⁴ *Public Value Theory and Practice*. Benington, J. and Moore, M.H. (Eds). Palgrave Macmillan, 2011.

traditional ways of doing things in government, public value added “values”⁷⁵ – explicitly trying to argue that ultimately, citizens are the only arbiter of whether an activity in the public sphere is valuable, or not.

Public value assesses services from the citizens’, not the managers’, end of the telescope. Put simply, unless you add public value, your tenure within the state is negotiable. This radical change of perspective was underpinned by a growing feeling, crystallised by Harvard Professor Mark Moore⁷⁶, that public services’ preoccupation with management procedures and metrics was often of limited public “shareholder value”. A bureaucratic focus on *inputs* to public services (accounting, internal meetings, organisation structures, planning, audits, subcontracting, etc) was being prioritised over the service *outcomes* (efficient hospitals, clean streets, great social care, etc) that actually matter to citizens, as well as the public sphere itself.

In response, **public value recognises two key metrics: “what the public values”, and “what adds value to the public (sphere)”⁷⁷ – and the tension, and politics, that exists between the two.** This tension is directly replicated in the wording of the Social Value Act 2012⁷⁸, which states that when procuring services, public bodies must consider:

- a) how what is being proposed to be procured might improve the economic, social and environmental wellbeing of the relevant area, and
- b) how, in conducting the process of procurement, it might act with a view to securing that improvement.

The public value lens enables us to assess those functions – and associated commercial decisions – that are fundamentally affected, and those that are less affected, by the organisational revolution unleashed by the shared infrastructure, reduced costs and improved efficiencies and outcomes of the internet.

75 [Public Value Theory: Reconciling Public Interests, Administrative Autonomy and Efficiency](#). Turkel, G. and Turkel, E. *Review of Public Administration and Management*, 19 June 2016.

76 Moore, M. (1995). *Creating Public Value – Strategic Management in Government*. Cambridge: Harvard University Press.

77 Bennington, J., and Moore, M.H. (2011) *Public Value Theory & Practice*. Palgrave Macmillan (p.42).

78 [Social Value Act: information and resources](#). Cabinet Office, updated 3 May 2016.

As in previous industrial revolutions based around shared infrastructure, the internet has rewritten the rules of the game. And as in previous such revolutions, you exploit shared infrastructure by doing standard things in standard ways. In the case of canals, it was standard container sizes that would fit through locks; for railways, it was a standard gauge; for the assembly line, it was templates for parts that would fit together in the factory; for electricity, it was a standard voltage available via standard plugs in the wall; and for us, it's standard processes and functions streamed through the internet.

Digital discipline: standardise/consume and refocus

All these examples show how *standardising and consuming* “platforms” of commonly-available services enables organisations to *refocus* the full force of all this common resource where they can add most value – with often profoundly efficient, innovative, and disruptive consequences.

In the case of the internet revolution, the principles of standardise/consume and refocus are everywhere around us already: most of the platform-based businesses whose flexible, responsive services we use unthinkingly each day broker networks of buyers, sellers, and third parties, *standardise/consume* their data and capabilities, and *refocus* all this collective resource to generate historically unparalleled levels of innovation and efficiency – with 14 of the top 30 global brands by market capitalisation being platform-oriented companies in 2013.⁷⁹

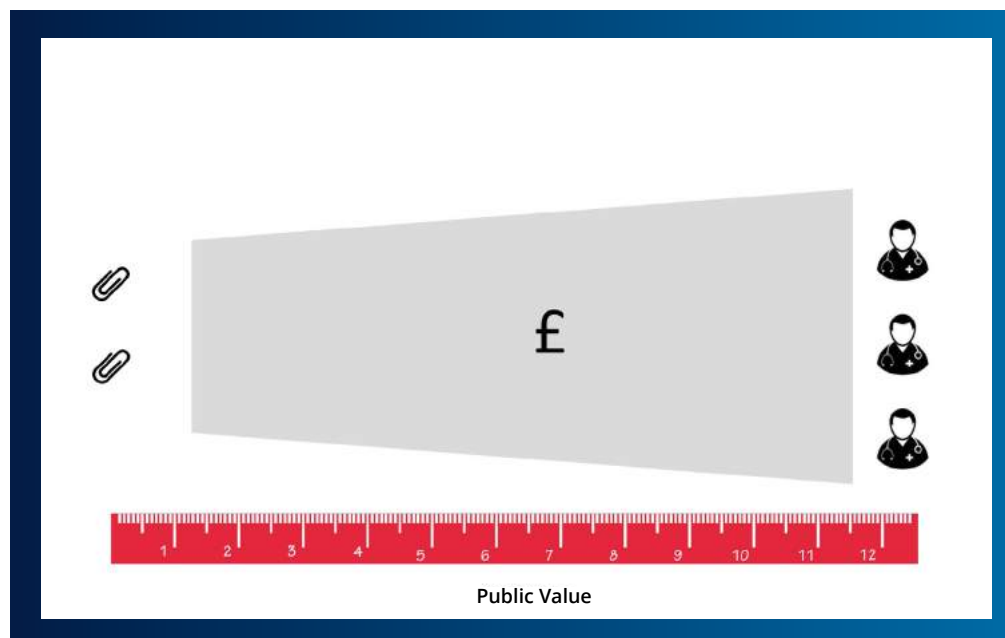
Platform players like Amazon or eBay design themselves to focus on where they add value most efficiently. They don't waste their time building and maintaining their own “special” versions of goods and services: instead, they *consume* services that already exist and which others can provide better and probably more cheaply. In Amazon's case, if they cannot find a service to consume they will build it so that anyone can consume it, and open it up to the wider market through Amazon Web Services (AWS).

Where to *refocus* is therefore always a matter of first working out where to *standardise/consume*. For example, take a Hollywood studio in the 1930s. Whereas once this studio might have owned the whole value chain – scriptwriters, set design, composers, camera people, and editing suites right through

⁷⁹ [Why platforms beat products every time](#). MIT SLoan Executive Education, 7 June 2015.

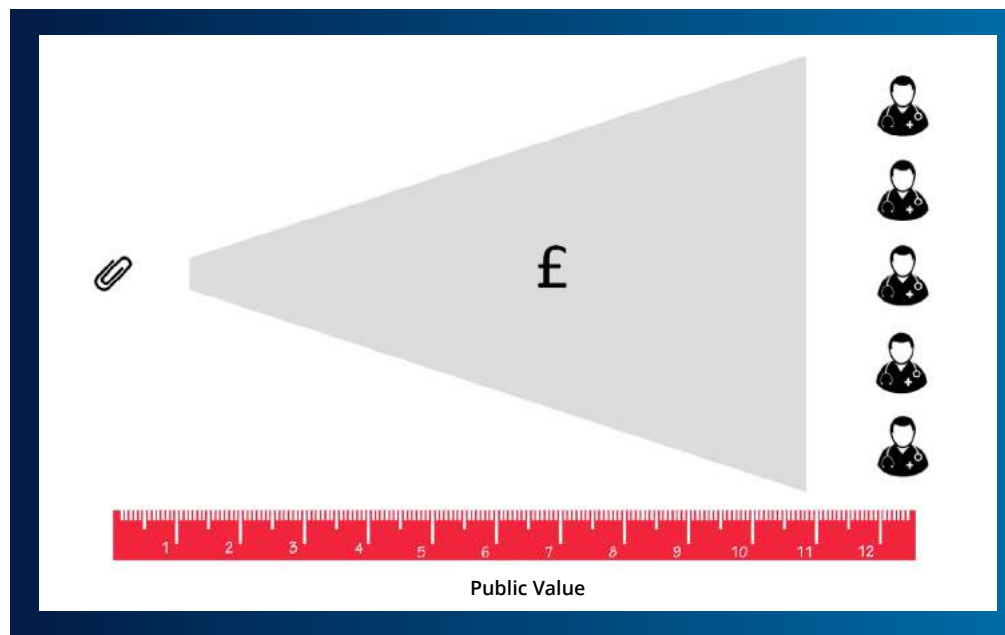
to cinemas – today's box sets are assembled by a differentiated value chain that includes separate companies of content creators, publishing tools, content management, enablers, monetisers, and portals (yes – like Netflix). By using others' capabilities, each can avoid building and maintaining all these functions over and over again, enabling them to focus much more efficiently on where they generate value.

Were we to take and learn from these internet-enabled models and apply these to our public services, the result would be that we could move from this:



Analogue public service model: Administration activities consume high percentage of public budget, reducing the amount available for publically valuable activities.

...to this:



Digital public service model: Resource shifts to publicly valuable activities, with common administration activities consumed from the Cloud.

Truly digital-era organisations are configured very differently in the way they allocate resources. Far more is directed towards better frontline services, with a minimal amount absorbed by internal overheads such as management and administration.

The Big Question for all organisations in the age of the internet should be “what can we standardise/consume, and, as a result, where should we refocus?” This modern, and fundamental, discipline applies to government as much as any other organisation – thinking that prompted Tim O’Reilly to mint the much-misunderstood notion⁸⁰ of “government as a platform”⁸¹, in which the state convenes social action between, rather than always “doing things to”, citizens.

⁸⁰ Government as a platform, or a platform for government? Which are we getting? Mark Thompson. *Computer Weekly*, June 2015.

⁸¹ Chapter 2. Government as a Platform. Open Government. Lathrop, D., and Ruma, L (Eds), 2010.

How can the state standardise/consume and refocus to exploit internet technology?

Applying “public value”, we can see that it’s largely the administrative-managerial activities that are ultimately of limited public value. Many of them are now replaceable by standard processes and functions consumed from the internet.

This is in marked contrast to face-to-face public services, for which we will always have almost unlimited demand. In fact, we want to see far more resources freed up to help improve face-to-face services, whilst ensuring the organisation and processes behind those services work far better than today, delivering a benefit to both frontline workers and citizens alike.

We believe these observations are an essential first step towards the radical reform needed for our public services to survive and serve both us and future generations. Indeed, this chapter sums to a single question: how can we re-organise our public services so that the *public domain* can exploit the internet for our communal benefit, to achieve similar levels of historically unparalleled innovation and efficiency as those enjoyed for private gain by the likes of Amazon, Google, etc?

Addressing this question forms the topic of our next Chapter.

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2 – A Vision For Improving Our Public Services

Summary

Arresting the decline of our public services requires stronger, more ambitious policies, rooted in a clear vision that draws on modern organisations’ use of the internet. To understand how we can make this happen, we ask: *“How do successful digitally-enabled organisations operate?”*, and *“How could the state harness these principles, not for private gain, but for citizens and frontline workers?”*

The first part explains why public services can never be magically “cured” through either privatisation or nationalisation, since the underlying (corporate) organisational model remains fundamentally the same in each case. Flipping periodically between models fixes none of the underlying problems, but merely delays the necessary improvements to our public services, further damaging and undermining them.

The second part locates the discussion about how our public services should be organised within a long history of debate, observing that government has never really been “designed” at all, resulting in the suboptimal model we see today. We take inspiration from the Parliamentary Office of Science and Technology’s (POST) 1998 report, which – ahead of its time – envisaged redesigning government around common functions and processes.

The third part notes the remarkable similarity between the POST design and modern, internet-enabled organisational models, which standardise and consume common functions and processes. Learning from the best of these, we can see how a truly internet-enabled government would cluster around

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a digital public commons of modular capabilities, like standardised building blocks – a template we nicknamed “Lego government” when we were helping create the Government Digital Service⁸².

The fourth part considers what “Lego government” would be like – and how this could be enabled by exposing the value chains of our public services, enabling citizens to question, as well as help reassemble services. A model of government better able to meet changing political, social, economic, or technological imperatives.

Finally, **the fifth part** underscores that modernising our public services is really about clarifying the new business model of the state by clearly articulating where its activities provide public value in the internet age – and that it is not about vanity “digital” technology projects.

82 The content has subsequently been deleted, but the original text is still visible in GitHub [here](#). Retrieved January 2018.

The distraction of “privatise” versus “nationalise”

What is the “best” model for our public services: nationalised, under direct state control, or privatised, operated under state control by the private sector? Much of the current political debate centres on the assertion that the “privatisation” model has not worked and a return to a “nationalised” model will solve the problems. We seem to be heading for another potential swing of the “Left/Right” pendulum.

What neither of these political perspectives actually answers is the question of “how?”. How will “privatising” or “nationalising” public services make them any better? What is the assumed “magic” that will happen simply by flipping the model from one to the other?

After all, moving the operation of organisations in or out of direct public sector control does not in itself change anything in terms of their organisational and service design, or who ultimately underwrites their costs – namely the taxpayer. Both private and public sector corporates have proved themselves equally inefficient and out-dated. The wrong structures when operated entirely within the public sector, as NPM and “agencification” demonstrated, can make the public sector less efficient and burden it with unnecessary overheads irrelevant to frontline service delivery.

Large public organisations are as likely to make mistakes and to be as inefficient with the management and administration of essential services as any other large organisation, private or public⁸³. Yet equally, indiscriminate use of the private sector – as endless technology outsourcing procurements and the resulting failed programmes have demonstrated⁸⁴ – can be just as damaging.

This political oscillation between nationalise and privatise has become an expensive distraction from fixing the root causes of problems with public services. Both models leave the dysfunctional organisational structures and overheads in place, extract rent from the frontline, and deny better

83 See for example [“ESA claimants owed up to £500 million due to DWP error”](#). *Disability Rights UK*, 20 November 2017. Retrieved November 2017.

84 See for example [“The costly trail of British government IT and ‘big bang’ project disasters”](#). *The Guardian*, 19 August 2014. Retrieved November 2017.

outcomes. This endless privatise/nationalise noise has become a useful displacement activity for vested interests, including political vested interests, on all sides.

Let’s imagine for example that the UK’s railways are re-nationalised and taken back into direct state control, something that 60% of the British public want⁸⁵. This would mean all the same organisational structures, assets, processes, functions, roles, services and debts under a different operator (ultimate ownership remains unchanged, since the taxpayer remains the core financier and underwriter under either model). Most of the people employed will be exactly the same people as before the change, including the executives, managers and administrators. Yet nothing will magically change about the way those railway services are designed and operated, and accountability ultimately still rests with government Ministers as it did before the change. We have swapped private corporate control for public corporate control. While some of the taxpayers’ money spent on the railways may now remain within the government’s coffers instead of being pocketed by shareholders, that’s a relatively marginal gain compared to finding a smarter way of designing and operating a future, integrated UK transport system.

Regardless of whether our public services are run entirely in-house by people on direct government payroll or whether they use a mixed-market, bringing in specialist external private and voluntary sector expertise where needed and where more cost-effective to deliver a good outcome, the real changes we need to see are in the organisations that operate our public services and the way they design, operate and deliver their services.

To genuinely improve our public services, we need to move beyond the backward-looking tribal political posturing of the twentieth-century to consider better organisational models that can enable our public services to modernise and improve, and which incentivise civil servants to propose transformative solutions. And to do that, we need to consider the new and very different organisational models that have emerged as a by-product of modern digital technology.

⁸⁵ [Nationalisation versus privatisation: the public view](#). Matthew Smith. YouGov, 19 May 2017.

The “Haldane” conundrum

Redesign and re-engineer it

Organising our public services has never been easy. Many people have grappled with the problem over centuries. Neither is it something that can be done, fixed and then left alone as a one-off exercise. It needs constant work, nurturing and adaptation to meet an ever-changing political, economic, social, and technological landscape.

A former government minister, reflecting on the frustrations he had encountered in office, made the following comments in a recent interview with the Institute for Government:

“I would completely re-engineer government. I would abolish government departments, I would have government by task, you know, what do you want to achieve?”⁸⁶

This is not, however, a new suggestion. Sir Charles Trevelyan, of Northcote-Trevelyan Report fame⁸⁷, had as early as 1848 become convinced of the need for reform *across government* rather than merely in individual departments⁸⁸. And people have been asking how modern government might better be organised since at least the end of World War One, when Haldane and his Machinery of Government Committee considered how best to design Whitehall. It considered amongst other things:

Upon what principle are the functions of Departments to be determined and allocated? There appear to be only two alternatives, which may be briefly described as distribution according to the persons or classes to be dealt with, and distribution according to the services to be performed.

The Committee was asking a fundamental question that we need to ask again today.

⁸⁶ [Ministers Reflect: Ed Vaizey](#). Institute for Government. Retrieved October 2017.

⁸⁷ [The Northcote-Trevelyan Report](#). Wikipedia. Retrieved October 2017.

⁸⁸ Pilkington, C. 1999. *The Civil Service in Britain Today*. Manchester University Press (p.18).

If you were designing government, it is highly unlikely you would design it the way it is now. After all, government has rarely been “designed” at all. It’s more often the accidental result of a series of tactical decisions and political crises accreted over decades.

Our public services have been built erratically around government’s artificial organisational structures, processes and functions, and then suffered the additional indignity of random political, policy and legal decisions being clumsily grafted onto them. This becomes obvious – and damaging – in areas such as the boundary of health and social care, with many people caught painfully in the friction created by running two closely related services under separate organisational silos.

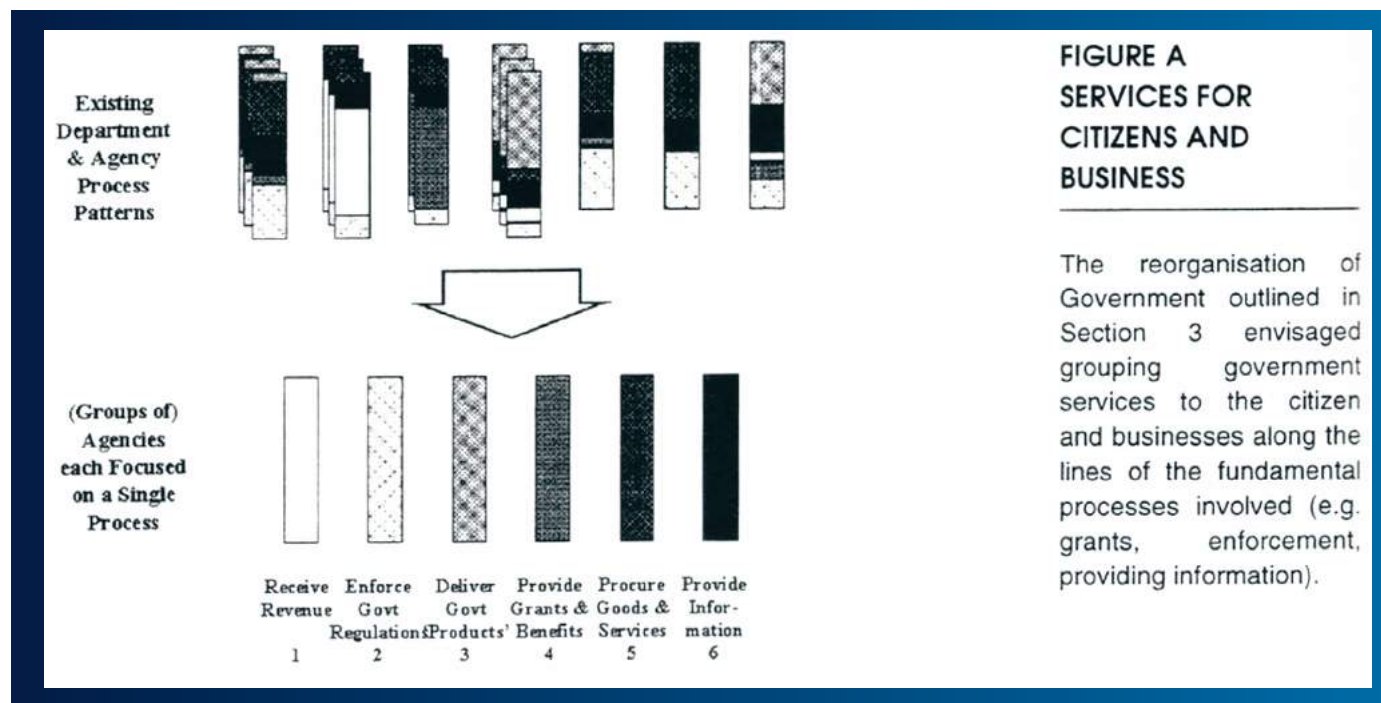
In Chapter 1 we briefly summarised multiple attempts to modernise government using technology. Yet these have focused almost obsessively on moving forms from paper to websites. While there’s some tactical value in this (as there doubtless was in also moving documents from vellum to paper, and in using typewriters in place of quill nibs), digital forms and computer systems that support existing ways of working are no better at improving the way government is designed and engineered than their non-digital predecessors.

These misdirected technology initiatives have largely shunted government sideways at enormous cost, from analogue forms to digital, but not much forwards. It’s left the silos and dysfunctional “design” of government and our public services almost entirely untouched. Services have been polished and given a new livery, but outcomes remain little improved.

Inspiration: The POST Report

In February 1998 the Parliamentary Office of Science and Technology (POST) published “Electronic Government: Information Technologies and the Citizen”. The document included the potential for a radical re-think and redesign of government of the kind that the former Minister raised in his recent IFG interview.

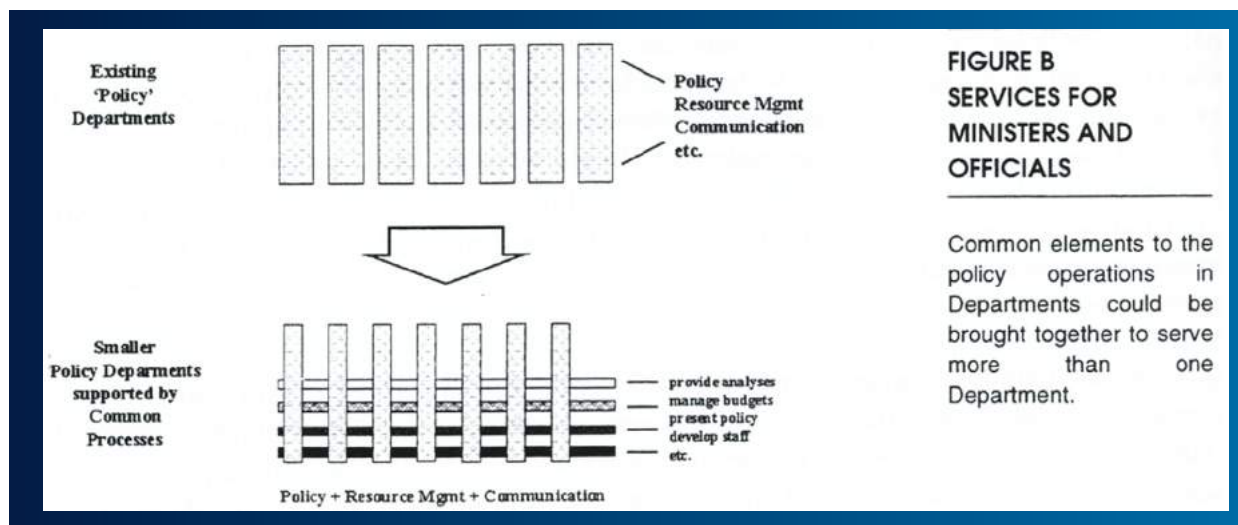
The POST report, based on work by the now defunct Cabinet Office Central IT Unit (CITU), set out a potential redesign of government that grouped services for citizens and businesses along the lines of the functions or processes involved – such as grants, enforcement and providing information.



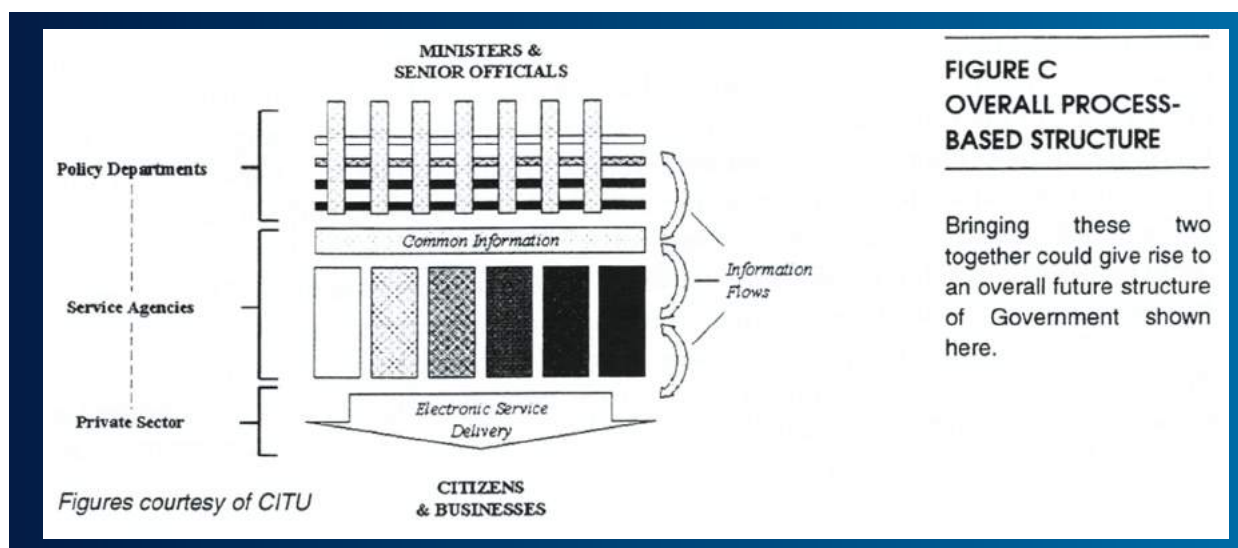
The report envisaged a streamlining of government that would function more efficiently and effectively. Smaller policy departments would be supported by common processes – such as managing budgets, presenting policy and staff development.

2 – A vision for improving our public services

The “Haldane” conundrum



By combining these, a new structure for government would emerge based on a more efficient model, one that avoids the complex issues we see at the current arbitrary organisational boundaries. Such a structure would enable better, joined-up services focused on citizens, rather than the providers, of our public services.



We are intrigued by the POST report. It outlines a structure for government comprising logical common elements or components that can be applied horizontally – rather than fragmenting services into segmented silos. It has startling similarities with the more recent, internet-based platform thinking that characterises many of the most successful global organisations in 2018. The important difference between 1998 and today is that the enabling technology now exists to implement this at scale.

Whether the specific ideas set out two decades ago are viable or not isn't really our point. The more important issue is that technology enables us to rethink and improve the design of government in a way simply not previously possible.

The new organisational models of the internet

Modular capabilities – like building blocks

The former *Economist* editor John Micklethwaite has commented that:

“...the internet has revolutionised everything it has touched, from the newspaper business to retail; it would be odd if it did not also revolutionise the state”⁸⁹.

All governments recognise the need to respond to the arrival of the internet, and its impact – but few are doing so particularly well.

So why our emphasis on the internet⁹⁰, rather than the more vogue-ish “digital”, or “data”, or “service design”, or “agile organising”, or “mobile”, or “machine learning” or “blockchain” or any of the other important challenges and opportunities thrown up by modern technology that most of us deal with or read about every day?

89 Micklethwaite, J. and Wooldridge, A. 2014. *The Fourth Revolution: The global race to reinvent the state*. London: Penguin Books, (pp.15-20).

90 Acknowledging that the internet is actually an amalgam of many different technologies and systems we here use the term as the general public might – as the connectedness which lies behind the modern phone or laptop screen.

As in previous industrial revolutions, the arrival of shared infrastructure – in this case, the internet – changes everything. The evidence is everywhere: peer-to-peer lending; MPesa; Spotify; Skyscanner; eBay; Airbnb; Tripadvisor; Rightmove; Uber; Amazon; Click and Collect; Clubcard; ‘black box’, drive-as-you-go car insurance; global supply chain integrators like Walmart. All of these business models succeed by brokering new, direct, relationships between people, services and things – and they continue to learn and adapt as they go by harvesting and using data. Importantly, *all* of these new businesses have also been vigorously resisted by incumbents.

So how are successful organisations changing their operating models – “moving from pipes to platforms”⁹¹ – in response to the shared informational infrastructure of the internet? Companies around the world are reconfiguring their operations around data, underpinned with modular, digitised business “capabilities”. These business capabilities – such as accountancy, logistics, payments, and so on – are delivered via a vast market of affordable, easy-to-deploy, and flexible digital services, delivered out of the Cloud. For example, there are commodity services for data storage (think Dropbox, Box, OneDrive, AWS), payment platforms (PayPal, Google Wallet, Apple Pay), and customer relationship management tools (Salesforce, Dynamics). All of these services can now be plugged into a business within hours, and shared seamlessly across an organisation (and beyond) on almost any device.

There’s an important lesson here. Looking at these examples of business capabilities, they all share common features. They are horizontally, not vertically, organised. They’re “of the net, not on the net”: they didn’t try and bolt on shiny technology to old, incumbent and broken business models. They’ve been designed from the ground up as internet-enabled, highly efficient organisations. And they use commodity services purchased in an open marketplace using simple payment models – rather than through the complex, slow and expensive tendering and procurement processes that characterise large organisations. These shifts are perhaps more about digital reimagination and innovation than digital transformation.

⁹¹ Pipeline, Platforms, and the New Rules of Strategy. Van Alstyne, M.W., Parker, G.G., and Choudary, S.P. *Harvard Business Review*, April 2016.

...underpinned by a service-oriented architecture

A service-oriented architecture is a system comprising modular pieces. Each of these pieces provides a service, a discrete function that some other part of the system wants – such as taking credit card payments, or sending mobile phone text alerts to update a customer with progress on their order, or calculating VAT – whether it's for a real-human-customer, or another module, or another system across the internet. Building systems using such modules has huge advantages since each component service can be reused elsewhere.

To understand this better, take a look at Amazon – possibly the most formidable internet-enabled organisation on the planet. As pointed out by Zack Kanter⁹², Amazon is also not what it seems:

“I believe that Amazon is the most defensible company on earth, and we haven't even begun to grasp the scale of its dominance over competitors. Amazon's lead will only grow over the coming decade, and I don't think there is much that any other retailer can do to stop it.

The reason isn't the bullet-point moats that are talked about in headlines, and it isn't the culture of innovation or Bezos's vision as CEO... It's the fact that each piece of Amazon is being built with a service-oriented architecture, and Amazon is using that architecture to successively turn every single piece of the company into a separate platform – and thus opening each piece to outside competition.

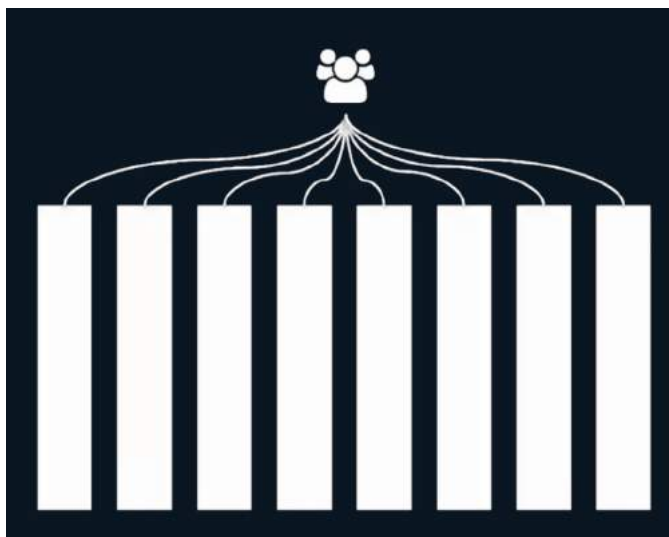
[Amazon's] revenue bonanza is a footnote compared to the overlooked organizational insight that Amazon discovered: By carving out an operational piece of the company as a platform, they could future-proof the company against inefficiency and technological stagnation... In the 10+ years since AWS's debut, Amazon has been systematically rebuilding each of its internal tools as an externally consumable service... The incredible thing here is that this strategy – in one of the most herculean displays of effort in the history of the modern corporation – has permeated Amazon at every level. Amazon has quietly rolled out external access in nooks and crannies across their entire ecosystem.”

92 [Why Amazon is eating the world](#). Zack Kanter. *Tech Crunch*, 14 May 2017.

Put another way, Amazon is a highly modular organisation, which uses a service-oriented architecture to standardise and commoditise its processes⁹³ and offerings so that others can consume them over the internet. The myriad examples include Amazon Web Services (AWS), product fulfilment, and even Alexa⁹⁴. Rather than trying to predict the future, build a rigid organisation at a moment in time, and build and deliver everything itself, Amazon has evolved each of the components of its modular organisation – like Lego bricks – that others can configure locally to create flexible, more efficient and cost-effective offerings than Amazon could ever do all by itself. In consequence, parts of Amazon’s DNA are increasingly to be found across the organisational world. And, because others are testing these services all the time, they’re constantly being updated and sharpened – improving Amazon’s own services.

...could result in a “Lego government”

In an influential video⁹⁵, Mark Foden discusses (at a brisk pace) the need for government to move from vertically integrated silos like these:



93 Davenport, T.H. (2005) 'The coming commoditization of processes'. *Harvard Business Review*, June 2005.

94 Amazon Alexa. Retrieved October 2017.

95 The Gubbins of Government. Mark Foden. Published on YouTube, 18 June 2013.

to a similar service-oriented architecture, arranged around common services, like this:



The video introduces the notion of “common gubbins” – processes common to many public services – that can be consumed across government, in a similar way to the services created and offered by Amazon. This shows how government could be exploiting a digital commons of shared informational resources, processes and technology.

What is immediately obvious is that the basic structures are radically different. The familiar, vertically-integrated one – where each silo duplicates its own local administration, processes, and technology, and where none talk to each other – contrasts starkly with the lower model – in which public services draw on a common service-oriented architecture, tapping into shared, common processes, or “gubbins”. The model looks superficially like a series of Lego bricks that can be recombined quickly and flexibly to meet ever-changing political and citizen needs.

Ironically, this was a path that the UK government itself originally adopted in the early 2000s⁹⁶. In 2002, this UK model was highly rated internationally, with a report noting that “The UK has been in the vanguard of developing common IT architectures, and was ahead of most of the benchmark group in developing the IT core to enable secure transactions with citizens...”⁹⁷. However, that same report went on to observe that “If the UK government is to achieve targets around online service delivery and e-procurement then significant progress will need to be made in standardising systems between departments. This investment need is particularly acute at the level of local government.”

96 “A (brief) history of UK Government moves towards a platform-based architecture”. Jerry Fishenden, 7 May 2015. Retrieved December 2017.

97 “The World’s Most Effective Policies for the e-Economy. International e-Economy Benchmarking”. 19 November 2002. Booz, Allen, Hamilton.

This makes a particularly important point: the public sector needs the discipline to standardise, and not just to standardise systems. In fact, starting by trying to standardise systems is to start in the wrong place, and will merely recreate the type of problems (referred to as “stupendous incompetence”⁹⁸) seen with the repeated, failed attempts at “shared services centres”. Public sector organisations first of all need to deduplicate and standardise their common processes and functions. The common, standardised components that follow on from this process should be decided upon by those that use them, not by some remote central team hand-crafting and imposing them from the top downwards, remote from accountability and responsibility for frontline services. Such a process of standardisation will help nurture and grow the environment needed for a digital commons of streamable services across and between organisations.

The overall approach adopted in the UK back in the early 2000s in some ways mirrors what we have seen in the best modern digital organisations. It was “designed to simplify and accelerate the UK e-government programme, by ensuring the common building-block components are provided once, in a flexible, modular and scalable way”⁹⁹. This approach was not sustained in subsequent years, although more recently the Government Digital Service has attempted to resurrect it, building various shared central components intended for cross-government use.



Digital public services – drawing upon standard modular components rather than each service duplicating common capabilities.

98 See for example “DfT shared services project showed ‘stupendous incompetence’”. *Computer Weekly*, 16 December 2008.

99 “Delivering e-Government Services to Citizens and Businesses: The Government Gateway Concept”. Jan Sebek, (p.127). Published in “Electronic Government: Second International Conference, EGOV 2003, Volume 2”. Editor Roland Traunmüller.

A modular, componentised architecture is common in many internet businesses. Netflix, for example, has broken its software into a myriad of component services to avoid being locked-in to specific technology (it currently uses Amazon Web Services) and to allow the services to be adapted easily and constantly. Another advantage of the Lego brick approach is that it enables the continuous change and evolution of systems. Where monolithic applications require huge change processes (often at huge financial cost), service-oriented architectures reduce the cost (and risk) of change. Given that modern public services need to constantly adapt and evolve in the face of changing socio-economic needs and political actions, this ability would be extremely valuable. Public policy and public services need to be able to adapt quickly, continually and cost-effectively.

A similar modularity is at the centre of the much publicised e-Estonia government platform which began development in 1997¹⁰⁰, serving a population of 1.3m, and extending into banking, telecoms and energy sectors. e-Estonia sought to develop a secure data-exchange backbone (X-Road) to connect modular “Lego bricks” through the internet into a single citizen-centric web service. The system is widely recognised as successful¹⁰¹. The system extends widely beyond the government IT platform to incorporate banks (who led the development of the customer identification system¹⁰²), energy, and telecoms (which provides the backbone); however, the bulk of the technical system was provided by Estonian IT suppliers and is hosted by the government¹⁰³.

100 Envyng Estonia's Digital Government. The only reason more countries aren't adopting Estonia's e-government system is the absence of political will. Bloomberg, 4 March 2015. Retrieved December 2017.

101 Ranked 19th in the UN 2005 world E-Government Readiness Index and described as “the most outstanding exemplar in Central and Eastern Europe” (Kitsing 2008).

102 Kitsing, M. 2008. “Explaining the e-government success in Estonia,” in *Proceedings of the 2008 international conference on Digital government research*, Digital Government Society of North America: Montreal, Canada, (pp.429-430).

103 See www.ria.ee. Retrieved December 2017.

Case Study 1: NHS Jobs

NHS Jobs (www.jobs.nhs.uk), the online recruitment service for the NHS, is the largest, most successful example of a mass-subscription shared service in the UK, and has already generated savings of over £1bn since its launch in 2003. The secret of NHS Jobs' success is that it is a platform. In contrast to most UK shared services, in which two or more organisations typically vie with one another to impose their legacy, top-down bureaucracy on the other party – “you can share my service, but really yours is not suitable for us...” – NHS Jobs was built from the bottom up as a platform to be used by over 500 NHS bodies in the UK.

Rather than build its own ‘e-recruitment’ system, the Department of Health recognised that it could instead re-designate ‘NHS recruitment’ as ‘common gubbins’: a single, nationally-available commodity that would be ‘consumed’ on a transactional basis by NHS employers throughout the UK. It commissioned an SME to provide the complete service – including, critically, persuading 500+ NHS employers to forego their traditional, siloed processes to make use of it. NHS Jobs is now one of the top four busiest recruitment portals in the UK and the biggest single employer recruitment site in Europe, with a unique visit every 2 seconds, 24 hours a day, and processes over 275,000 job applications per month.

Best of all, because of the power of NHS Jobs as a platform, the site has now become a valuable commodity. When Department of Health re-tendered NHS Jobs in 2012 therefore, potential suppliers were asked to provide the basic platform to the Department at close to cost; instead, they competed on the quality of the additional, innovative services they would be able to offer NHS employers and applicants. An example of such a service is ‘e-CRB’: an electronic way of processing Criminal Record Bureau checks that could cut the process from several weeks to a few days, whilst reducing the current cost of CRB checking by two thirds.

NHS Jobs is thus a poster-child for the opportunity government has to use its scale to trigger the development of commodity platforms around “common Gubbins” – in this case, a standard “Lego brick” recruitment process. These platforms can be so valuable to suppliers that they are happy to provide the essential public service for free – and will compete to find new, innovative ways.

Case Study 2: BBC

Over the last few years the BBC has rebuilt major parts of its software in an increasingly service-oriented way. As Rachel Evans of BBC Future Media explains:

*"It's now a lot more feasible to take what was a monolithic application and if we choose to, we can just split it up into 6 parts or 60 or 600" ... "each component can be deployed separately and each one can be individually considered in how its reliability and scalability and reaction to failure can be dealt with."*¹⁰⁴

For example, in 2013 iPlayer was rewritten from being a huge, monolithic application that was inflexible and unstable (by regularly running out of computing resources)¹⁰⁵ into a new service-based architecture running on the Amazon Web Services cloud computing service. This move allowed the BBC drastically to increase the volume of content (shifting much to HD), increase stability, and allow much quicker development. As Stephen Godwin (Senior Technical Architect at the BBC) explained:

*"it has allowed us to move to a continuous delivery model and our developers can now deploy a component to live in under 15 minutes and perform dozens of live deployments every week"*¹⁰⁶.

104 Quote taken from <http://www.bbc.co.uk/academy/technology/article/art20150108152505124>. Retrieved December 2017.

105 [How the BBC rebuilt iPlayer on microservices](#). *Computer World UK*, 29 November 2017. Retrieved December 2017.

106 Quote taken from <https://skillsmatter.com/skillscasts/8808-moving-bbc-iplayer-to-a-micro-services-architecture>. Retrieved December 2017.

What would “Lego government” be like?

The possibility: transparency and democratic empowerment

Consider the following scenarios:

- “I’m a health worker, and I want to set up a ‘pop-up’ health outreach service, based in my local library, by stringing together some basic functions on my laptop – patient details and recent events, for example.”
- “I’m a council-tax payer, and I want to assure myself that my council’s being run efficiently and providing residents with value for our money.”
- “I’m a mental health charity worker considering a new initiative, but before I get going I’d like to see how I can piggy-back on some of the existing facilities – such as transport, events and venues – in the local area, otherwise I probably can’t afford it.”
- “I’m a civil servant in a government department, and new legislation means I need to quickly get some new processes in place.”
- “I’m a journalist, and I’m doing a piece on public procurement. I’d like to find out how some services are made up and if they’re being delivered as cheaply as possible.”
- “I’m an entrepreneur, and think that I could deliver part of a public service much better – and more cost-effectively – than it’s being done currently.”
- “I’m a citizen who’s been waiting ages for a passport renewal. If the delay’s unavoidable, I can live with it; however, I’d like to reassure myself this is the case.”
- “I’m a Whitehall mandarin preparing a policy on integrating health and social care – so I need to start by understanding the existing service delivery landscape.”

- “I’m an open data enthusiast, and I suspect there may be a huge opportunity to mash-up data feeds from police, transport, local authorities and drivers’ satnavs to dramatically cut congestion – I’ll even do it for free.”
- “I run a select committee looking at use of technology in the public sector, and need to cut through the different, conflicting perspectives to some objective measures.”
- “I work for an outsourcing services provider, and suspect my customer may be underestimating what it takes to make this service a success – so I need to prove this is the case.”

There are of course many other examples. So what unites these diverse scenarios, and what does this have to do with what “digital” is about?

The constraint: “black box” public sector

There are two answers to this question. The first answer is that none of these people can do any of these things at the moment. This is because the “black box” of public services is opaque, and no-one can look into it to see what is happening. Think about the consequences of that:

- The health worker can’t set up the pop-up service, because the various systems don’t talk to one another and are probably unavailable anyway.
- The council-tax payer has no means of checking and holding their council to account.
- The mental health worker has no visibility of the possibilities for sharing, so decides not to bother.
- The civil servant can’t react quickly to new legislation, so initiates yet another cumbersome, costly ‘transformation programme’ and associated expensive procurement.
- The entrepreneur can’t put together their case for innovation, so doesn’t innovate.

- The citizen feels powerless in the face of what they feel to be bureaucratic unanswerability.
- The Whitehall mandarin charges ahead with policy in the absence of objective hard evidence.
- The open data enthusiast gives up on their big idea because the data they need remains buried in various organisational silos.
- The Member of Parliament (MP) running the select committee is never able to get to the bottom of the issue of whether the public sector uses technology intelligently or not and so assumes the worst.
- The outsourcing services provider builds in huge contingency to offset against the customer's underestimation of risk, in an atmosphere of mutual distrust.

The second answer to the question of what these scenarios have in common is that they are all examples of bad social outcomes resulting from our inability to make decisions in dialogue with other people's decisions and commitments¹⁰⁷.

Instead of public services founded on collective social intelligence, where myriad decisions are taken locally – based on what's suitable on the ground but with the benefit of an evolving mutual understanding and the diligence that accompanies public scrutiny – there is little collective wisdom in any of what we do.

Exposing value chains: the live DNA of public services

Consider instead a future scenario. One where all of these people simply access a GOV.UK that allows them to view the underlying components – the live data, functions and processes – of the services themselves, rather than just being a shop front for government information and civil servants' blogs. A GOV.UK that uses the digital commons to expose the value chains of public services so that we can all see and compare and improve on them on a daily basis.

¹⁰⁷ "Time to get mapping – how a blind government can develop sight". Mark Thompson. *Computer Weekly*, October 2015.

This would amount to nothing less than a democratic digital revolution. A true digital commons of shared public infrastructure.

For example, an early illustration of a semi-exposed value chain is DVLA’s vehicle excise duty (VED) renewal service¹⁰⁸. This is a service where government smartly joins up vehicle registration, insurance and MOT databases, and takes our money, in real-time. As citizens, now that the constituent activities that make up this service are exposed to our gaze for the first time, we can critique, and speculate, about how we could improve this value chain to improve the service.

We can now apply our public value lens to assess the value to the public of the government choosing to collect our taxes in this way. Remember, it’s the outcome not the inputs that interest us. So the important question is: how can government best collect the tax due in the most cost-efficient and effective way, with minimal inconvenience to vehicle owners, whilst ensuring that as many vehicles as possible have their duty paid (improving compliance)?

In the current model, the DVLA has chosen to create its own special transaction and online website and associated service – something which currently involves citizens and businesses generating 47 million transactions a year¹⁰⁹ as well as an additional 650 million additional annual transactions as citizens now apparently check their tax status¹¹⁰. Yet alternative options exist which might produce better outcomes at less cost. For example, VED could be collected by our car insurance companies at the same time as we pay our renewal premiums – removing at a stroke the 47 million additional transactions and 650 million online checks by individuals, of the current system.

Using the insurance industry to collect vehicle excise duty – in the same way for example that retailers collect VAT, and employers PAYE, before remitting payment to HMRC – would save the state the cost of staffing and administering these millions of transactions. It could also lead to an improved social outcome, by reducing vehicle insurance fraud, since tax and insurance would be more closely bound together. Ultimately, of course, the decision about how VED is collected currently remains with the

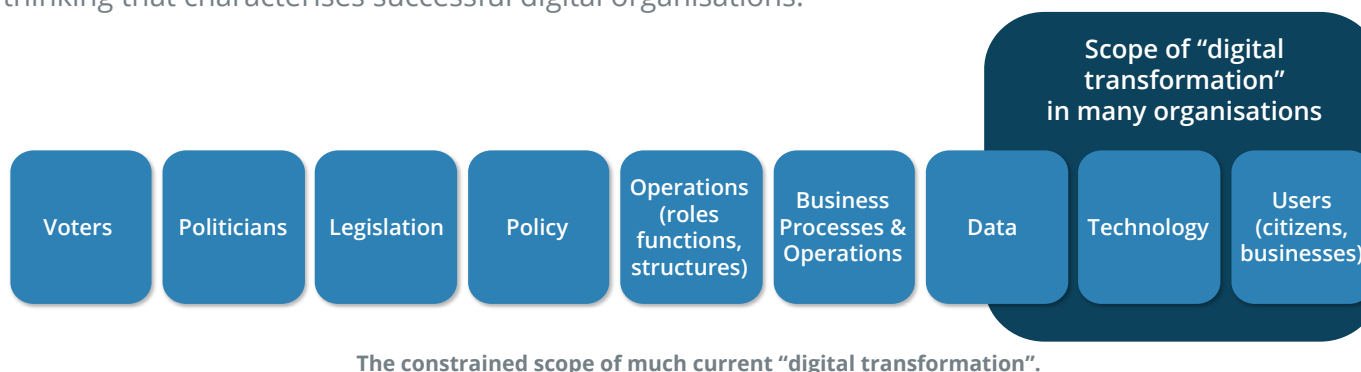
¹⁰⁸ See <https://www.gov.uk/vehicle-tax>.

¹⁰⁹ See <https://www.gov.uk/performance/vehicle-tax>.

¹¹⁰ See <https://www.gov.uk/performance/dft-check-your-own-vehicles-details>.

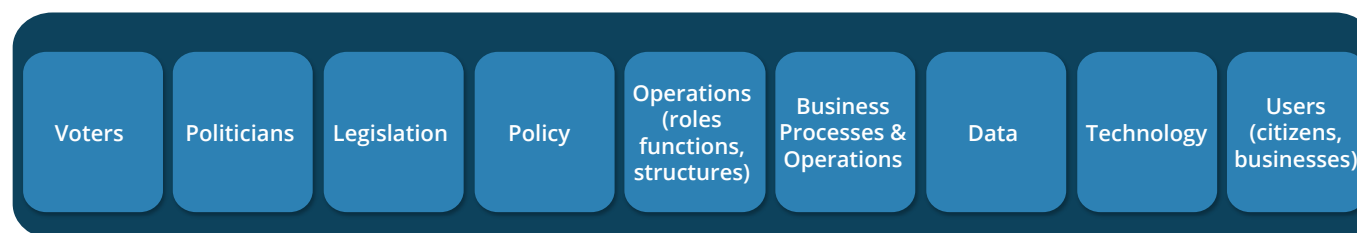
DVLA's management and politicians – but opening the “black box” of the service enables us to question the underlying public value of the way the service is delivered, and to demand better. It enables us to focus on outcomes, rather than inputs and the current way of doing things.

This is, of course, only one very simple illustration of how an improved approach – focused on outcomes rather than inputs and existing organisational and service models – could begin to reconsider the design and configuration of our public services. Moving to this holistic, outcome-focused approach would enable a more fundamental re-design of the way public sector organisations themselves are configured and how they operate. Doing so would begin to introduce the type of internet-enabled thinking that characterises successful digital organisations.



The constrained scope of much current “digital transformation”.

Instead of public administrators talking about how they are building new bespoke services on GOV.UK intended to “meet user needs”, the function of public administrators would become increasingly about providing citizens with the building blocks to, for example, assemble, innovate, combine, and question the design and delivery of our public services.



The actual scope of the changes required for delivering internet-era public services.

Moving away from vertically organised and tightly coupled data, systems, functions and processes – arranged around the needs of the existing arbitrary functional silos of government and the fixed configuration of current services – towards a range of common components, would fundamentally improve the way public services can function. This is where the political focus needs to be: and it is also why the backwards-looking “privatise/nationalise” debate of last century is failing to address the real issue of how best we improve our public services.

What twenty-first century public services could look like

Just imagine a world in which:

- The health worker could quickly and securely pull together some patient records, workflow and calendar functions and mount a pop-up service in the library in minutes.
- The council-tax payer could compare the unit cost of the green-bin service with councils across the country – as could their council.
- The mental health worker could immediately see those parts of other local services that they can make use of and accordingly decide to launch their new initiative.
- The civil servant could avoid that costly ‘transformation programme’.
- The journalist could compare the costs of what government organisations are paying – as well as with what industry is paying – for essentially the same thing.
- The entrepreneur could pinpoint the commercial opportunity, and make the innovative proposal to his local authority.
- The citizen would be consoled by a sense of inclusion in, and understanding of, a bureaucratic process that would now feel slightly less unanswerable.

- The Whitehall mandarin could identify those parts of health and social care that involve similar activities and data, and formulate a policy for their convergence.
- The open data enthusiast might develop the mash-up, with incalculable benefits for motorists' time, the economy and the environment.
- The MP, armed with forensic, drill-down data on each component of each technology service, could move beyond the conflicting assurances of permanent secretaries and their major suppliers, and hold both to account.
- Both outsourcer and customer, in the knowledge of the going market rate for a standard service, might arrive more quickly at uncomplicated agreement.

It's not "digital" – it's the business model

The new organisational models enabled by the internet present enormous opportunities for reconfiguring our public services around public value, by reconstituting them from standard components assembled in a shared digital commons wherever possible. Doing so will help to drive a focus on removing redundant and duplicated roles, functions and processes of little-to-no public value. Removing or reducing needless duplication will deliver billions more pounds to the frontline, where there is almost limitless demand. Along the way, our services would become nimbler, more transparent, and democratically answerable. They would also work far better together, and with other services, because they would share many of the same standards and interfaces.

Moving away from "building things" to a digital commons

Modern internet-based organisations ensure they always consume the best available standard capabilities before deciding where they should focus their own activities. We have shown how organisations like Amazon use a rigorously interoperable service architecture to drive out standard

micro-services as an important part of their business model. In turn, this discipline and attention to open standards enables them to collect data, quickly connect with and use the services of value chain partners, and focus their efforts on where they can add unique value.

For government, this means that those designing public services must consider how they can *standardise and consume* their standard needs from a digital commons of shared common components – before deciding whether they need to *build any bespoke products*. Consuming standard utility services first, and only building where absolutely necessary, will enable government to emulate the startling efficiency of internet-based service companies – but this time for the public's benefit.

Government needs to stop building, and maintaining, inferior, specially built versions of publicly-available Cloud-based services. The alternative – of trying to run our public sector as it is currently structured and operated – will simply continue to be too costly, broken and ineffective, letting down citizens and frontline workers alike. This shift will involve a fundamentally different organisational model, and a new consensus around what constitutes valuable, and non-valuable, activity in the internet age.

No amount of shiny new technology – blockchain, big data, artificial intelligence, internet of things, or the other transitory memes in the salesbags of large technology companies – nor any amount of flashy “digital noise” – website refreshes, social media, mobile apps, or other redesign of the shop window of our public services – can substitute for the strategic shift that is needed to evolve the “common gubbins” needed to deliver genuine public value through the adoption of Lego government.

Public employees (and politicians) who focus on the technology, rather than the policy outcomes, business model and underlying modular service architecture, are wasting precious money and misdirecting resources. Most of the technology that government builds or buys today is simply strapping high tech computers onto a rotting corpse.

The digital commons – the basis for ‘government as a platform’

So how does government start to evolve a focus on a digital commons, so that it can consume much of its standard needs from the Cloud, and make it available to everyone? Instead of rushing to fashionable technology, we need to ask, (following Tim O’Reilly):

How does government become an open platform that allows people inside and outside government to innovate? How do you design a system in which all of the outcomes aren’t specified beforehand, but instead evolve through interactions between government and its citizens, as a service provider enabling its user community?

...it is worth noting that the idea of government as a platform applies to every aspect of the government’s role in society. For example, the Federal-Aid Highway Act of 1956¹¹¹, which committed the United States to building an interstate highway system, was a triumph of platform thinking, a key investment in facilities that had a huge economic and social multiplier effect. Though government builds the network of roads that tie our cities together, it does not operate the factories, farms, and businesses that use that network: that opportunity is afforded to “we the people.” Government does set policies for the use of those roads, regulating interstate commerce, levying gasoline taxes and fees on heavy vehicles that damage the roads, setting and policing speed limits, specifying criteria for the safety of bridges, tunnels, and even vehicles that travel on the roads, and performing many other responsibilities appropriate to a “platform provider.”

...Police, fire services, garbage collection: these are fundamental platform services, just like analogous services in computer operating systems... The question of Government 2.0, then, is this: if government is a platform, how can we use technology to make it into a better platform? This question allows us to fruitfully extend the platform metaphor and ask: what lessons can government take from the success of computer platforms, as it tries to harness the power of technology to remake government?¹¹²

¹¹¹ See https://en.wikipedia.org/wiki/Federal_Aid_Highway_Act_of_1956.

¹¹² *Government as a Platform*. Tim O’Reilly. 2010

Tim O’ Reilly’s “government as a platform” echoes our call for government to use its power to standardise everything it can into interoperable components that will form a common platform for public, private, and third sectors alike to innovate and invest in better, cheaper, and more transparent public services. A commons of shared digital utilities that provide the basis for a new digital public infrastructure.

Only government can perform this role for the public sector – by helping civil servants to *standardise and consume* common services before *focusing* on their own services. They must *consume* and re-use common services from the digital commons before they *build* bespoke, “special” products. Behavioural change of this magnitude will require incentives, as well as sanctions, from the centre, amid a new, and rigorous, attention to open standards and open architecture.

We should be served, enabled and regulated, but not mediated, by government.

Such a shift will enable a more modern, digitally-empowered relationship between citizen and state. A brokered relationship, in which citizens are served, enabled and regulated, but not mediated, by government:

- **Citizens can be *served* by government**, as in the case of doctors, nurses, teachers, and the other frontline, publicly-valuable roles we all value.
- **Citizens can be *enabled* by government**, as in the example from Tim O’Reilly above, where government provides the minimum viable capabilities (physical, technological, informational) to unlock innovation and activity from public servants, citizens and businesses. A good example of this is the Citymapper app that resulted from Department for Transport’s release of our travel data into the public domain¹¹³.
- **Citizens (and the market) must be *regulated* by government**, both to ensure that services and data join together properly with open standards, and to ensure fair play by public and private sectors alike.

¹¹³ <http://www.futurespacesfoundation.org/wp-content/uploads/2015/01/FSF-Open-Data-Press-Release.pdf>.

However, none of these functions will work if government continues to act as a mediator, rather than broker, where bureaucracy consumes precious funds better spent on public services, disables and disincentivises innovation, and makes regulation opaque to the citizen. This is poor value for money.

Public policy can be developed, tested, implemented and improved in the public domain, using ever-cheaper and more effective real-time data and citizen feedback, to understand what is and is not working. This would expose the myriad of non-valuable activities across government, and enable citizens to demand – and frequently to help design – better services. The state would have more frontline public employees because it wouldn't waste so many funds on administration, and public services would be more joined-up and agile (by reconfiguring the Lego bricks) – but it would also enable and support its citizens to become more productive.

However, the public sector has done very little of this to date. It remains organisation-, function-, paper- and process-bound, often focused on tying frontline workers up with trivia demanded by those in administrative and managerial functions rather than letting them get on with their jobs. For example, a common complaint from police, teachers, and nurses is that they spend far too much of their time completing “paperwork”, whether on paper or on the screen, to feed the machinery so beloved of the organisational bureaucrats and Ministers – rather than automating as much of the data capture process, and its analysis and utilisation, as possible to free their time up for what really matters: outcome-focused, people-centric policing, teaching, nursing, etc.

There has been a welcome recent recognition of the role of the “entrepreneurial state”¹¹⁴, acknowledging that the state itself enables many innovative technological breakthroughs in its role as an essential funder of research and development. So why is the state not yet taking a significant return on these vital investments? On the face of it, all the benefits of state-provided research investment and its entrepreneurial role have accrued solely to the private sector. Isn't it time our government takes a direct return on its role as an “entrepreneur” and brings the benefits it has helped enable in the private sector back in-house? The obvious way to do so is to implement some of the new internet-enabled,

114 *The Entrepreneurial State*. Mazzucato, M., 2013.

outcome-focused organisational and service models of the private sector inside the public sector – freeing up resources for frontline services, and delivering better value for money.

But will managing change on such a large and profound scale ever be possible? The UK has made a significant, self-generated change at least once in living memory, when it created the welfare state. This significant change in the role and operation of the state was supported by all three of the main political parties in the 1945 election¹¹⁵. Before the Beveridge report, which laid the groundwork for the welfare state, seven different government departments were directly or indirectly involved in providing cash benefits of one kind or another. This was recognised by Beveridge as both being inefficient and costly, as well as creating a poor, demeaning and fragmented service for anyone trying to claim benefits. There are obvious parallels between Beveridge's insight and the case we are articulating about internet-era organisations – and very similar scope for the dramatic and high public value improvements that flowed from his inspiring work.

If it was possible to identify such duplication and fragmentation in public services and jointly work across political parties to simplify, streamline and improve the system in the 1940s, then we believe it must be possible again. The time is right for our political parties to apply this same determination and shared cause to reduce the amount of duplication and poor service experiences. This can be done by bringing the best practices of modern digital organisations into play inside the public sector. It's time for government to get a return on its investment, to the benefit of us all.

Empowering public servants to serve: Taking inspiration from Buurtzorg

The Buurtzorg example¹¹⁶ (see case study) is an extraordinary beacon for our own public services because both users and providers of public services prefer it, and it's much more efficient. This is a truly inspirational story of how it's possible to remove almost all administrative roles by redesigning how nursing services operate. It provides compelling evidence of the benefits of doing so for both sides of the social and economic exchange.

¹¹⁵ British Party Election Manifestos since 1945. Retrieved October 2017.

¹¹⁶ Buurtzorg: better care for lower cost. Jos de Blok. The King's Fund, 2013.

Case Study 3: Buurtzorg

Buurtzorg Nederland is an extraordinary example of how to rethink public services democratically using twenty-first century technology.

The Buurtzorg community nursing organisation in Holland¹¹⁷ has a back office 'platform' of 30 to support 7,000 frontline nurses: almost no middle management – HR, legal, estates, comms, finance, 'transformation' elites ('transforming' to what, exactly?), IT, procurement, etc – at all. An audit firm reported that patients stay in care half as long, with an astonishing 40% less hours of care required to achieve the same clinical outcome for patients – and stratospheric levels of job satisfaction amongst nurses themselves (60% less absenteeism, 33% lower turnover).

Nurses enjoy autonomy, working in self-organised 'cells' of around 12, and consume standard back office services that they need, from the platform, like electricity. Patients build lasting, mutually rewarding relationships with a single carer, who has much more dedicated time to spend with them: no retelling of case histories, being passed from pillar to post, etc. In summary, this organisation has been able to provide a radical increase in frontline services (more time with patients), of much better quality (improved clinical outcomes, and greater satisfaction for both patients and carers), and for much, much less: something no-one has been able to do in the UK to date.

Now for the interesting numbers. The audit firm suggests that Holland could achieve savings of 2 billion euro each year if all of their nursing organisations achieved similar results.

Grossed up for the UK, that's almost £6bn saved, every year. Just in community nursing¹¹⁸.

¹¹⁷ See case study in Laloux, F. (2014) *Reinventing Organizations*

¹¹⁸ UK voters are being sold a lie. There is no need to cut public services. Mark Thompson. *The Guardian*, Thursday 12 February, 2015.

The UK's Royal College of Nursing reviewed the Buurtzorg model in 2016 with a view to assessing its potential applicability to the UK.¹¹⁹ The Report confirms higher levels of patient satisfaction, significant reductions in cost, and benefits of developing a self-directed structure for nurses. The entire operation is supported by a web application, "Buurtzorgweb", which nurses access directly and use to share information with each other, and a single, well-designed IT system, "Ecare", used to support daily practice and record management. The report notes:

Thanks to the Buurtzorgweb patient database and self-supporting teams, no managers are needed and the back office function is comparatively small, although growing – 47 employees was the figure quoted by Mr de Blok in 2015, compared to 20 in 2011. The focus on simple, accessible IT systems has helped to reduce the bureaucratic workload so that patient-facing time is maximised.

Assessing Buurtzorg's applicability in the UK, the report notes several potential challenges of a cultural, infrastructural, and contextual nature. It notes that:

Consequently, lifting the Buurtzorg model as it is without considering the significant differences between the UK and the Netherlands in terms of funding structures, demographics and patient needs, etc, will invariably present challenges. The King's Fund in its analysis of Buurtzorg has reached a similar conclusion. While extolling the model's virtues, it recognises that Buurtzorg's approach 'may not be right for all health systems but it highlights the potential benefits of taking a fresh look at professional roles.'

Whilst no one model offers a simple panacea for fixing the UK's public services, it's clear that the Buurtzorg example confirms what can be done by applying three simple principles:

1. Standardise all administrative processes and ensure your workforce can consume them via simple and accessible technology ("standardise and consume")
2. Concentrate resources on the place where you add public value ("refocus")

¹¹⁹ [The Buurtzorg Nederland \(home care provider\) Model](#). Royal College of Nursing, 25 April 2016.

3. Allow frontline people, and those they serve, increased autonomy in how their services are configured (“empower”), increasing satisfaction for both.

These three principles point to an urgent need to nurture more engineering capability, business model awareness, and cultural skills within our public services.

In the next Chapter, we consider how the public sector can deliver the same improvements that have been achieved in modern, successful, digital organisations.



Summary

Standardise
and Consume,
Refocus,
Empower

Standardise and
Consume

Refocus

Empower

3 – Delivering Improvements: Adopting Consistent Principles

Summary

The value of digital technology lies in its ability to improve business models, and the quality and relevance of the services provided. This involves moving gradually from pipes (multiple duplicated silos) to platforms (standard modular components and services). To start this process, we need to create a digital commons: to identify and standardise administrative assets in the public domain¹²⁰, including business rules, processes, metadata, structure, semantics and, equally importantly, costs.

Government needs to respond much more effectively than it has done so far to the shared plumbing of the internet. To do that, it needs to be prepared to act socially – to share and consume standardised processes, functions and services. And to do that it needs to open up and standardise not only its approach to technology, but also its rules, processes and functions. It needs to learn how to refocus on outcomes, not inputs. And it needs to empower the frontline.

¹²⁰ Time to get mapping – how a blind government can develop sight. Mark Thompson. *Computer Weekly*, October 2015. Retrieved October 2017.

Standardise and Consume, Refocus, Empower

We suggest three principles to underpin the changes required to deliver improvements to the way the public sector is organised and operated:

- **Standardise and Consume**

...sharing insight into the current needs, roles, functions, processes, systems and costs of public sector organisations means we can replace complexity with default standardisation and consistency, expose the scale of current duplication and inefficiencies within and across departments and agencies, create new service opportunities, and ensure the civil service can implement internet-era technologies that support better and more sustainable public services.

- **Refocus**

...adopting and using common capabilities and components means we can accelerate the design and delivery of new and improved services around citizens and frontline colleagues, not existing organisational structures. Using a public value lens, we can refocus around service outcomes, not administrative inputs.

- **Empower**

...prioritising requirements of citizens and frontline colleagues, and giving them standard tools and capabilities to achieve service outcomes together, means we can shift the balance of power towards social needs – and respond more flexibly to suit local circumstances.

Standardise and Consume

Distinguish, everywhere, between frontline and overheads

Why is this so important?

We live in an age where many common organisational processes and functions can be streamed from the internet. Modern digital organisations have become more efficient and innovative by consuming standard building blocks – which include information management, accountancy, logistics, payments, workflow, and so on – via a marketplace of affordable, easy-to-deploy, and flexible digital services, in ways that require very little “official” intervention. Examples include data storage – think Dropbox or AWS; payment platforms like PayPal, Apple Pay, iZettle or Google Wallet; and customer relationship management tools such as Salesforce or Dynamics Online. These can all be plugged into an organisation and in use within hours.

It’s now possible to build an entire organisation using chains of standardised, cheap, modular capabilities¹²¹. And – as was the case with the arrival of other forms of shared infrastructure such as electricity, railways, canals, roads, or radio bandwidth – the ability to consume standard things using shared plumbing always changes the economic balance in favour of operating models that standardise and consume, instead of building their own special, usually less-effective, versions.

This can be illustrated by considering the idea that most people would find it time-consuming, expensive and indeed uncomfortable to knit their own underwear – or to try and build their own search engine. Government should view building its own “special stuff” in the same way¹²² – why would it want to do that, without a very good reason, particularly as doing so consumes precious public resources at the expense of frontline services, with very real human consequences?

¹²¹ What is government as a platform and how do we achieve it? Mark Thompson. *Computer Weekly*, February 2015.

¹²² Where next for UK government as a platform and GDS? Mark Thompson. *Computer Weekly*, August 2015.

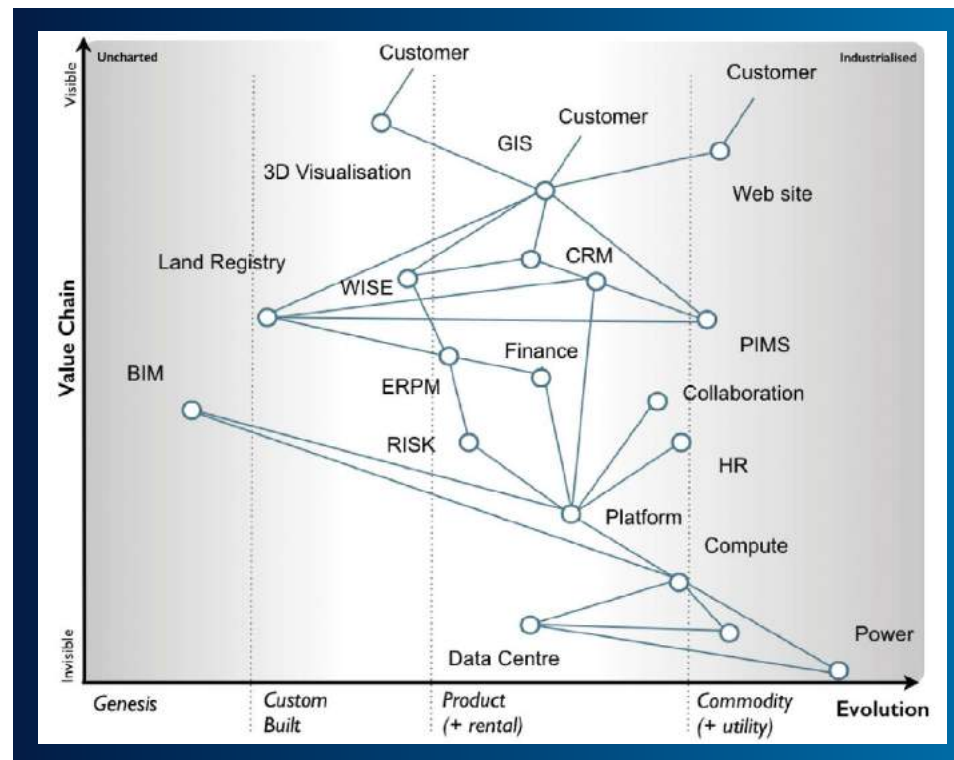
However, it's one thing for a new, internet-native organisation to consume standard business building blocks cost-effectively from the internet, so it can focus better on its true purpose, but it's quite another for government. Many government service activities – procuring nuclear warheads, visiting and caring for the elderly in their homes, frontline policing, emptying rubbish and recycling bins – don't necessarily change much in response to the shared plumbing of the internet. But the overhead of the bureaucracy and administrative services that sit behind them *can* be radically improved – which in turn will improve the services themselves by diverting more funds to them, joining them up, enabling them to learn in real-time, and encouraging them to be more responsive to the needs of the citizen: services that really do matter, like caring for the elderly in their homes, and frontline policing.

If we can expose the wasted opportunity...

We need an open, collaborative space where government can expose and reveal all of its currently hidden duplication of systems, roles, functions, processes and costs. The means to achieve this already exists in the public domain in the form of the work of researcher Simon Wardley¹²³, whose mapping technique provides just such a uniting framework. Wardley's maps are particularly useful because they support, encourage and enable "situational awareness"¹²⁴. This refers to the way in which the discipline of placing one's own capabilities alongside those of others, including those in the marketplace, builds an understanding of which service components could be consumed from sources outside of the organisation – and whether these might be cheaper or better than internal ones.

123 [Bits or pieces?](#) Simon Wardley's blog. Retrieved November 2017.

124 [Value chain mapping – learning the use of IT as a strategic weapon](#). *Computer Weekly*, December 2013.



Mapping the landscape of HS2 (Source: James Findlay).

In the above map of the High Speed 2 (HS2) organisation, we can see there is more justification for retaining the internal capabilities towards the top left, because they are both citizen-facing and unique to how HS2 adds particular public value (the things HS2 does that no-one else can). As a result, they're higher in the value chain. They are also bespoke and therefore not available as commodities. In contrast, the further towards the bottom right we get, the lower down the value chain we are, and the more commoditised the activities. There is less reason to build such commodity elements rather than consuming them as standard, off-the-shelf products or utility services.

The discipline of situational awareness involved in creating such maps offers us a consistent logic that lets us identify which activities should remain within an organisation (because they are high value to that organisation), and which, in contrast are the equivalent of knitting our own underwear –

time-consuming, expensive, probably not very good and ultimately self-indulgent and pointless. These commodity elements of any organisation's operating model should start heading out the door.

...citizens will be empowered to demand better – and get involved

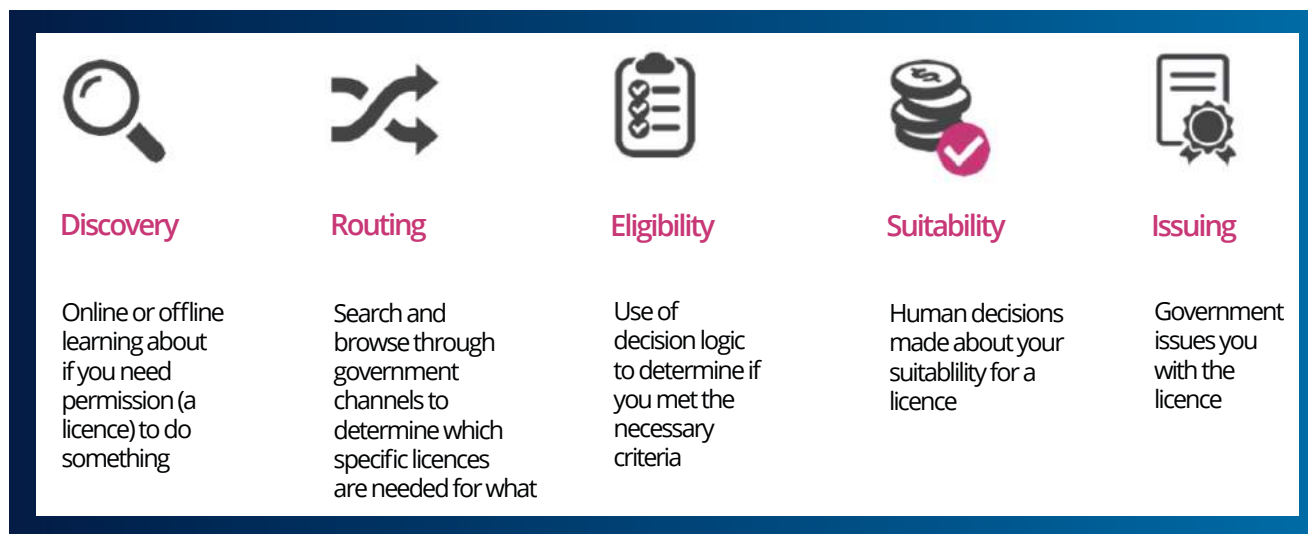
By comparing apples with apples, we can expose the significant levels of expensive duplication and waste across the public sector. It provides us with the opportunity to reinvigorate our most essential infrastructure that hasn't been seen since Beveridge, or even Brunel. It uses a rigorous focus on the potential impact of the internet to reallocate billions away from fruitlessly duplicated public administration into frontline public services, better safeguarding them for generations to come.

Having identified elements of our public services that can be streamed – of low public value in the internet age – the government can publish and expose these so that public employees, citizens and other organisations can start work on standardising and re-using them. In time, people will start to combine and recombine these common components like Lego bricks, at minimal cost, into public services we haven't even thought of yet – in the same way the private sector has innovated entirely new ways of tackling old business problems.

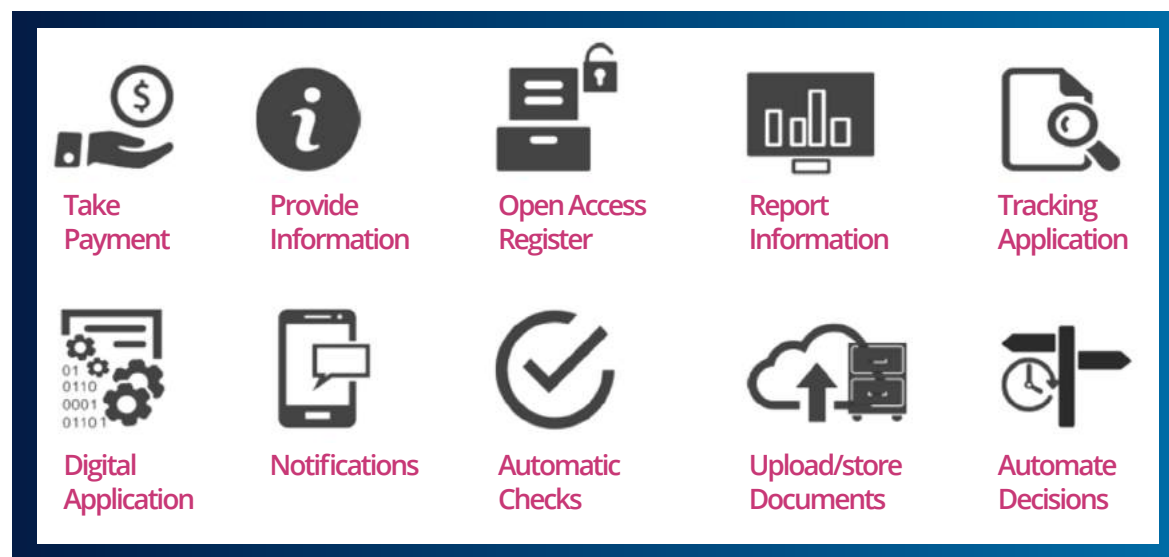
The result is that government will begin to act as a platform innovator, placing itself at the centre of a thriving ecosystem for social and economic exchange that involves citizens designing and innovating services themselves. This is real improvement – not making existing fragmented services available via a website.

...even assembling new services squarely based on value

It's also possible to generate maps within specific services. An example of a service outcome for local government might be effective street trading licensing. Why should we treat this differently from other types of licensing? Most licence applications follow the same fundamental steps:

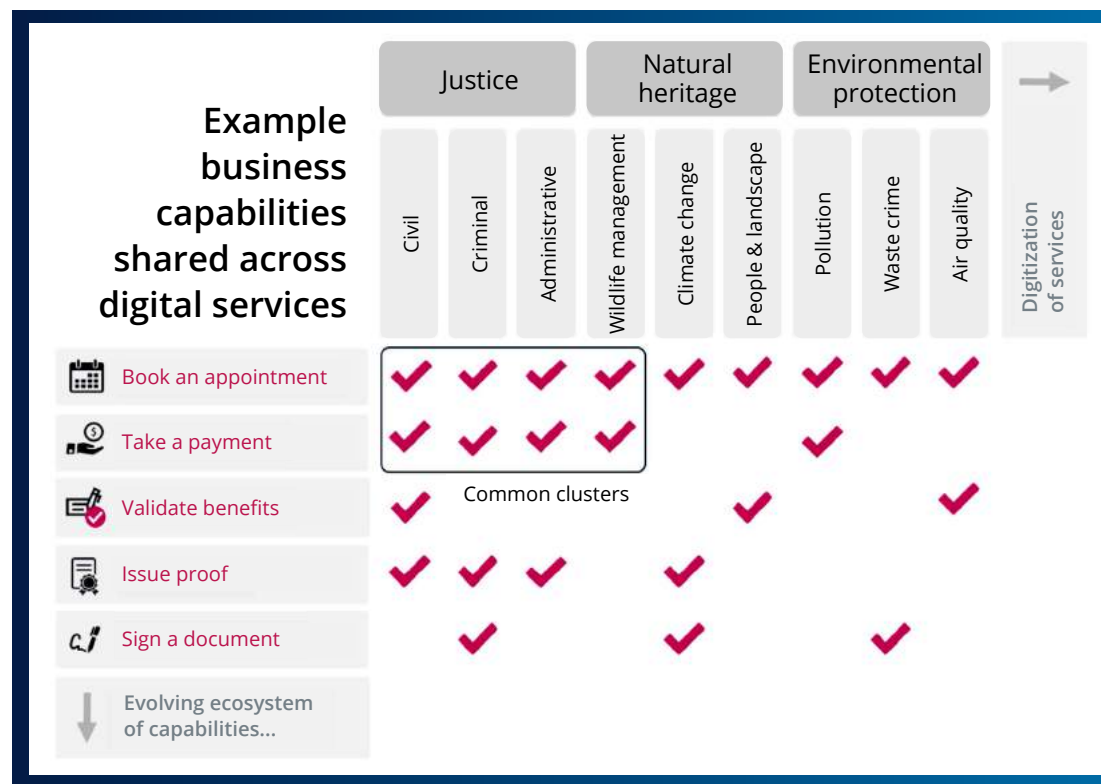


By understanding the similarity of these steps, we can create a *service pattern* for licensing in government. So almost all licensing applications could follow this service pattern, underpinned by a set of standard, generic building-block capabilities:



Reverting to our street trading example, only the street trading front end needs to be customised. The rest of the service pattern and underlying building blocks are simply consumed, because they are the same components underlying other service outcomes – perhaps public entertainment, and other types of licensing, but also other services, too.

These building blocks can then be combined and recombined in different ways – copied again and again as the engine for similar services:



The result would be the reinvention and reinvigoration of democratic government, empowering frontline workers and citizens to start assembling such “Lego bricks” to make new services that government hasn’t yet thought of – at virtually no incremental cost. Whilst there would, of course, be transitional costs, and a degree of parallel running during the transition to ensure no vital services are ever at risk of

failure, the end result will be worth it. Indeed, the opportunity cost of *not* making such improvements – of leaving our services and public sector organisations as they are today – is likely to become far more expensive and problematic than making these necessary improvements. “Doing nothing” or using technology merely to polish the old way of doing things are becoming the biggest threats to the very existence of many of our treasured public services.

Revisiting our earlier examples, our charity worker wanting to set up a pop-up service could assemble their own service in minutes from the digital commons by re-using many of the same “Lego brick” capabilities as the street trading licensing value chain – for example, upload/store documents, notifications, and appointment booking. Little, if any, back office organisation would be needed at all.

These are the principles of designing for openness, modularity, and accessibility – and they underpin many of the world’s most successful organisations^{125,126}. Investment and time will be required to kick-start the digital commons and to nurture production and consumption at the beginning, and to then police and overcome market imperfections in the future.

Publish everything in a digital commons

Generic digital administration – streamed from the Cloud

Designing for openness, modularity, and accessibility could empower citizens to question and improve their public services by re-ordering “Lego bricks” themselves. And it would enable government organisations in turn to behave more collectively and to remove duplication and costs. To achieve this, we need a public place where organisations can upload and share their service patterns and “Lego brick” capabilities, and see or consume those of other organisations.

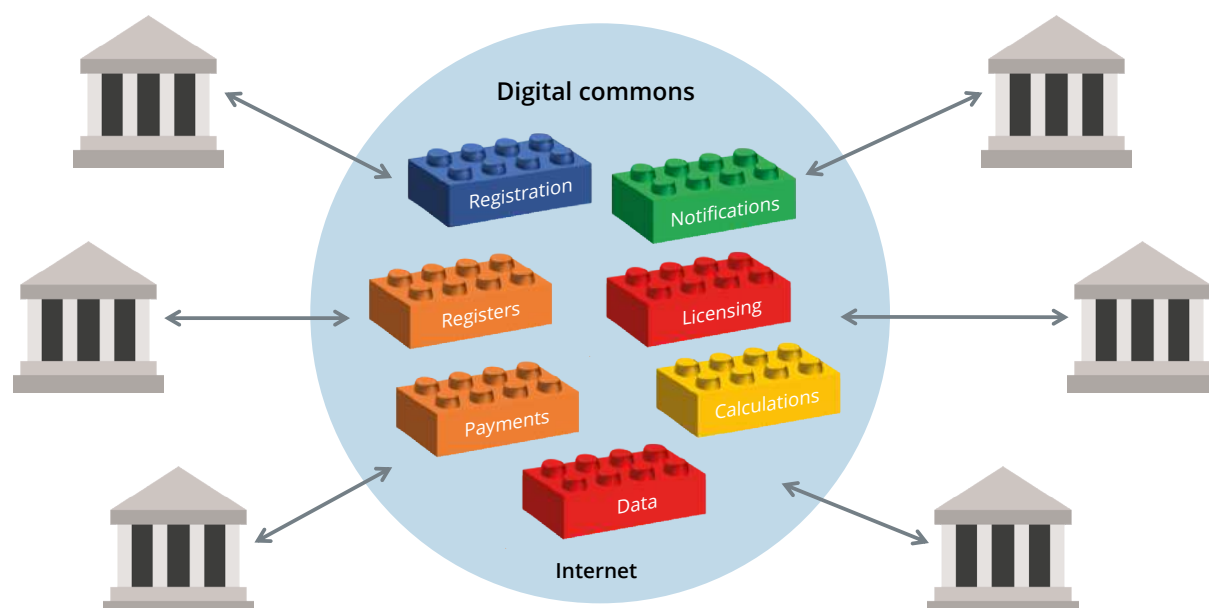
This open, public site will reveal what “Lego bricks” others are assembling or using to deliver a particular service, across public, private and voluntary sectors. In other words, it will be a place for everyone to access, share and re-use shared service patterns and supporting components. This is the role of our

¹²⁵ [Why Amazon is eating the world](#). *Techcrunch*, 14 May 2017.

¹²⁶ See <https://plus.google.com/+RipRowan/posts/eVeouesvaVX>.

proposed digital commons – a common-good public resource that enables the sharing, distribution and communal ownership of public information and technology “Lego bricks” across the public sector.

Government would become a far more nimble and empowering platform broker, sustaining a vibrant ecosystem of activity around the digital commons. It would help with the implementation of cheap, simple, low-risk, digital-first operating models. Public organisations would easily be able to identify others with similar capability patterns – and quickly spot those clusters of similar capabilities that could be consumed collaboratively, sparking conversations up and down the country.



The digital commons. All parts of the public sector contribute and consume common “Lego block” modular components for their services over the internet from the digital commons. It includes both open marketplace components (the default) and those commissioned and shared by the public sector itself (to meet niche needs).

While government will probably choose to build or commission some of these components, their prioritisation should emerge from the needs of those focused on service outcomes, the frontline workers and citizens, not the centre. The need for public services to consume capabilities from shared internet infrastructure should not become a licence for the public sector to build its own “special stuff”.

The elegance of encouraging a digital commons lies in its continual, rigorous and impartial distinction between things that are of low public value (and should thus be consumed externally as commodities), versus things that probably do need to be built by, or commissioned by, government as a common good.

Broadening participation and access

Public organisations will want to participate because the maps and the associated commons will encourage social behaviour. They will expose duplication and overlaps across our public services, placing service providers under pressure to standardise their demand for capabilities lower down the value chain, and consume these as commodities.

Commodities are price-sensitive, so the more standardisation, the more commoditisation – and the greater accuracy with which government can price the true cost of its capability. In turn, this platform of common demand will generate an ecosystem of investment and innovation on the supply side (including the voluntary sector), leading to services that we didn't even realise we wanted.

This digital commons should be openly accessible on GOV.UK to everybody – citizens and the market, as well as within the public sector – so everyone can innovate and invest in this emerging platform of demand, as well as to hold service providers to account. Over time it should become a living open architecture for government, as well as a marketplace for procuring services that responds dynamically to government behaviour – an evolving aggregate of all those individual decisions, with all the flexibility that this implies. Obviously government may need to intervene into this marketplace itself to overcome market imperfections and define key standards, but such interventions should be wholly focused on supporting and sustaining the digital commons.

The digital commons should be connected to what is currently the Digital Marketplace, leading to live, demand-led pricing for capabilities. Perhaps best of all, doing so would usher in a genuine focus on service outcomes, not organisational functions, and transparency about the way in which these are priced and delivered. Sharing digital infrastructure and components within individual departments, while a good thing, will deliver a small fraction of the potentially enormous self-organising power of a national digital commons. A new, shared public infrastructure for the twenty-first century.

Government must not duck this challenge.

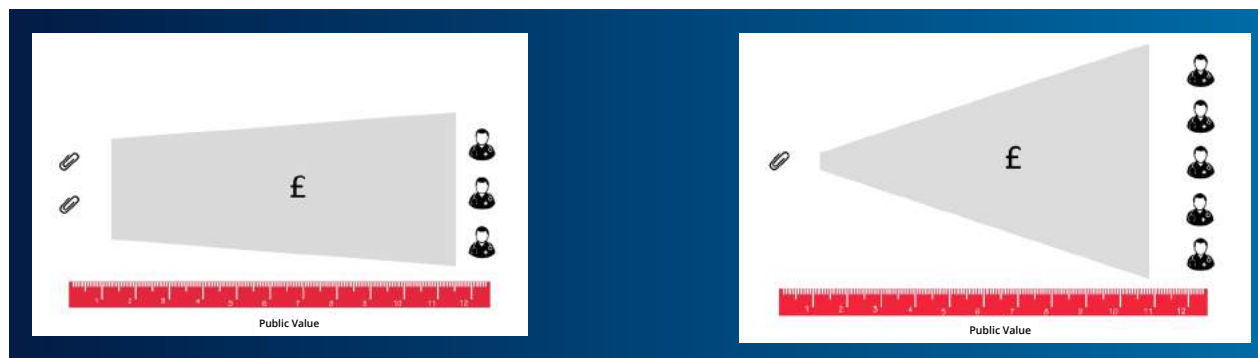
And it doesn't stop there. The real prize for our public services is that people will start to evolve an awareness of what they can contribute to the commons and what they can consume. In other words, building situational awareness enables government organisations finally to start speaking the same language, to see each other's building blocks, and thus gain real relevance to one another. They can begin to finally focus on outcomes and frontline services instead of being distracted by organisational boundaries and internal administration.

Refocus

Establish a Public Value Index

From...

To...



Recall this schematic from Chapter 2? We can see that organisations delivering significant public value have a distinctive shape, or profile, similar to that on the right, above – and that those that remain unnecessarily bloated with non-value add activities look like the one on the left. To support the digital commons, it would be useful to have a **Public Value Index**: a publicly-available measure of the extent to which public organisations are actually standardising/consuming, and thus refocusing on public value, in practice. Such an index could be a useful comparator of internet maturity across government, maintaining focus on the benefits to citizens of digitisation, as opposed to tech-based measurements

like counting and reporting on online transactions, which leave the fundamental organisational model untouched and tell us little about the effectiveness of outcomes.

But how do we build such an index? How do we know which leaders in the public sector are doing a great job, getting the majority of resources to the frontline, slimming down and purging unnecessary overheads and office staff and broken processes, and which are less efficient, absorbing far too many resources into their own internal roles, processes and overheads at a direct cost to frontline services?

To help tackle this problem, we need an objective way of measuring value based on how well resources are being applied within our public sector organisations, how much goes to the frontline and how much is lost feeding and watering out-dated organisational roles, processes, systems and structures. And some means of comparing how similar organisations across the public sector stack up against each other so we can help identify good practice and assist those that need to modernise.

After all, if one local council can run its services in an efficient way with minimal overheads and middle managers, and the maximum number of frontline services – from social care to libraries to refuse collection – we might question the priorities, competence and motivation of other councils that repeatedly cut the frontline and yet maintain a top-heavy organisational shape and cost structure that compares poorly against their more efficient peers. This is the power of transparency and openness: it will help us collectively improve our public organisations and the services they provide.

One way of informing our Public Value Index might be courtesy of the World Wide Web Consortium (W3C), which has produced a useful organisation ontology¹²⁷. That might sound a bit dry, but it's a way of consistently describing organisational structures in computer-readable form. It can be used as the basis for classifying organisations and their roles, including organisational activities.

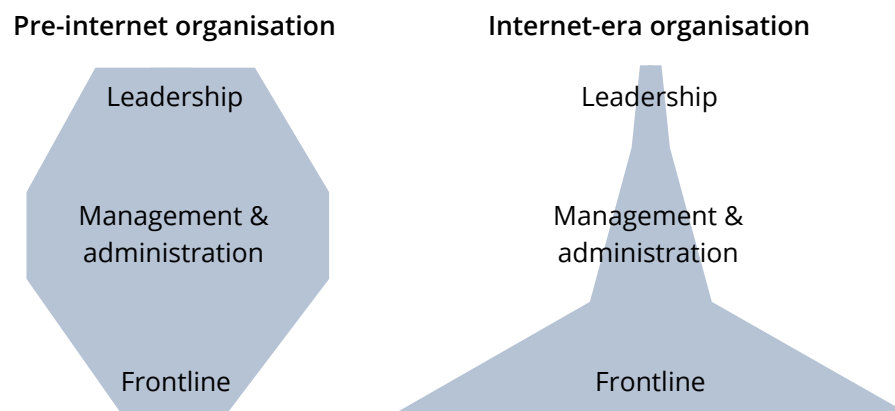
In other words, it has the potential to contribute to a new Public Value Index. It can help provide a standard way of using open, consistent data to describe public sector organisations and of showing who is in what type of role, at what cost and to what value, from frontline to chief executive or permanent

¹²⁷ [The Organization Ontology](#). W3C Recommendation 16 January 2014. Retrieved November 2017.

secretary. Of distinguishing between which public employees are adding value (outcomes) and which are simply consuming resources (inputs).

If every public body were legally required openly to publish their organisation's data in an agreed, consistent, W3C-based form, that data could be automatically accessed, read and compared (unlike much of the organisational and financial data currently put out, which is "interpreted" and buried in obscure PDFs and uses inconsistent descriptions between different organisations). This would help inform the assessment of public value. We need transparency not obscurity, and we need accurate, consistent data, not mere opinion and assumption, if we are to help encourage the right type of reforms and improvements in our public sector.

Such data would enable the type of visualisation used by the Institute for Government to be automatically generated for all local councils for example. It would enable us to map roles and costs to frontline services rather than internal grade structures (which tell us nothing about public service value): we would all be able to see the significant variations in cost and efficiency across the sector and to ask why they exist. Perhaps we would see something like this, enabling us to evaluate whether an organisation remains stuck in an analogue world, or has used internet-era technology successfully to reinvent itself:

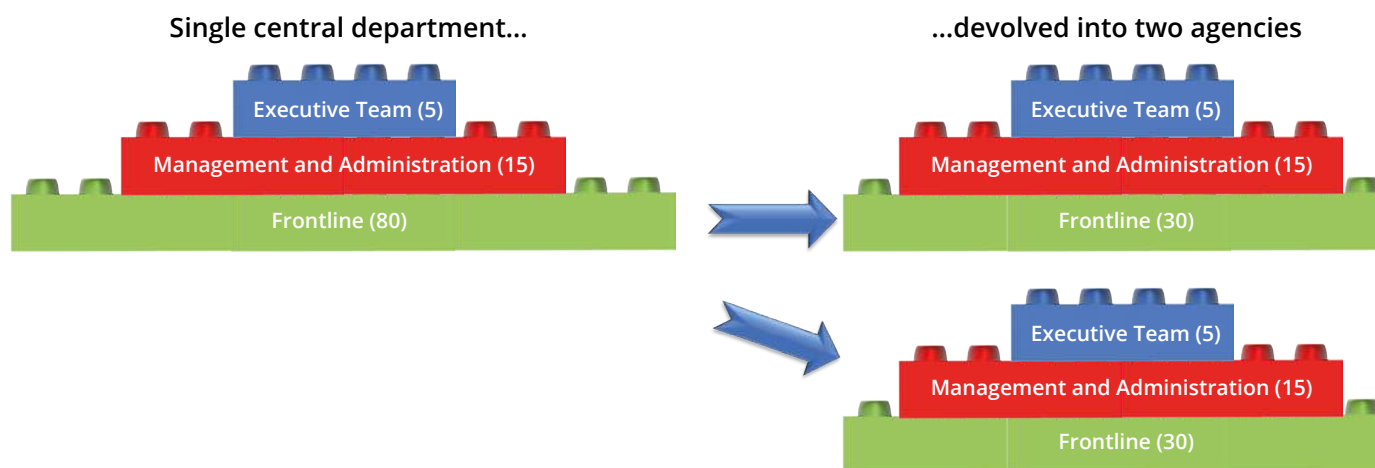


Illustrative visualisation of the W3C organisation ontology used as the basis for objective comparative analysis of public sector organisations¹²⁸.

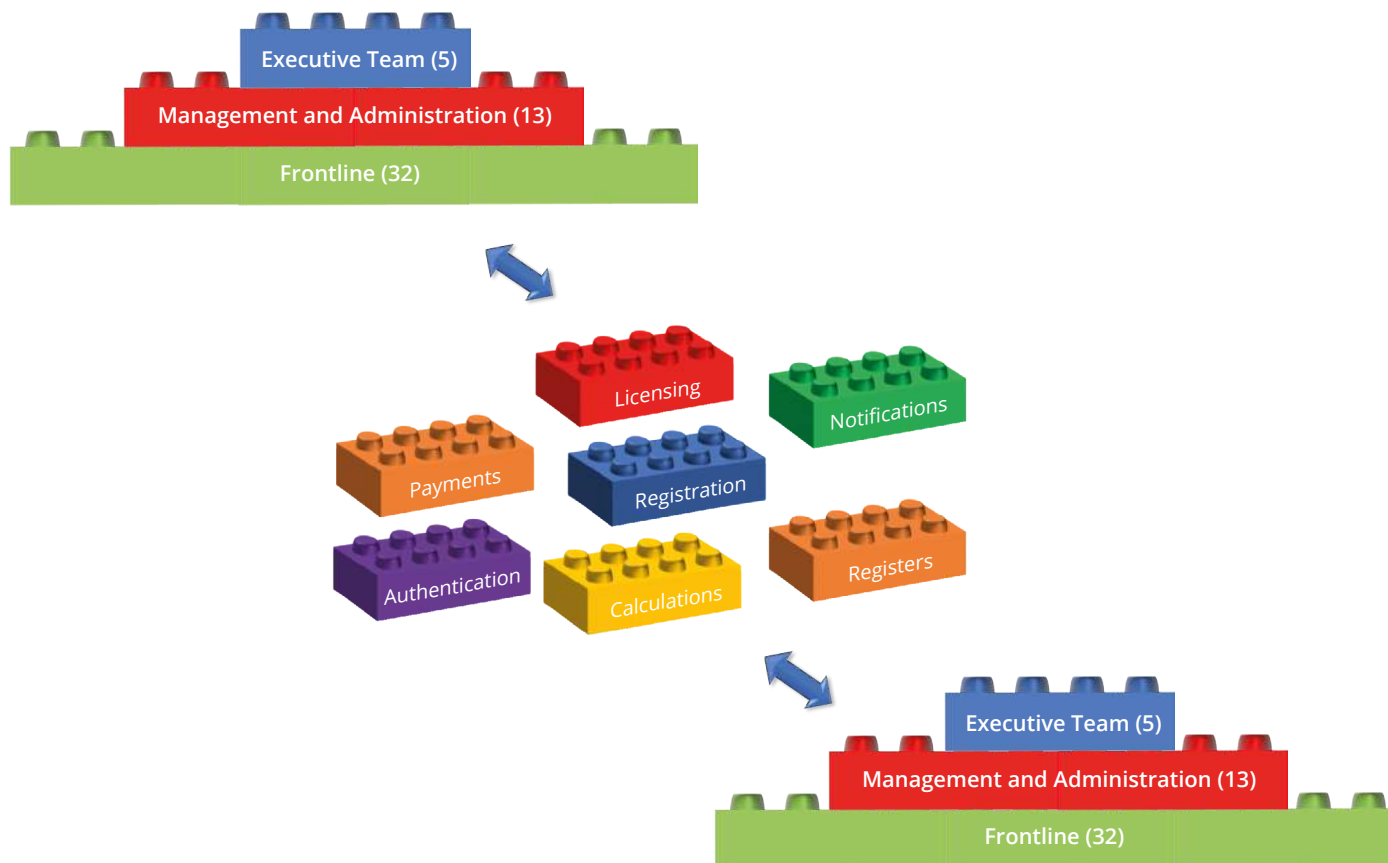
¹²⁸ We acknowledge the Institute for Government's visual modelling of departmental grade structures for inspiring the approach we have adopted here – although we have applied it from a different perspective.

Bodies such as the National Audit Office could analyse and investigate such data more closely – at times local circumstances or local democratic choices might well lead to justifiable variations. There's unlikely to be any mythical "one size fits all" model for public sector organisations. But automating the generation and collection of consistent organisational data would at least provide a basecamp from which to assess how many public sector leaders are taking advantage of the ability to modernise their organisations and services, and hence taking the opportunity to move resources into frontline services, and how many are zealously protecting their own administrative and management roles and interests to the direct detriment of the frontline.

Remember earlier that we provided a simplified overview of the impact of agencification – a move which reduced resources available to the frontline and increased the overheads, duplicating the same processes, functions, roles, systems etc, in multiple locations?



Even assuming we could only make a very modest ~15% reduction in the "Management and administration" area by adopting digital business models and making better use of shared internet-style streamed services – our common, standards-based "Lego government" components – we could still begin to move additional resources to the frontline.



Removing duplication (inputs) and moving increased resources to the frontline (outcomes).

In this illustration, we have managed to reduce the duplicated “Management and operational support” overheads (inputs) by a modest ~15% and hence redeployed the savings into frontline service provision (outcomes) instead – through the use of standardised and shared internet components.

Looking at a specific public sector organisation contributing and consuming from the digital commons, the Public Value Index can be used to assess the extent to which that organisation has modernised the way it designs and operates its services.

The transition to improved public value

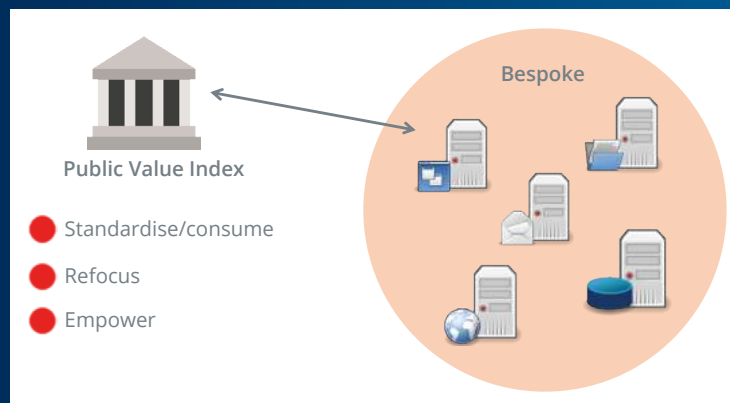
On the following page is a simplified overview of public value index assessments, showing an organisation's gradual transition to use of the digital commons and away from absorbing precious resources into their own duplicated approaches to common systems, functions and processes. It assesses the extent to which they have transitioned towards a modern, digital-era organisation achieving better public value by focusing on outcomes rather than inputs.

At a higher level, the individual performance of organisations can be considered as an indicator of how far the public sector as a whole has progressed on this journey. It is also at the higher level where analyses and discussions will be required about the nature of the organisations needed to deliver better outcomes – and whether the opportunity now exists to completely rethink and remodel them far more effectively around the needs of citizens and frontline workers alike (as in our discussion of the Parliamentary Office of Science and Technology paper in Chapter 2).

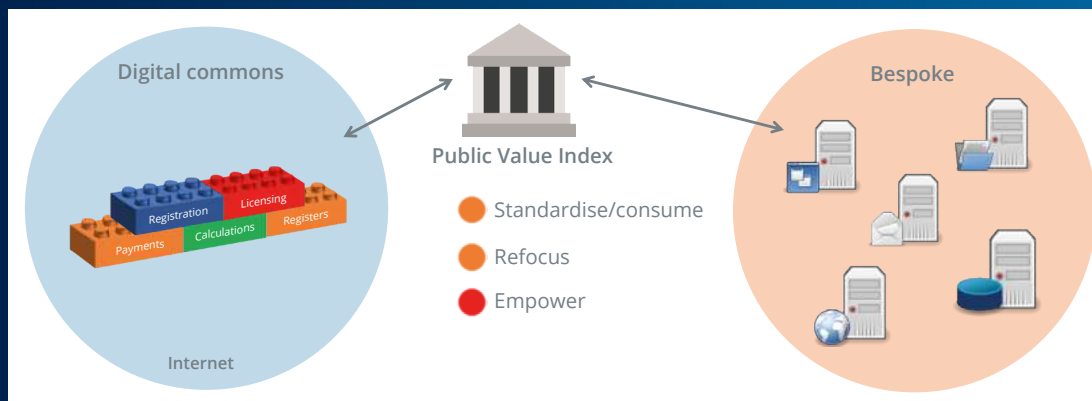
Making such a transition won't be easy. It has been tried at least twice before from a technology-led perspective driven by central government – in the era from 2001 onwards when a series of central components were built, and then again, more recently, from 2014 onwards. But starting with technology alone, as we have discussed, is to start in the wrong place, as is building and imposing it all from the centre rather than growing it from the edge.

A better approach will be to start small, with a pioneer group keen to become more efficient and transfer value to the frontline. We can see what works, what problems arise, what value it brings, whether it helps: the transition to modern organisational structures needs to be grown, tested, iterated and improved in the open. And it needs to be owned and led by those in the public sector who best understand the very real and essential opportunities now available to deliver radical organisational and service improvements.

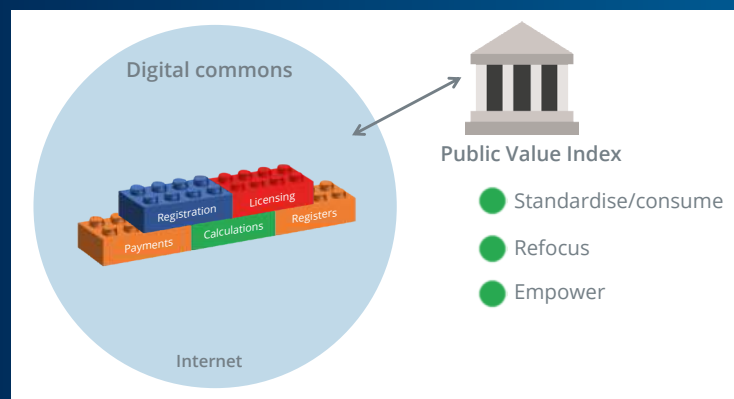
Doctors, nurses, teachers, health visitors, the police, librarians and many other frontline employees will be the winners. We're told we must learn to live with fewer of these people, but we could actually have *more* if we sorted out the public sector's outdated organisational model. The other big winners



Initial state – no use of the digital commons, all bespoke and local. Poor public value.



Interim state – mixed use of the commons and bespoke local components. Mixed public value.



End state – extensive use of the commons. High public value.

are, of course, the citizens: everybody who uses public services. Longer term, the losers will be those in unnecessary hierarchical organisational structures and roles – private or public sector.

Provide proper training and support

Successfully modernising the public sector will require a meaningful commitment to improving the culture within government. Take education. We have a Major Projects Leadership Academy (MPLA), which helps government spend our money more efficiently, but no mandatory Internet Leadership Academy to help every politician, minister, permanent secretary, non-executive director, director-general and public sector CEO and their executive team in this country to understand what we should be spending our money on in the first place.

Our leaders need executive-level *business* education about what the internet really means for the state – and they're not getting it. We need to do much more to support our senior leaders across the public sector as they engage with this type of thinking – a great many of them for the first time.

Although government has been good at training more junior technologists, it has been much less effective at communicating to our leaders the radical implications of the internet on our public service operating models. In fact, part of the problem has been the continuing distance between technology and the boardroom – which partly explains why so many leadership teams are poorly placed to rethink and redesign their organisations, and continue to throw technology at old ways of doing things, often seeing it as a subset of their current operations rather than as a means of fundamental reform.

In a similar vein, both the digital commons and Public Value Index would be dead in the water without energetic support from a team of perhaps 25 to 30 peripatetic specialists who live and breathe capability mapping and open architecture. They would criss-cross the country helping public sector leaders to bootstrap their organisations into the digital commons, and to improve their organisational profile in the Index.

Such a team (our own ideal for a much smaller and revolutionary Government Digital Service, focused on enabling better outcomes, rather than technology) would help develop the wider skills and thinking

needed around the principles and implications of shared internet-based infrastructure. They would identify the service outcomes for which organisations are responsible, and the capabilities they need to deliver these; make and upload capability maps; appraise commercial and open source software tools; and improve buying power via collaborative consumption across government; and look at others' operating models, and collaborate with them.

At a stroke, these activities would have the additional, major benefit of solving the senior education issue. They would create for the first time an internet-literate cadre of leaders across the public sector who possess situational awareness. Leaders with an understanding of how to define public value in the internet age, as well as how to focus their own operating models to deliver on this via the public digital commons, all while working in smart collaboration with their peers across government. It matters less who does the training and supporting, than that government invests in its most senior people, learning-by-doing in this way, rather than via training courses (although some of these in the right areas would probably still be a good idea as well).

Empower

The human dimension – learn from the history of technological disruption

We recognise that updating the structure and organisations of the public sector will be difficult and time consuming. It has certainly been disruptive in the private sector, with many old organisations no longer in existence because new, lean, internet-era businesses have replaced them. Essential public services must be guaranteed during the process of transition from their current to their future states. The movement to modernise public organisations must be done with humanity and compassion to safeguard those affected.

Unlike the private sector, where organisations can either start from a “green field”, launching a set of new services without any need to maintain existing services, or pick and choose their target customers, the public sector must remain universal and available to all. This does not mean, however, that the public sector cannot make early progress with deploying new, internet-era services whilst at the same time

ensuring that no-one is left behind. Enabling those who can make better use of modern technologies to do so will reduce current demand on public services, bringing about a double benefit – benefiting those who make the move, as well as freeing up resources for those who may not be well placed to make direct use of modern technology and who require more intensive face-to-face services.

Significant disruptions to the way entire industries work are nothing new. We should learn and apply the lessons from these previous changes. During the industrial revolution for example, there was a hugely disruptive move from mass employment in farming and agriculture in the countryside to work based in new factories built in and around cities. Other industries also experienced major changes on the back of new inventions: the creation of the spinning jenny by James Hargreaves in 1764, for example, enabled one person to spin as much yarn as twenty to a hundred people had been able to produce using the old spinning wheel¹²⁹. The internet is proving similarly disruptive in its application.

This does not mean the changes should not be made – but they should certainly be handled with humanity and compassion. This is particularly true where governments have concentrated public sector organisations and functions in specific parts of the country. Some of those organisations and functions may need to be dramatically reduced, reshaped or may not even be required any more at all. But in making such change there is a social and moral duty on government to ensure investment in retraining and support – so that those affected have the opportunity to re-skill and move into more value-added public sector work as administrative and managerial roles inevitably decline within the public sector.

The current model – of putting more money into the public sector only to see more resources diverted into administration and management rather than frontline employees and services – is putting precious resources into the wrong place, propping up the old way of doing things and postponing the hard work of redesigning our public sector in ways that better meet the needs of its users and frontline employees. Both citizens and frontline workers deserve far better than this at a time when our public services are under such pressure.

¹²⁹ *Great Inventors and Their Inventions*, Frank P. Bachman. American Book Company, 1918 (p.92). Retrieved from *The Google Archive* November 2017.

4 – Action

Summary

No big bang

Cross-party consensus on public value

Test, iterate, learn, grow and scale

Making it happen

Next steps

Summary

We need to find a way of getting started on this important journey to modernise and improve our public sector. In this section we set out some of the steps we believe are required to make this happen.

Throughout the proposed transition, we need to ensure that essential public services continue to be available at all times. This will involve double-running where necessary, until improved, and proven, alternatives can be brought into service. This is why it is essential that there is **no big bang** and that transition is **iterative and well-managed**.

We also think it important to establish a cross-party consensus on the approach and objectives required, particularly agreement on a Public Value Index. This will be the most significant improvement to the public sector since the creation of the welfare state. It needs resolute and consistent political backing and leadership over the many years it will take to design, iterate and implement.

No big bang

The public sector is far too important to make unproven, untested changes in a “big bang” way. Many of the public sector’s problems are a by-product of the constant tinkering that takes place, the infliction of well-intentioned but often misguided changes dropped from above – usually with little objective analysis or situational awareness, or evidence of the benefits they will bring.

But what has happened in the past has happened. The more we dwell on it and nitpick endlessly over which government and political party was to blame, the less effort and time and resource there is to put into the more important work of looking forward and improving our public services. We need an amnesty: to move on from the diversionary political name-calling about who did what and when. The political habit of raking over the past consumes significant energy and time that can be better applied much more constructively elsewhere. We need to refocus all our energies on fixing things for the future.

The best improvements in organisations happen in organic, bottom-up ways – encouraged by the right support, governance and guidelines from above. Government and the leadership teams across the public sector first need to improve their situational awareness – to understand in far better detail, backed up by reliable data and objective evidence – the current state of play. What is working well, and what is not. Where improvements need to be made and how best they might be achieved. It’s time for policies based on evidence and needs, not hearsay and prejudice.

Government and the leadership of the public sector need to map the current landscape far better than at present and identify how best to focus resources on reducing waste and duplication, and where it can focus improved resource and outcomes on the frontline instead. It needs to **steer and encourage** far more effectively from the top – by setting appropriate regulation, standards, rewards and structures – and **enable from the bottom**, by empowering those closest to the frontline to grow what works and dispense with what’s broken and constraining. And it needs to make far better use of open data to ensure a feedback loop that provides insight into what is working, and what isn’t, so that timely and continuous improvements can be made and continue to be made.

This is not about one-off change and then moving on: it’s a change of mindset and approach to adopt

the practices of the best and most successful digital organisations, using frontline service data and feedback to continuously learn and hence improve outcomes.

Cross-party consensus on public value

Underlying all this we need a new shared, cross-party agreement on a Public Value Index. A consistent and objective – apolitical – means of assessing public value, in the same way that the Office of National Statistics objectively analyses economic data. This in turn requires far better and consistent transparency right across our public sector – highly detailed, line-item data about where money and resources are currently directed, and with what outcome. A framework that recognises the important distinction between inputs and outcomes. And such changes will need to be institutionalised – for example, in the Treasury’s Green Book and the Civil Service Code – to ensure that the element of “steer and encourage” from the top reinforces the right behaviours and changes rather than undermining them.

Whilst the UK has often been recognised as a pioneer and cited as a leader in open data¹³⁰, in reality the landscape is fragmented and much of it inconsistent. There is no easy way of accessing and pulling together timely data across our public services – for example in the same way that Transport for London (TfL) makes available real time travel data for a whole variety of apps to access and make available to travellers, and to inform its own planning¹³¹ of better services. The data sets that are available from public sector organisations are often incomplete, out of date, made available from different locations, and “interpreted” and massaged into rigid PDFs and hence unusable for meaningful data analytics or comparative analyses. The result is much of our public sector is running blind, without the insight it needs to know where and how it needs to improve.

Real-time data on the performance and quality of our public services and organisations are essential if we are to move towards adopting and implementing a meaningful Public Value Index. They will provide the information needed for developing a level of situational awareness currently absent, helping us

¹³⁰ See for example http://opendatabarometer.org/4thedition/detail-country/?_year=2016&indicator=ODB&detail=GBR. Retrieved November 2017.

¹³¹ [Assessing the value of TfL’s open data and digital partnerships](#). Deloitte, July 2017. Retrieved December 2017.

identify where things are working well and where things are not. They will help us identify the unique strengths of the public sector – and where resources are best directed to maximise and improve outcomes – and where it is unnecessarily squandering resources on duplication, overheads and all manner of other inputs.

Such data, insights and analytics are necessary if we want to make better decisions about the structure and organisation of our public sector. How else can we apply the right macro lens – deciding, for example, whether we even need a particular department or project? It will shine a bright light on the fragmented way much of our public sector is organised in terms of those who work within it and those whom they serve – for example, the arbitrary, painful and complex splits between health and social care that cause so much human grief (and cost) for those citizens caught in the cogs of the way the system is currently designed.

Test, iterate, learn, grow and scale

These changes should be developed, improved and iterated on a small scale initially. Throughout, the focus must be on continual learning and refinement¹³². For example, a few pioneer local councils could work together to adopt, test and refine the digital commons approach. Similarly a few NHS Trusts could do the same.

As the work proceeds and the model is tested, proven, refined, adapted and becomes more successful, it can be expanded in scope and pace. It must have the space to grow organically and iteratively rather than to meet some arbitrary top-down timescale or design. This will be a major break from the models of the past, where a “master plan” for wholesale change of say health or education is typically dropped in from above together with an arbitrary deadline before later, after years of cost and pain, discovering the ideas don’t work and the timelines can never be met.

¹³² Eric Ries’s work provides a useful picture of the importance of continual learning during innovation activity: Ries, E. (2017). *The startup way: Making entrepreneurship a fundamental discipline of every enterprise*, Random House. Also Ries, E. (2011). *The Lean Startup*, Penguin Portfolio.

Making it happen

Government will need to:

STANDARDISE AND CONSUME

Share insight into the current operational data, needs, roles, functions, processes, systems and costs of public sector organisations, replacing complexity with standardisation and consistency, exposing the scale of the current duplication and inefficiencies within and across organisations, creating new service opportunities, and ensuring organisations implement internet era technologies of shared ecosystems that support better and more sustainable public services.

REFOCUS

Adopt and use common capabilities and components (“Lego blocks”), accelerating the design and delivery of new and improved services into practice – services redesigned around citizens and frontline employees, not old organisational structures.

EMPOWER

Implement practices and principles that support the rapid evolution and responsiveness of UK public services in the context of unpredictable change and increasing demand, reducing overheads and enabling more money to flow to the frontline.



Below, we set out below some initial thoughts on the types of actions required to realise the five mutually-supporting changes set out in Chapter 3, in each phase. These should take place in the context outlined above – and *not* be imposed via a top-down, command-and-control model: that is guaranteed not to work.

Standardise and consume	
Change	Example actions
<p>Distinguish everywhere between frontline and overheads</p> <p><i>So we can see clearly where improvements can be made.</i></p>	<ul style="list-style-type: none"> • Open up and publish all data, down to line-level financial detail, in an agreed standard format – costs, volumes, performance, context, etc, including eg: <ul style="list-style-type: none"> • Operating, staffing and resourcing costs • Business cases including opportunity costs of implementing no or minimal change • Services/transactions (volumes, frequency, cost per transaction, etc) • Systems (functions, processes, etc) • Number of employees by role (implementing a taxonomy of functions – roles/functions on the outcome side, roles/functions on the input side) • Contracts – original value, current value, end value, period of lock-in/duration • Continuous citizen feedback on services, and the data feed/quality itself • Outcomes achieved • Trends/analysis • Open standards should be collectively agreed and then mandated through policy and enforced through eg spend controls, HMT Green Book, IPA and NAO
<p>Publish everything in a digital commons</p> <p><i>So we can identify and remove duplication of overheads and costs and move towards responsive and adaptable “Lego government”.</i></p>	

Standardise and consume

Change	Example actions
	<ul style="list-style-type: none"> Assess public value (think about wider opportunity costs/costs/impacts – eg knock-on costs of PAYE collection on employers; VED transactions on citizens) to the various stakeholders, including the wider context of debt (not just narrow costs or technical debt but related to the quality/relevance/timeliness, etc, of services)
	<ul style="list-style-type: none"> Pass enabling legislation if required and ensure eg Department for Health funding to the NHS, DCLG funding to local authorities, includes the requirement/obligation for line-level transparency of everything happening at local level
	<ul style="list-style-type: none"> Open data to be published via: <ul style="list-style-type: none"> Static data files – data which rarely change Feeds – data refreshed at regular intervals (“regular” to be clearly defined and adhered to, ideally being “frequent” as well) API (Application Programming Interface) – enabling a query from an application to receive a bespoke response, depending on the parameters supplied (this is the ideal, wherever possible)
	<ul style="list-style-type: none"> Apply value chain/Wardley-style mapping at the organisation level – identify where all the common activities are happening, where there is duplication, where there is unique value add. Standardise all administrative processes and consume them via simple and accessible technology
	<ul style="list-style-type: none"> Standardise – and then rationalise and consume common platforms/services from the public digital commons for common needs. Technology comes into play here – there are ways of designing and operating the public sector simply not available when it was created

Refocus

Change	Example Actions
Establish a Public Value Index <i>So we can understand and monitor what “good services” look like from the perspective of citizens and frontline workers.</i>	<ul style="list-style-type: none"> • Apply value chain/Wardley-style mapping <i>across and between</i> organisations – identify where all the common activities are happening, where there is duplication, where there is unique value add • Standardise administrative rules, processes and functions – identifying, where necessary, any statutory or legislative elements that need updating and simplifying to enable improved outcomes to be achieved • Implement effective systems for citizen and frontline feedback on the quality, timeliness and relevance of services in order to inform processes of continuous improvement
Support a major shift of public sector activity into the frontline <i>So we can ensure the right skills in the right place.</i>	<ul style="list-style-type: none"> • Implement strong citizen-engagement functions, ensuring the privacy and security of personal data and building trust that enables the improved planning and delivery of outcomes through better data insights (at individual and aggregate levels) • De-duplicate functions/processes/roles/organisational structures • Identify better ways to achieve outcomes across and between organisations and services – re-orientate service design around outcomes, and on the insights of users and the frontline providers of public services, not their owning organisational structures or existing ways of doing things • Concentrate all resources on the areas that add public value and begin consuming from streamed common/modular components in the public digital commons • Ensure training is appropriate and effective – from training of leaders and senior executives in the new business models of the internet, through to more agile, iterative ways of working throughout the organisation and public sector

Empower	
Change	Example Actions
Look after people and services as the changes are made <i>So that we act with compassion to all those in roles and functions no longer required, reallocating from administrative and management roles to the frontline.</i>	<ul style="list-style-type: none"> • Allow frontline employees, and those they serve, increased autonomy in how their services are configured (“empower”), increasing satisfaction for both
	<ul style="list-style-type: none"> • Ensure any displaced roles, functions, organisations, etc, are mentored, trained or re-trained and fully engaged as the improvements are implemented
	<ul style="list-style-type: none"> • Act inclusively and compassionately, treating any employees or other people in a human and caring way

Next steps

Next steps

The purpose of this background green paper, and our associated short “Manifesto”, for better public services has been to catalyse an urgent and much-needed debate about the future of our public services.

We believe there is an enormous, but currently untapped, potential to radically improve our public services to enable them to thrive for many years to come.

We do not claim to have all the answers. Indeed, part of the problem currently lies with simplistic claims of top-down solutions – “Nationalise!”, “Privatise!”, “In-source!”, “Outsource!”, “Centralise!”, “De-centralise!” – which are nothing of the kind.

Continued swings of the pendulum between one politically imposed model and another are a damaging displacement activity from facing up to the reality of the task at hand. They undermine and erode our public services and demoralise those who work on the frontline.

We hope we have made clear why a more objective and empowering overhaul of our public sector, based on evidence, ground-up community action and a shared situational awareness, will prove far more successful and enduring for citizens and frontline employees alike.

It's time to stop misleading the public that there are any simple soundbite answers. We need an honest debate about how to make far better use of resources within the public sector. In particular, we need agreement on how the public sector can urgently begin to implement the technology-enabled organisational and operational improvements that we have seen in the best digital organisations elsewhere. This is how we can begin to help improve frontline services and outcomes, to the benefit of us all.

We volunteer this work, imperfect as it is, into the public domain, to help inspire just such a debate – with the optimistic desire of reaching some kind of cross-party consensus, and a practical, meaningful response to start the hard work now required.

We believe there is a significant but untapped potential for an exciting new deal between the citizen and the state. For the development of a shared public good that can renew our public services: a digital commons, a new, shared public infrastructure of digital utilities for the twenty-first century.

It's time we started the difficult but essential task of overhauling and improving our precious public services. We hope this green paper and its associated shorter "Manifesto" make a valuable contribution to helping make that happen.

