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Public Administration
Select Committee

**Choice, Voice and
Public Services**

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Oral and written evidence

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The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration, of the Health Service Commissioners for England, Scotland and Wales and of the Parliamentary Ombudsman for Northern Ireland, which are laid before this House, and matters in connection therewith and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service; and the committee shall consist of eleven members.

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Mrs Anne Campbell MP (*Labour, Cambridge*)
Sir Sydney Chapman MP (*Conservative, Chipping Barnet*)
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The following member was also a member of the committee during the inquiry.

Mr Kevin Brennan MP (*Labour, Cardiff West*)

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Committee staff

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Taken before the Public Administration Select Committee

on Thursday 18 November 2004

Members present:

Tony Wright, in the Chair

Annette Brooke
Mrs Anne Campbell
Mr David Heyes
Mr Kelvin Hopkins

Mr Ian Liddell-Grainger
Mr Gordon Prentice
Brian White

Memorandum by Reform (CVP 16)

1. ABOUT REFORM

Reform (www.reform.co.uk) is an independent, non-party think tank whose mission is to set out a better way to deliver public services and economic prosperity.

We believe that by liberalising the public sector, breaking monopoly and extending choice, high quality services can be made available for everyone.

Our vision is of a Britain with 21st Century healthcare, high standards in schools, a modern and efficient transport system, safe streets, and a free, dynamic and competitive economy.

2. OVERVIEW

The premise of the Committee's questions appears to be that there is something problematic about choice. In fact, the real problem is the current performance of Britain's traditionally structured public services (see Box A). The short answer to the Committee is that it should visit the Netherlands, Sweden or inner city Milwaukee—all of which operate successful school choice programmes—or France, Germany or Switzerland—where patients have choice—and ask people if they want their right to choose taken away from them.

The fundamental reality is that the 1940s assumption that government production of services such as healthcare and education was necessary to ensure efficiency and equity has been shown to be false. As Alan Milburn has pointed out with respect to the NHS: "In 50 years health inequalities have widened not narrowed. Too often even today the poorest services tend to be in the poorest communities" (11 February 2003). The Wanless report also found "evidence of inequality in access to healthcare resources . . . People living in more deprived areas who died of cancer used fewer healthcare resources than those in middle or affluent areas" (Wanless Interim Report).

How organisations respond to challenge tells you much about whether they are successful or not. In weak organisations, managers find countless reasons for not embracing change. The more talented and intelligent are the managers, the more such organisations are able to find reasons not to act and to carry on as before. In the private sector, such companies lose sales and eventually go out of business. In the public sector, the organisation suffers no such penalty. Instead the costs of failure are transferred to the users of public sector in the form of higher taxes and levels of service which would simply not be accepted in most other European countries. All too often those most let down are the most disadvantaged in society who neither have the cash nor the voice to obtain something better, the very people for whom these systems were created in the first place.

A. The relatively poor performance of the British public sector

In health, Britain's spending has overtaken the EU average and is heading towards countries such as the Netherlands and France. But despite some improvements, such as a reduction in the longest waits for hospital treatment, standards of care remain far behind peer countries:

- 25,000 lives would be saved each year if Britain met the best European performance on cancer care*.
- A recent study placed the overall performance of Britain's healthcare system 18th out of the 19 Countries studied.**
- Just below a million people are on waiting lists; countries like France, Germany and Switzerland have no waiting lists except for transplant operations.
- The Prime Minister himself has said that the NHS has produced a "deeply unequal" system where the most affluent in society opt out while the poorest too often receive the worst healthcare.***

Britain also spends more than the EU average on education. But considerable expenditure is not achieving high standards of education for all children:

- Less than two-fifths of 16 year olds achieve good GCSEs in the core subjects of English, Maths and Science.
- An increasingly heavy burden of regulation, introduced under governments of both major parties, has undermined teachers' professionalism, absorbed resources that would be better spent in schools and hindered schools from developing their own distinctive character and ethos.
- In practice only people on higher incomes are able to exercise a choice of school. Around 7% of children are educated privately. Others can afford to move into the catchment areas of good schools. The result is inequity, with choice confined to the better off and poor schools concentrated in areas of greatest deprivation.

* Wanless, D, *Securing our future health—taking a long term view*, Interim Report, HMT, 2002.

** Nolte, E, and McKee, M, *Measuring the health of nations: analysis of mortality amenable to health care*, British Medical Journal, 15 November 2003.

*** The 1945 model, for all its great strengths, was not the answer to inequality . . . Our supposedly uniform public services were deeply unequal as league and performance tables in the NHS and schools have graphically exposed. (17 June 2003).

In this respect, it is very encouraging that progressive politicians in all three main political parties are moving in the right direction. The Prime Minister often speaks of the importance of "choice and competition" in improving public services and the 1999 *Modernising Government* White Paper stressed the need to lever up standards "wherever practicable by giving the public the right to choose." This summer, the Conservative Party launched its "Right to Choose" and was followed by some senior Liberal Democrats advocating, in the Orange Book, amongst other things a social insurance system for funding healthcare.

Real choice is both a social and a moral experience. The ability to choose is intrinsic to human dignity. It turns on free will, the capacity to choose—which is learned—and the expectation of being able to do so as a responsible adult. In addition to these powerful moral properties, it is economically superior than command-and-control systems. In other words, choice combines efficiency and equity.

3. PERSONAL SERVICES AND PUBLIC GOODS

It cannot be stressed often enough that healthcare and education are not public services. They are personal services. By their nature, they are intensely so—far more so than many products and services currently provided purely by the private sector. Every child is different, with different needs, ambitions and aptitudes. The personal nature of healthcare is even more self-evident; it is necessarily personal, intimate and specific to the individual.

The public interest, or the public good, is different. In the case of healthcare and schools, it is primarily about ensuring access to quality provision for all. Defining clearly the public interest in the provision of personal service then naturally defines the proper role of government. It is to fund access and provide an unintrusive system of regulation. It therefore requires changing the nature of the government's role from being a producer to being a funder and regulator.

B. Choice works in other countries

In contrast to Britain, the health systems of other countries have both a diverse range of healthcare suppliers and mixed funding systems, such as social insurance, which empower patients and offer real choice to all, including the most disadvantaged in society.

As the Wanless Report showed, financing of healthcare through taxation provides relatively limited choice for patients.* Under systems of social insurance, in contrast, health contributions are paid to third party insurers who are under an obligation to serve customers. Such systems also provide a universal guarantee of high quality care for all in society. Governments pay the premiums of those unable to do so. Payments are regulated so that people with higher health risks are not penalised.

In Germany and Switzerland, for example, citizens are able to choose between competing social insurers. Patients have a choice of providers and waiting lists are virtually unheard of since competing providers usually treat all patients. In Germany, half of all hospitals are non-state-owned and in Switzerland, one third are.

Choice works just as successfully in education. As noted above, school choice in Britain is restricted to the better off who can afford to purchase private education or to move into the catchment areas of good schools. In other countries, school choice is available to all parents regardless of their means. There are many different systems. But all share the same principle: children should attend schools according to their parents' choice and the money provided by taxpayers for school education should follow parents' choices, whether to schools provided by government or to schools operated by the independent and voluntary sectors.

Systems of universal school choice operate in Sweden (since 1992) and the Netherlands (since 1917). All parents are able to choose freely between state and independent schools. The number of independent, taxpayer-funded schools in Sweden has grown from 90 in 1992 to over 400. Two-thirds of pupils in the Netherlands attend privately-run taxpayer-funded schools.

In America, programmes in which school choice is targeted on certain groups also operate successfully. In Milwaukee, Wisconsin and Cleveland, Ohio, choice of independent schools is targeted on low income parents. In Florida, choice is provided for parents whose children attend schools classed as failing for two in any four years.

** Wanless, D, *Securing our future health—taking a long term view*, Interim Report, HMT, 2002.

It is simply wrong in fact as well as theory to suppose that the public interest objective of ensuring access for all can only be secured by the government taking on the role of being a monopoly producer, as was assumed in the immediate post-war period and which today is a relic of an obsolete and discredited ideology. Evidence from school choice programmes abroad demonstrates the complete compatibility of ensuring access for all and private sector provision. In the Netherlands for example, 70% of children attend independent schools. In France, one third of hospitals are non-stated owned and in Germany the proportion is 50%. Both countries deliver higher quality healthcare more equitably than is the case in Britain, not relying on waiting lists to regulate demand (*see Box B*.)

Failure to define clearly the exact nature of the public interest in the provision of personal services such as healthcare and education and to recognise that for the most part these are private or merit goods, not public goods, leads to a great deal of muddle and generation of spurious problems, as can be seen from the Committee's own paper (especially the top of page 4). The existence of external benefits from the consumption of private goods and services does not turn them into public goods; if it did, virtually all economic activity could be so classified. An example of a genuinely public good would be public health programmes to prevent mass epidemics. Although very important, it constitutes a small fraction of healthcare activity in this country. The starting point therefore is to recognise the public interest element in the provision of personal services and to focus the government's role on it. Overwhelmingly, it is about ensuring access irrespective of means. The proper role of government therefore is to fund access.

4. THE EMPOWERED CONSUMER

In June the Prime Minister said: "Some still argue that people—usually other people—don't want choice. That, for example, they just want a single excellent school and hospital on their doorstep. In reality, I believe people do want choice". We agree. Too many recent opinion poll questions have falsely asked people to choose between good local services and "choice", when the very point of choice is that it can and does lead to better services. More sophisticated opinion research indicates that people do want choice (*see Box C*). Furthermore the view that ordinary members of the public are incapable of making choices that, for instance, are routinely made by purchasers of private education or healthcare is patronising and offensive.

Choice is about empowering consumers. It means they make the purchase decision and requires that spending power be put directly in their hands. Cash speaks louder than words. "Voice" is not a substitute for choice. "Collective choice" and "government choice" (questions 9 and 10) are variants of "voice" and deny the individual choice.

C. *The public wants choice*

Opinion research demonstrates that a majority of the public supports the introduction of greater choice into public services:

- In July 2004, both Populus and MORI found that around 60% of the public thought that the introduction of choice would raise standards of service. 79% of respondents to the MORI poll either strongly agreed or tended to agree that “Britain’s public services need to start treating users and the public as customers in the same way as the private sector does”.
- In 2002 and 2003, the Independent Policy Commission on Public Services established by the National Consumer Council, conducted both quantitative and qualitative research into the introduction of choice. It concluded: “The Commission holds that, where possible, choice should be introduced as the best way of ensuring such responsiveness. In particular, the Commission calls for an extension of forms of economic consumerism that are consistent with a value base, where money follows users’ choices. We believe that, where used appropriately, economic choice gives users much greater control over the services they use and extends choice to poorer sections of society, who have traditionally had little, thereby enhancing equity.”*
- In March 2003, *Reform* commissioned a programme of deliberative research into health and education. ICM’s report said: “Choice is a key word. With appropriate safeguards ensuring access for everyone, choice as right for consumers to select a service that suits their needs and pocket is something all people are used to exercising in most other areas of life. It could work in health . . . [in education] nearly all wanted more choice, even if this was not local”.

* *Making Public Services Personal—a new compact for public services*, The Independent Policy Commission on Public Services report to the National Consumer Council.

Money—unlike occasional “consultation” in politics, or infrequent voting, or having a say—empowers all. This includes the poor, the old, the silent, the unorganised, the discreet, the non-politicised; those who do not wish to join a pressure group or be “active citizens”. These mechanisms tend to create new opportunities for producer capture and risk further entrenchment of vested interests. The recent referendum result in the North East and low turn-outs for votes on foundation hospitals show what voters think about such political mechanisms which are often, but wrongly, promoted as substitutes for genuine choice.

Sometimes it is argued, as the Chancellor does, that because of information asymmetries, the consumer is not sovereign in healthcare. But if the consumer is not sovereign, who is? Few people today subscribe to the 1940s view that the man in Whitehall knows best, and the idea that the man or woman in the Town Hall or some other public sector bureaucracy should exercise sovereignty would not win public support if argued for openly.

The argument about information asymmetry misses the point. There are many areas of life in which consumers require specialised knowledge and advice. In a system where the patient, for example, has the purchasing power, rather than having to act as a supplicant for it, his or her GP or other specialist acts for them on their behalf, guiding them through the choices and helping them decide what is in their best interest. Instead, we have a situation where people feel they can get lost in a system in which no one seems to be looking after them and professionals are working to meet government targets rather than directly satisfy the people who are paying them—their patients.

5. CHOICE AND COMPETITION VS MONOPOLY

Another argument made against choice is that it is less efficient, because it costs more and requires more capacity (top of page 3 of the issues document). The premise of this argument is that monopoly is better than competition. It is certainly not a view that the Chancellor—or anyone else—accepts when it comes to the private sector, where the Government operates a strong pro-competition regime. Both economic theory and experience show that monopolies produce less, charge more and offer a narrow range of services than firms in competitive markets. Furthermore, monopolies are more vulnerable to producer capture and have weaker incentives to serve their customers. Why the disconnect between being pro-competition when it comes to the private sector and against it when it comes to the public sector? There is no difference in principle between public and private sector monopolies, except that public sector monopolies have a demonstrable tendency to be less efficient.

It might be that in some hypothetical static world monopolies need less capacity than in competitive markets. But in the real world, change is a fact of life. Innovation changes what is possible and enables more to be offered for less. In the private sector, companies, whether they are airlines, mobile phone companies or hotel chains often have more capacity than they need—but they are rewarded for finding ways of using this capacity; markets grow and consumers get a better deal all round. This is a way of ensuring the focus is where it should be—on the customer.

The public sector lacks this dynamic. In the NHS, capacity is used to limit demand, rather than “excess” capacity being used to meet demand and provide more. As a result, waiting lists are a fact of life in the NHS and will remain so even as Britain’s spending on healthcare approaches and overtakes the EU average. With

schools, we have a static pattern of provision where good schools are not encouraged to expand and where bad schools are kept in being, even though they are letting down generation after generation of schoolchildren.

Effectively liberalising and incentivising the supply side will both cause more capacity to be made available to consumers and improve efficiency. For this reason, supply side reform goes hand in hand with reforming the demand side by placing purchasing power directly in the hands of consumers.

6. CONCLUSION

The old way is not working. The costs of failure are borne not only by users of public services, but by the economy more widely. Despite huge increases in public spending, we are not seeing improvements commensurate with the increased inputs. The most recent productivity statistics for the NHS show declining productivity, a reversal of the trend of the early and mid-1990s. The implications are stark: each extra £1 billion of spending is buying less.

Society has changed almost out of recognition since the 1940s, when our public services were designed. Public expectations are rising, fuelled by people's experience of greater choice, innovation, quality and availability of new services in the private sector (*see Box D*). The days when we could expect people to queue patiently for services or accept substandard provision without question are over.

A new approach to public services is needed. For too long the debate has been presented as a choice between the status quo of state monopoly or the total absence of government support. This is a false choice. Real reform is not about withdrawing the State. It is about changing the nature of the State's intervention to match its competencies. Other countries demonstrate that it is possible to deliver services with far greater consumer choice yet more equitably than our own. To dwell on the difficulties of injecting choice into a monopolistic system in which consumers have no real power is to miss the real need, which is to break down the barriers between public and private provision and redirect the spending power of the State to consumers, so ensuring that choice and access to the highest quality services is extended to all.

D. Changing society

In its final report, *Reform's* Commission on the Reform of Public Services described the changes in society which are driving the impetus towards choice in public services:

"Today's empowered consumers expect to make choices over all aspects of their lives. Progress over the last 30 years has been staggering. In 1972, less than half the population had a telephone and nearly two-thirds didn't have central heating. 'We are in a consumer age whether people like it or not,' as Health Secretary, Alan Milburn, recently said. And the people he was referring to weren't voters or consumers, but politicians who don't understand how society has changed.

"Yet in areas such as healthcare and education, choice for all but the richest 10% of society is extremely limited. This is not an accident. Choice was designed out of a system based on collective funding and collective consumption."¹

The National Consumer Council's Independent Policy Commission on Public Services came to a very similar conclusion:

"The society in which our public services now operate is vastly different to the post-war society for which much of the Welfare State was designed. Traditional structures, such as the way families are organised, have changed. Contemporary society has broken away from previous centres of authority and is defined by much greater social pluralism and diversity of race and culture. Old myths that once served to unite society no longer hold true. The paternalistic delivery of public services, characterised by the 'doctor knows best' relationship between professionals and users, is increasingly challenged in an era of growing individualism. Vastly improved information flows fuel the emergence of informed and assertive users of public services.

"Yet much of the public service infrastructure remains monolithic, and does not compare well with the standard of services consumers receive elsewhere. (When the Commission consulted with consumers, there was a clear view expressed that the private sector was instinctively better in certain areas, particularly at customer service.) Public services not only have to respond to current demands, but also be proactive in anticipating future demand if they are to embrace and manage the scale and pace of these social changes. If they do not, there is a danger that confidence in public services will decline further. Government will then find it harder to justify a continued commitment to collective provision through taxation. However, if public services can adapt in a more responsive fashion to the contemporary demands of users, confidence in them and commitment to them will be renewed".²

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¹ *A Better Way*, Commission on the Reform of Public Services, *Reform*, 2003.

² *Making Public Services Personal—a new compact for public services*, The Independent Policy Commission on Public Services report to the National Consumer Council, April 2004.

Witnesses: **Lord Blackwell**, a Member of the House of Lords, Chairman, Centre for Policy Studies, **Mr Phil Collins**, Director, Social Market Foundation, **Sir Christopher Gent**, Chairman, Advisory Board, Reform, and **Mr Nick Herbert**, Director, Reform, examined.

Q1 Chairman: Can I on behalf of the Committee welcome our witnesses this morning. As you will know, the Committee is looking at public service reform issues generally and particularly focusing in this inquiry on issues to do with choice and what we call voice. We are particularly interested in some of the things that you have all been writing and saying about these issues and thought that you could help us with our inquiries. We are very glad that you have been able to come. I am welcoming Lord Blackwell, Phil Collins and Nick Herbert, and I hope I am going to welcome Sir Christopher Gent, who I think is on his way and may join us at some point.

Mr Herbert: He sends his apologies. He is stuck in very bad traffic.

Q2 Chairman: Understood, and probably lacking a mobile phone to summon help. Because we have only got an hour or so it would be quite nice to dispense with a lot of the preliminaries so that we could just bash on but I do not know if any or all of you would like to take a very short minute to say an introductory word or if you want to go straight to questions.

Lord Blackwell: May I make one point, Chairman, which probably will underlie a lot of what we come on to, which is that I do believe that choice is important in the reform of public services but I believe it is only one component of reform. Almost more important are the fundamental reforms in restructuring that have to go on within public services against which choice can then be a lever to drive change and bring about performance improvements and better schools and hospitals. Better schools and hospitals are obviously the end point and I think it is important that we see choice as one thing that has to go hand in hand with other reforms to achieve that.

Q3 Chairman: Thank you for that. Does anyone else want to have a word? No? Okay. We have read your material, which we are very grateful for, so we feel well equipped to ask you some questions. Could I start with Lord Blackwell and anyone else who wants to come in? A lot of this question of what you might call the radical end of the choice argument seems to be based upon the idea that if only we borrowed all kinds of things from how the private sector operates things would be a lot better. What I would like to know from you is whether you think the public sector is different from the private sector and therefore necessarily operates in rather different ways or whether you think that it does not.

Lord Blackwell: The thing which they have in common is that large organisations tend to be inefficient. One of the things that the private sector has learned is to try and break large organisations up into units, whether they be business units or divisions or entities, which are of a small enough size that they can be run and managed in an entrepreneurial way, entrepreneurial in the general sense of the word of people taking initiative to respond to the needs and demands and challenges

around them as opposed to being caught inside a set of rules or control systems that limit freedom and limit scope for individuals to take initiatives. That is the lesson which the public sector has been learning over the last few years and needs to apply. Put very simply, doctors in a local hospital are on the whole better equipped to understand how to deal with the needs and requirements of the patients around them than a centralised system imposing rules, targets, systems, priorities, allocations on them. A headmaster in a school and his teaching group are better able to figure out how to serve the needs of the pupils in their school than somebody trying to specify that from a long way away. Organisations in the private sector have worked out how to get a few tight controls over the things that really matter but then to foster local entrepreneurship and local initiative. That to me is the fundamental point here. Yes, of course, there are many differences in the scope of what public services are doing compared to what a private sector organisation is doing but they also have in common that at the end of the day they are trying to serve a group of people out there in the community who need health care or who need education in the same way as they need newspapers and bread and food. The common thing is to get a way of running them so that people locally who have the knowledge can exercise that initiative.

Q4 Chairman: That, if I may say, is an organisational point. If that is the only initial difference that you summon up then the question is, why on earth have we taken some trouble over these many years to make sure that a range of services was not delivered on market principles but was delivered differently? It was because surely these are fundamentally different services that we bring different principles to, like the principle of equity, for example. If Christopher Gent were here I could remind him that if I take out a mobile phone contract the nature of the contract I get will be determined by my income. That is, I will have to be a pay-as-you-go customer if I have not got much income. The public services are different from that. We say that everybody should have access to these services, so it is not just an organisational point, is it?

Lord Blackwell: You are asking me what it is that the public sector can learn from the private sector. What is important is that those needs are responded to effectively. Governments in the past have made the mistake, I believe, of saying that if there are those kinds of social objectives that means the organisation has to be run as a public sector organisation. I think that was a fallacy. Nobody here—certainly not me—is arguing that we ought to move away from the social objectives we have for health care being available to individuals regardless of income, quality education being available to individuals regardless of income. In fact, that is the very objective of the kinds of reforms we are talking about. The fallacy has been to believe that you can only achieve that by a state organisation run and

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controlled from the centre. It is that imposition which has foiled the objective by delivering bad quality health care and bad quality education.

Q5 Chairman: I am going to bring in Phil in a second but I want to stay with you and Reform because you are at one end of the choice argument. You are the radical choice people. We want to see what this is all about. When I see what you have been writing generally, you are a small government person.

Lord Blackwell: Yes.

Q6 Chairman: That is, what you are after is smaller government.

Lord Blackwell: Yes.

Q7 Chairman: That is the fundamental objective and therefore your approach to public service, as I understand it, is to say, "How can we make government smaller?" What I am really interested in asking you though is that when I read your proposals they are going to make government bigger, because if we are serious about having money follow the schoolchild or the patient, and if we are serious about funding the supply side reforms and the supply side expansion that would be involved in that, we are not talking about a smaller stake; we are talking about a bigger stake. When I read your pamphlet you toss in the fact that, "Oh, well, this may cost a billion here; it may cost us another billion there". This is not small state stuff. This is big state stuff to be serious about, is it not?

Lord Blackwell: Let me have a go at responding to that and then I am sure Nick will want to come in. By "small stake" what I am talking about is government not trying to run things, not trying to administer things, not trying to operate things that government is badly equipped to do, and I have made the point that local head teachers, local doctors, are better equipped to know how to respond than people in Whitehall. Choice is important, even though these are public services, because if you delegate authority down to local units there has to be somebody who makes them accountable, and choice is the way, if you have not got a civil servant looking over their shoulder all the time, which drives quality because the individual then has the opportunity to say, "I do not like the way that school is doing it; I do like the way that school is doing it. I am going to move from A to B". Choice is the essential thing as well as being a good thing in its own right. Personal freedom and liberty are the things which drive quality and delivery in a decentralised organisation. Does this cost money? Of course it costs money. I am not arguing, and I have never argued, that the UK should spend less on health. What I am saying is that it has spent an awful lot more on health over the last few years and got very little for it and it would have been much better spending that money on health in a way which delivered better health care. The way to deliver better health care is to get government out of believing that it has to run the health system.

Q8 Chairman: Before I hand over let me try and get down to practical territory that we understand. Let us talk about schools for a moment because that is one of the examples that you talk about. We have got a town with two secondary schools, one in the well-heeled bit of town which is over-subscribed, and one in the tough end of town which people want to go to less. I read your stuff and I think, "How is this going to help those who go to school in the tough end of town but who want to go to the school which gets all the best performance results in the better end of town?" Can you explain to me in terms such that I have got some chance of understanding how this is going to work?

Lord Blackwell: I do not believe that what the parents of those children want is necessarily to send them across town. What they want is a good local school. They want the school in their end of town to be good, but at the moment if it is bad they are stuck; they have no scope, they have no choice, they have no freedom of manoeuvre. Under what I propose and what others propose the parents in that school would have the opportunity to say, "This school is not delivering what it should. It is not being run effectively. It is not getting the best out of the children in this area. I want my child to go to another school that I think is better until this school improves". They would therefore apply to go to the school at the other end of town. That school would be freed from the surplus places rule that says it cannot expand if there is under-capacity somewhere else. They would not be able to double their capacity instantly but over a period of years they would add on temporary classrooms, they would find money to put up new buildings, they would expand, they would take in more pupils if the school at the other end of town did not respond to this. The other argument is that the school at the other end of town would respond to this because if they started losing pupils, if they started losing finances, they would start running into a deficit and the schools funding agency would say, "You have got to pull up your socks; otherwise you are not going to have enough money to run the school. A new board will be put in, a new head teacher will take over", and they would do all the things that head teachers have successfully done in turning round bad schools and saying to the local parents, "You do not need to send your kids to the other end of town. We are going to turn this into a first-class school", and the quality of that school would rise hopefully.

Q9 Brian White: Can I come in there, Chair, because I have got a practical example in my constituency with three schools, all full? A hundred families did not get the places this year and one of the things the head says makes those schools successful is that they are at the right size now. You are actually saying that the pressure on those heads is to take more kids which would put pressure on them to reduce the quality of education. Is that what you are seriously saying?

Lord Blackwell: I am saying it would be up to the head. If the head thinks he can expand and maintain the quality then he should be free to do so. If he does

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not the other option that ought to be there is for new people to come in and set up schools. If there is a feeling in the air that the quality of the existing schools is not up to it a group of parents ought to be able to get together with some teachers and set up another school that offers them a better standard, or a private school nearby ought to be able to say, "We will take the pupils and be paid by the state". In the Netherlands, for example, three-quarters of secondary school children are educated in independent schools. That gives huge choice to parents. Why should it not be the same here?

Q10 Chairman: We always get into trouble at this point because people always mention the Netherlands and New Zealand and Chile. I am back to concrete territory. As you describe it I still do not understand what you are saying. I am not sure whether you are going to compel the preferred school to get bigger, even if it cannot or even if it does not want to because a condition of its success may be that it is of a size, as Brian says, that it is now. The school which is the less preferred school is doing its damndest at the moment to get its results up to do better. It is doing everything it can. I do not see how you are going to help it in any way at all.

Lord Blackwell: I am not proposing to compel anyone to do anything. I am saying that we should put the systems and pressures in place which allow the market to respond to the need. The worst that could happen if you went down this route would be that nothing changed. I think that is very unlikely because if you have a pool of people out there, dissatisfied parents, who have children who have a fee potential with them, somebody will come along and say, "I can do a better job of providing education".

Q11 Chairman: But you have got ferocious pressures at the moment because you have got a funding formula which rewards schools on the basis of pupil numbers, so they want to get numbers in. You get performance reports being published all the time, so you have got tremendous pressure on schools to improve; you have got all the central programmes to get schools to improve. It is not as though these are producer interests immune from any kind of consumer pressure.

Lord Blackwell: I disagree, Chairman. I think they are largely immune from pressures until they get to the point of desperation.

Q12 Chairman: Have you been inside schools?

Lord Blackwell: Yes, and they spend all their time filling out forms and reporting back to somebody else.

Q13 Chairman: They are obsessed with the pressures on them.

Lord Blackwell: Very little of that actually does any good to the teacher in front of the classroom. What we want is to get rid of all those centralised controls with reports, forms, targets, etc, and leave it up to the head teacher to deliver the quality of education that parents in that area want, and if they do they

will attract pupils onto their rolls if they choose to get bigger and, of course, if they do not do that they will be shown up.

Q14 Chairman: Let me try one more time on this and then I will ask colleagues to come in. If I look at the worst performing school in my constituency, in the toughest area, the worst performing school, up until two or three years ago it was getting something like 18% GCSE A-Cs. It has now gone to over 50% and believes it can do a lot better. It did that because of a dynamic new head, because of a new leadership team and the way in which the school has sought to get itself together. That has come through some very obvious things. It has come through heavy intervention from the centre, it has got lots of resources now, it has got well motivated staff, it has got new leadership and so on, and it has produced the results. If I read you, we would have had to wait presumably for this school to go into some sort of spiral of decline, for exit to become rampant until, over a period of years, some new local settlement would have happened. That would have been absolutely disastrous for the children in that school.

Lord Blackwell: Chairman, with respect, I think you are proving my point, which is that a new head teacher with a new agenda can make a huge difference to a school. Businesses do not wait until they go bankrupt to change their marketing strategy or their policies because they are continually striving to be the best in their market. In the situation I am proposing head teachers and board will be continually under pressure to make sure that they are delivering the best quality education they can in order to continue to attract, retain and indeed increase (if appropriate) numbers of pupils. It is exactly that kind of transformation that I believe these proposals would encourage and the situation too often at the moment is that things go on for years because there are not levers to change; it does require a crisis before the centre steps in and tackles things and does not necessarily do so efficiently. What I am proposing is a system where the pressure for change is continual, relentless, year in, year out, and boards and head teachers respond to that all the time.

Q15 Chairman: Phil, do you want to come in there?

Mr Collins: You started by asking what are the crucial differences between the two sectors. I think there are at least two which we have touched on already, one of which is this question of failure. The way that a private market works is by rooting out the bad and ineptitude eventually gets punished and gets bought up by somebody else, so it gets taken out. It cannot be as brutal as that when we are talking about public services because we are talking about children in schools rather than just somebody running a company. When you have declining rolls in schools it has to act as a signal and the failure strategy then has to be very rapid, but it has to be done by the state. My own view is that the market mechanism will be too slow. It is a good signal; it is telling you something important, that parents locally do not like this school. You cannot just let it work its way through because ultimately its

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sanction, bankruptcy, is not there. It is a crucial difference which means that state intervention is more important there even than the way we do it at the moment. I think we are too sentimental in allowing failing institutions to carry on for too long, so there is one crucial difference. The second is the one you raised yourself, which is that the requirement for equity in the public services, paid by citizens out of taxation, is of course enormously greater than in private markets, and so all the work we have done has been to start from that point, from the criticism that choice schemes tend to erode equity, and to look at whether in fact that is true. It turns out that it is sometimes true and sometimes not, depending, crucially, on the way you design it, and I will come back to that later. Finally, on your example of the two schools in the area, on a ten-year view I have got a lot of sympathy with Norman's view because this argument will look rather quaint on a ten-year view if we personalise the curriculum because then actually the number of people who just go to one school all the time for everything will be relatively few and lots of people will go to both schools for different things, so it will not quite be the same. The thing we have not mentioned at all is, what is the constraint here in your example? It is not parental choice, which we already have. It is geography. It is the fact that the choice maps on to residential segregation. Although it would be better for everybody if both schools were wonderful—of course it would be—the fact is they are not, and the people who live in the bad part of town are forced to go to that school because of the geographical constraint. The only way you can sort that out is for the whole area to be the catchment area and, if one school is over-subscribed, the only fair mechanism for sorting people out is a lottery.

Q16 Chairman: Thank you for that. Let me welcome Sir Christopher Gent, who is just joining our initial conversation on issues he will be familiar with. Just before I hand over to Anne, on this particular point is it not simply fairer to enable anybody to go to any school? Why not simply have an open admission system brokered by a lottery, as happens with the charter schools in the United States? Is this not a radical choice model?

Lord Blackwell: I personally do want any school to be open for anyone to choose that school, but I think parents have an important role in this and parents may prefer one school to another and I think parents should have the right to put their preferences in—

Mr Collins: They do. Prior to the lottery there is parental choice and if you choose a school which is under-subscribed, you go there as a matter of fact. It is just that if the school is over-subscribed only then do all those choices go into a lottery. That is the only fair way of allocating those places.

Lord Blackwell: I do not have a particular problem with that.

Q17 Chairman: But it is not something you have recommended in your "choice" literature, is it?

Lord Blackwell: On the whole I think surpluses will tend to solve themselves because over time demand will pull forth supply, as it were. I accept that there will be times when schools are over-subscribed and there has to be some way of the school deciding who goes and who does not. I personally would leave that up to the school. The school may have views that it is trying to develop a speciality in some particular area or it may have a view that it wants to balance its mix of intake around one characteristic or another. I think that should be up to the school but I would not rule out the fact that a school may choose to have a lottery or that that might be a sensible way of doing it.

Mr Collins: There is a fundamental difference here. As I said before, there are conditions under which equity is respected and there are those under which it is not. When you have the school selecting, not the parents, or the hospital selecting, not the patient, that is when equity opens up. If you want to preserve equity, that is a very good principle. It will be a very traditional difference: who chooses selection is absolutely crucial, and the data is overwhelming on this, that if that is important to you then you have got to ensure that it is the consumer side, not the producer side, which is doing the choosing.

Lord Blackwell: If you have bought everything else that Phil and I have been arguing in terms of restructuring the school system and introducing choice, if the only point at issue is how you dealt with that surplus, I certainly would not go to the stake on one way or the other. I think that is a matter for debate.

Q18 Mrs Campbell: I want to come back to the failing school syndrome which Tony described to you of one of the schools in his constituency which got very much better. I had, sadly, the reverse situation of a school with declining numbers in which budgets were then reduced because they did not have much of any sort of children to teach, the county council took away their small school supplement, the school eventually went into special measures and parents started to vote with their feet. I have therefore got a situation now where the school is threatened with closure, several hundred children will obviously be disadvantaged by that, and a whole community which is in one of the most deprived areas of the city (which we do have in Cambridge) is going to be without a secondary school in future. I am interested to know how choice can help that school. It has dismally failed in my understanding of the situation, so how can it have helped?

Lord Blackwell: I think you have to distinguish between school failure because of poor quality and school failure because of numbers and economics, and I do not know the situation in this particular school. There clearly are circumstances where an area simply does not have a viable number of children for a school in a normal economic sense and there is a central government policy as to whether and when they will provide additional support in terms of the per capita payment to keep open schools for social reasons in those areas which you can apply under any model of scoring. What I have been

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arguing is that a school like that is failing not because of economics but because of poor quality. I would like a situation where much earlier on the parents, because they had more choice to exercise earlier, were able to bring pressure on that school to change its standards, change its head teacher, change its offer to the parents. I would argue that the fact that that has not happened and parents have been using choice is an example of the fact that choice has been beneficial because presumably a lot of pupils now have better education than if they had been stuck in a poor, failing school.

Mr Collins: It is another case, Anne, in that in your example the parents did not have any effective choice, that they had to send their children to that school whether or not they wanted to because that was the catchment area and they did not have contacts elsewhere. It is the absence of choice which seems to me is one of the problems there. The question I am trying to address is, how do we bring choice to precisely those people? If it were under the system I advocated it would be a different intake into that school and that is one of the prime components of what a school is, so it would be a different school to begin with. There are other things you can do to counteract the declining numbers. For example, it ought to be the case that we remunerate teachers differently in really tough areas. It is a more difficult job. It is not a commodity job by any means and so that is one thing we could do. You could, although it is difficult to arrange administratively, have different levels of money attached to children of different levels of achievement. It is possible; it is done elsewhere. There are other things around choice which could alter the situation that you are in, so in a sense it is kind of, "I would not have started from there".

Mr Herbert: One of the factors we have not considered is the potential for new providers to come into a system which is freer and that is one of the things which choice would allow. The international evidence from Sweden and from the school choice schemes that were introduced in the United States, initially by a Democrat mayor in Milwaukee, is that as a result of offering choice to the parents of the poorest children in inner city Milwaukee, for instance, new providers came in and set up schools and these were educational entrepreneurs. They might have been for profit schemes, they might have been not for profit schemes, but I think that dynamic element of the equation is a very important one. The evidence from Sweden is that in quite a short period of time there has been a significant increase in the numbers of schools which may be set up in new premises or it may be providers that are coming in and taking over an existing school. That is something that the committee might also like to have a look at.

Q19 Mrs Campbell: Could I also put before you the problem of what happens in rural areas? In rural areas there may be only one secondary school which is practicable for parents to get to. What happens to

choice in those situations? Are you suggesting that the private sector should set up independent schools and that will give people choice?

Mr Herbert: The geography is a constraint and it is much harder to deliver choice in rural areas. That is something we would agree about.

Mr Collins: Absolutely. There is an important distinction here between types of choice. We are talking about choice between providers so far, the ability to move from one to the other, but of course choice is attached to more than that. There are choices between options within a school. There are all sorts of choices in public services. That second aspect of choice is as applicable to rural schools as it is to anywhere else, so there are two tiers for choice for rural areas. This kind of easy movement between providers just does not work in rural areas, but I would say that if you have not done it already I would get the work that Julian Le Grand has done for Downing Street on capacity, where he points out that the proximity of most people to available places of public service is much better than we think. It seems like a clinching argument against choice to say "rural areas". Actually, it is not. Education is a much more difficult and much more localised service. When you talk about health people do not mind travelling further for certain health interventions and the overwhelming majority of people in the country are close to available unoccupied NHS beds, so it does not deal it a fatal blow but in school choice between providers it does.

Q20 Brian White: Can we take this question of capacity because one of the things, it seems to me, for choice to work—and I mention the fact that all the secondary schools in my constituency are full—is that you have to have an excess of capacity in order to make choice available to everybody. Sir Christopher, one of the things that you say in your memorandum is "without structural reform". Are you saying that we ought to have excess capacity in order to make choice work?

Sir Christopher Gent: The fact of the matter is that schools expand in response to parental demand, so you create demand and that will create additional capacity in other places. Parents, if they could vote in the sense of making choice financially, would do because we are now at a point where it is viable commercially for people to come in charging £5,500 to £6,000 a year as an effective day rate, because that is what it is costing. You will get capacity created by commercial development, you will get capacity created by schools expanding to meet demand if they are successful schools.

Q21 Brian White: So the state should provide extra money to ensure that there is spare capacity?

Sir Christopher Gent: No, not necessarily. What we are saying is that the state should direct its money to those people that cannot afford it. There are an awful lot more people who could afford it if the charging mechanisms were in place. That is a fundamental change that we have to make. In my own experience my parents sacrificed an awful lot in order to send me to a private preparatory school.

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They had no circumstances under which that would normally happen but they decided that that was the priority that they wished to spend their money on, so they were able to exercise that choice. There are an awful lot of people who do not want to make that choice or who, even if they put all their resources in, would still need help. We are saying that better use of state funding is behind the patient, behind the parent, to top up those people who are not capable of affording it themselves.

Q22 Brian White: But the institution would still have to have that excess capacity in order to provide that choice.

Sir Christopher Gent: The capacity would grow. Additional suppliers would come to market. The successful schools would expand.

Q23 Brian White: If you take French health care, there are unused beds.

Sir Christopher Gent: You are absolutely right.

Q24 Brian White: So the French people are actually paying for extra beds. One of the things that you would have said to the Chancellor as the chair of a major company was that you wanted the PSBR to be lower and therefore you are saying to the government, "Reduce public spending".

Sir Christopher Gent: Hang on. You use a good example. Thirty years ago there was no choice in telecommunications. What happened? We rationed people by forcing them to wait for months to get fixed lines installed. Now there is a lot of additional capacity, a lot of competition. You do not wait. You get immediate service delivery and you get far better value. That has taken some 20 years to evolve and develop and the same thing could happen with the supply of health and education services.

Q25 Brian White: But you get people moving to new schools, which I have in my area. People move into an area in order to go to a school. That has a knock-on impact on other areas—on GPs, on school transport, where the costs have gone through the roof. How do you, in allowing choice in one area, anticipate the impact on other areas?

Sir Christopher Gent: You do not. The fact of the matter is that we live in a fluid and dynamic society. People are already moving in order to go to catchment areas which are better for their own view of what their child may need. That choice is being exercised by parents right now. You are in the straitjacket of thinking about how these choices have to be made by government. Consumers, patients, parents want to make those choices and they want to have a degree of choice available to them. Just as they have in food supply, in telecommunications services, they want the same flexibility to be available to them in education and health.

Q26 Brian White: That is fine as long as they can afford to pay the extra school bus fares, etc.

Sir Christopher Gent: Yes.

Q27 Brian White: If you have not got the wherewithal who is going to pay for it, or do they have no choice?

Sir Christopher Gent: Again, it is a matter of how that payment takes place. Co-payment is a well established principle across all of these types of services in other countries. Why should we think it should not happen here?

Mr Collins: You just have to subsidise the transport. That is the straightforward answer. It is one of the big constraints.

Sir Christopher Gent: That is an absolutely perfect example in view of my experience this morning.

Q28 Chairman: What about this argument that schools are like phones?

Mr Collins: To some extent we need to take David's point on the chin. If you say, "Will the state have to pay for places which are left open?", yes, it will. Let us be honest about it. It does already. We have 92% occupancy rate in schools; we have 8% surplus places. Nobody is moaning about that. I would wager with you that, give it 10 years, on efficiency grounds alone that system will prove to be better than the status quo, just because all the history of organisational theory tells me that that is probably the case. Yes, it will require surplus places but we do have surplus places, and in fact we have falling rolls in lots of authorities but because of the surplus places guidance we are closing them down. If we altered that and did nothing we would find that we had surplus places without any extra addition of money. It is a problem, and it is true what you are saying. I just think it is less of a problem than you think. Also, I would not want to set up the idea that everyone must have choice as the test of whether choice works. It will never be the case that everybody gets their first choice. It is inevitable.

Q29 Chairman: Having got Sir Christopher here and just pursuing Brian's point for a moment, and I know this is all very abbreviated but let us just try and do it, on your model as I understand it everybody can exercise a choice, in this case on schools. They can decide to go to whichever school they want and the state will stump up the cash. Is that right?

Sir Christopher Gent: No. They have the right to exercise choice. The state should stump up when they cannot afford to exercise choice. That would be a large slug of the population but we are talking about a co-payment system, not the state funding every individual requirement. For those people who choose to go to more expensive schools, that may be their choice but the state should not fund all the way up. It is a matter of whether the person can afford to exercise the choice they have made.

Q30 Chairman: We are not going to pay for people who can afford it. Is that right?

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Sir Christopher Gent: Yes.

Q31 Chairman: Although on some models that does happen, does it not?

Sir Christopher Gent: There a lot of people who currently opt out of the system. That is fine, but if you want to make choice available to all you have to say that you are going to support to a much larger degree. Those that can afford to pay are more than those are not paying.

Q32 Chairman: We are going to pay a standard tariff, as I understand it, to people who now pay to go to private schools, are we not?

Sir Christopher Gent: Yes.

Q33 Chairman: We are going to pay the standard tariff to them and allow them to top up.

Sir Christopher Gent: To spend more, yes.

Q34 Chairman: That is quite a big cost we are going to take on to start with.

Sir Christopher Gent: Not necessarily, if you lower the overall point at which people would have to make contributions themselves. If you look at the total cost of educating a child, as I understand it, it is about £6,000 a year next year. There are an awful lot of commercial suppliers that would come into the market at that level.

Q35 Chairman: Let us just see how this is going to work in terms of our person who reads the league tables and says, "Look: there is a very successful school over there. I would like my child to go there. I have got a choice and the state is going to fund it up to the standard tariff. I apply to go to that school". Then what is going to happen?

Sir Christopher Gent: It depends on whether that school is over-subscribed.

Q36 Chairman: Yes, of course. It is full.

Sir Christopher Gent: Then they will be selected or not, and then there will be other choices you make. That is what happens in life generally. You do not always get a choice.

Q37 Chairman: The position is not going to be much advanced over the present, is it, if they send a letter back saying, "I am afraid you cannot come"?

Sir Christopher Gent: I have to tell you that normally there are two or three things available that you could choose from. You may have a particular preference and if you are successful in that selection, fine; if you are not there will be alternatives. This is not a single rule that applies.

Q38 Chairman: But people will say, "This is a funny kind of choice because when I try to exercise it I find it is just the same as it was before".

Sir Christopher Gent: I would suggest to you that that happens in virtually every other walk of life. You may want that holiday rather than this; that may be booked up, so you take the next. That is what life is about.

Q39 Chairman: Just tough?

Sir Christopher Gent: Absolutely. That is the life that we all lead.

Q40 Chairman: Just get a cheaper mobile phone?

Sir Christopher Gent: Absolutely right. Tell me about it.

Lord Blackwell: Chairman, can I come in on this? It seems to me that if you reduce the arguments that are being put forward to the extreme you get to the situation that the Soviet Union tried for a long time, that is to say, the most efficient thing is only to have one brand of car and one brand of television or whatever because then you do not have all the costs of producing all these different models and all that excess capacity and all that stock sitting in shops. The trouble is, it did not work because without the pressures of choice and competition things get to be very inefficient. All we are saying is yes, there are theoretically additional costs of building choice into the market and people may not immediately get the choice they want any more than they can necessarily book the most popular restaurant, but over time what that market does is drive efficiency and quality, and therefore if a restaurant is bad it closes and a better one opens and you end up with good quality restaurants around town. We want to have good quality schools around town driven by exactly the same thing and any perceived additional cost will be more than offset in the long run by the fact that you end up with a much more effective and efficient system but, more importantly, you get better schooling.

Q41 Chairman: I am not sure we are persuaded that there is only the pure market over there and the Soviet Union over here and nothing much in the middle. I think it is the middle that we are most interested in exploring.

Mr Herbert: Can I agree with you about that because I think there has been a tendency to polarise this debate in exactly the way you describe. This is not about a choice between a wholesale state monopoly, which we do not have at the moment, and the complete withdrawal of the state and the privatisation of these services. If one thinks about the continental models of health care, for instance, these are what you might broadly describe as public systems which have rather greater equity than we are providing in health care in this country in the sense that there is rapid access to and choice in health services. People of poorer means do not get worse quality health care than better off people as they do, for instance, in this country where health inequalities are a serious problem, and yet these are systems in which, for instance, in Germany 50% of the hospitals are not actually owned or run by the state; in France it is 30%. We mentioned schools in Scandinavia. You have what are essentially public systems which are delivering services equitably but where there is not a hang-up about whether the providers should be run and owned by the state. It is possible to design systems in that way. They are systems in which choice is a practical reality, so I do not think we have to theorise about this or believe

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that it is some kind of Hayekian nirvana on the one hand or communism on the other. What we actually see, I think, is a much fairer system in operation because they do not have some of the ideological hang-ups that we have had in this country, I would argue, for too long.

Q42 Mr Prentice: I am interested in limits to choice. Where do you draw the boundary and say to customers, consumers, citizens, whatever the nomenclature, “You cannot exercise choice here”? Someone mentioned earlier the Netherlands, that the whole country is the catchment area. I do not know how they deal with transport costs, for example, but it is legitimate, is it not, for the state to say, “You can exercise choice but only up to a limit. Otherwise it is going to cost too much”?

Mr Collins: Of course, yes. You do not want the state to subsidise outlandish choices. You have put your finger on one of the obvious limitations to choice, which is transport. Actually, you find that when you give people choice they by and large do not want to choose to send their child to a school in the next town. They tend to choose a school which is quite close to them, so in most cases the problem does not occur. Where it does, however, you need guidelines. In my view you have to subsidise transport; otherwise the effective choice is completely reduced for people who cannot afford to get from A to B. The bottom 10% by income in this country travel half a mile to school; the top 10% travel three and a half miles to school. That is just because they have got cars and their choices are much greater for that fact, so you have to subsidise transport and you have to come to some arbitrary and clunky view about how far you are going to subsidise people within the existing transport infrastructure, how far you are going to allow them to travel. There is no obvious principle on which that can be decided; it will be different from area to area, but you have to come to some decision on it.

Q43 Mr Prentice: Someone in the centre will decide what the boundaries are?

Mr Collins: They may not be at the centre. I am just saying that somebody has to decide. It is a limitation on choice and that decision has to be arrived at because otherwise it is not going to work. It is not an insurmountable problem. There are another two limitations on choice linked to that. First of all, geography, the fact that we organise our public services according to rigid local boundaries, is a severe limitation on choice, particularly for those who live in poor areas which have always tended to have the poorest services. Secondly, a very big limitation on choice is information to people and the expertise required to use that information. The patient care advisers and the London Choice pilots have been very good examples of trying to fill in that gap, so this again is not an insurmountable problem but people do need guidance through the process. The crucial thing there is that the patient care advisers are independent from GPs. They essentially

are agents for people going through public services. In that way you can get over what would otherwise be very severe information problems.

Q44 Mr Prentice: Lord Blackwell, you told us earlier about the form-filling, that that is a great burden on teachers. In your regime how would audit and inspection information work because in order for parents to exercise choice they have to know what is happening in a school? That implies form-filling by someone, does it not?

Lord Blackwell: Not the current kind of form-filling. It is perfectly reasonable that a school should have an audit in the same way as any other organisation does to tell the outside world some objective view of what is going on. Whether Ofsted or some other organisation does that, it seems to me perfectly reasonable that parents would want some objective view on what they are buying. That is not the bureaucracy that most head teachers now are complaining about. What they are complaining about is filling in plans, revisions of plans, requests for money that have to go into umpteen pages of detail, reporting on a whole range of different targets which have all grown up with the best of intentions by a central administration that says, “We have got problems here. Let us have an initiative to deal with it because we are responsible”. This is the point I made initially. In any centrally run organisation you build up layer after layer of attempts by the centre to control what is going on. What I am suggesting is that if you cut through all of that, have an accountable local organisation, accountable to the parents because it is the parents who can exercise choice, yes, you will want some external inspection regime and yes, if it is being funded from the state (which we are all agreeing, that the core part of education and health should be funded from the state), there has to be somebody in the middle who is setting the boundaries around what that funding can be used for and therefore what are the limits to choice, but you can cut out an awful lot of the middle levels of administration and bureaucracy which at the moment are only there to look over shoulders and impose the kind of performance standards that parents are much better equipped to do.

Q45 Mr Prentice: To what extent does the school owe a responsibility to the wider community? We heard on the *Today* programme this morning Charles Clarke tell us that all schools would have to take their fair share of unruly pupils, I think it is about four per school. Are you relaxed with that?

Lord Blackwell: That is a policy issue which cuts across whichever kind of system we are talking about. You can argue the pros and cons of the current system or that system. I can see reasons why head teachers might wish to say, “There are pupils here who are genuinely going to be disruptive to the rest of the pupils in this school and if they are going to disrupt delivery of the kind of quality education I want, then those pupils have to be dealt with in a different way”, and I think there is a good argument for having special facilities to deal with those pupils

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rather than trying to pass the problem around. That is exactly the same under the current system as it would be under the system we propose.

Q46 Mr Prentice: To what extent should choice be constrained by a government's wider goals? Let me give you a specific example. A group of Muslim parents want to set up a single sex Muslim school for girls and that clashes with the government's community cohesion agenda. Should those Muslim parents be encouraged to set up their single sex school?

Mr Collins: No.

Lord Blackwell: I think it is perfectly reasonable for the government, in using taxpayers' money to fund education, to put limits around what they think that money should be used for.

Q47 Mr Prentice: But that would be a big deal for the Muslim parents because they would say, "Hang on a minute. We have Church of England schools, we have Catholic schools, we have Jewish schools—"

Mr Collins: You would have to get rid of all those too.

Q48 Mr Prentice: "—and all of a sudden, because of some other reason, you tell us that we cannot set up our single sex school".

Lord Blackwell: I have not yet addressed your specific question. I was just agreeing that the government does have the right to decide how public funds are going to be used. Whether or not it should be used for a particular kind of religious group or not is a decision that has to be made by society and by Parliament looking at that particular group. I would probably tend to err on the liberal side of that question in terms of saying that there should be as much diversity as possible so long as they subscribe to a core set of standards and curricula which would include ensuring that they are part of a cohesive national culture.

Mr Collins: I have said before that it is a crucial question about who chooses. If you allow schools to set their own selection criteria, whether they are intellectual or religious, then you are violating that principle, so I will be quite clear about it: no, they would not be allowed to and that would imply the abolition of all the others too. Whether or not I would say that if I were an elected politician faced with doing it is a totally different question. If you are asking me what would consort with the evidence and what would be the best outcome, it would be that.

Q49 Chairman: On the Lord Blackwell model, just so that we are clear, is it schools that are going to be doing the choosing or is it going to be the people wanting to use them who are going to do the choosing?

Lord Blackwell: It is the people wanting to use them who set the demand and it is the head teacher and his governors, in looking at what is demanded of them, who decide how they are going to respond to them. A school ultimately will decide its proposition to the market. If it had a proposition that attracted lots of

pupils and made lots of parents happy then that would probably be pretty satisfactory. If it had a proposition which did not attract lots of pupils and made parents unhappy then it would change.

Q50 Chairman: So if its proposition to the market, as you put it, is, "We only want to deal with bright children", or, "We only want to deal with well-behaved children", that would be perfectly fine?

Lord Blackwell: I think there is scope for schools that want to offer that but clearly there would be a lot of children who would not fit that category and the school would have to make sure that it could attract enough pupils to fill its classrooms.

Sir Christopher Gent: This is not an unusual choice. I personally fundamentally disagree with the idea of shutting down schools which are religiously based, because if a group of parents come together and say that they wish to have a school which suits their denomination but within the overall exam framework and structure that we have I do not see that it is right for us to say, "You shall not". The political difficulties of unwinding Catholic and Jewish and other schools are immense but that is beside the point. Diversity is important and should be respected.

Mr Collins: Can I just clarify why it is important to be against selection in the context of choice? It is because it undermines choice. The purpose of choice is in order to make schools get better. The way it makes schools get better is by exerting a pressure on them: the pressure that parents might go somewhere else. If you allow schools to select pupils who are easy to teach you undermine that pressure, so the very case starts to unravel if you allow that. The paradox of this is that a very traditional political argument opens up in this tiny space that only I seem to occupy, which is on the anti-selection side of it but pro-choice.

Mr Herbert: There are some Scandinavian systems in which selection is permitted but they are sufficiently diverse that it is not, if you like, the kind of political issue that we have here. I have one thing to say on information. At the moment we have a system where information is provided largely by the state but is of no use to patients or parents who can do very little about it. You may be told that a hospital is under-performing in some way, and these are imperfect provisions of information anyway, but there is very little you can do because you have few choices in the system. The fact that information is provided to you as a parent in Scandinavia or as a patient in France or Germany matters because you can choose your insurer and decide which service you would prefer. There would, of course, then be the potential for far greater sources of information from the private sector which we simply do not have here at the moment. We have guides to a range of other activities in our lives but relatively few in relation to health care and education because we have a constrained system in which the provision of that information is unfortunately of little use to the patient or the parent.

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Chairman: What we are testing is whether there is going to be more real choice, particularly for those people who do not get much choice at the moment. I think that is the test that we are trying to apply to the system. Gordon, are you done?

Mr Prentice: Yes.

Chairman: David?

Q51 Mr Heyes: I confess my attachment to public sector provision. I came into politics through the trade union route. I suppose I would be amenable to the criticism that people coming from your perspective would make, which is that the provider interest was my bias, I openly confess that. I just wonder to what extent you would confess your bias. Clearly Sir Christopher's position as a leading light of the market is very clear. Who funds your organisations?

Lord Blackwell: The views I have expressed are my personal views, they are not an organisational view.

Q52 Mr Heyes: Your interesting booklet that we have read says that you have a range of business interests. Could any of those be seen by somebody like me, who wanted to be critical, as giving you a bias towards a particular business interest which would drive you to want to open up the market to create more market opportunities?

Lord Blackwell: I think it is more the other way round in that we attract support, as I am sure other organisations do here, by people who agree with the philosophy we have been putting forward. The bias I have is towards consumers as opposed to producers. My bias is towards the pupils and the patients, I want them to have the best schools and the best hospitals and I think we are constraining the delivery of that by the way the current system is structured. I am very happy to declare my bias but it is a bias towards the end user.

Q53 Mr Heyes: So none of the organisations who are active in trying to get into the form of public services that are now privatised, well known names, is funding your type of organisation?

Lord Blackwell: Not that I am aware of. It is not something I look at, frankly.

Sir Christopher Gent: Reform certainly has private donations rather than company donations at the present time, although all donations are welcome. The fact of the matter is that we are driven by customers in the first place, but unless our people feel really satisfied with what they are doing the customers go somewhere else. There is no doubt, there are appalling levels of morale within our public services. If my customers have not got above a 95% satisfaction level with the service, if the employees working in the company do not feel levels of above 80% satisfaction with both their job and the people they work with, you will not gain the kind of performance that produces a satisfactory service for your customers. What we have at the present moment, and this is something which is brought home to us time and time again by people we meet in the health service and the education service, is people who have poor morale, who feel

unappreciated, who feel under pressure and who know that they are not doing the job they would like to do for their clients, be they patients or pupils. You say you come from a producer background and I can understand where you are coming from, but the producers are not happy any more than the consumers are and that is the thing that you should be thinking about. It is very motivating for the people providing the service that they have a direct relationship with their customer and they will not be answerable to tiers of organisations and bureaucracy, which is the current case. You might just reflect on that coming from where you come from.

Q54 Chairman: Do you think a refrain which says that public services are appalling and they cannot get better, which is what your literature says, is designed to improve morale?

Sir Christopher Gent: The fact of the matter is that they are working in a structurally inefficient and ineffective way. People inside the service know this, consumers know it and yet they have been a prisoner of this situation for years. Is it any wonder that people get depressed in those circumstances? There is no break out that is happening, there is no fresh supply coming and there is no opportunity for the consumer to exercise choice for the vast majority, and I am not talking about the few that can opt out.

Mr Collins: One aspect of the comparison between public and private sectors is completely misconceived. We are asking public services to do something which is intrinsically much harder than those private sector businesses are doing, which is to take people who are intractably difficult to reach, very hard to educate, with all sorts of problems and do something good for them. If that was a business proposition you would go and work somewhere else. We need to remember that when we make these easy comparisons between the two. Let us think of the most difficult business problem ever and see how people cope with that one.

Q55 Chairman: It is harder than selling mobile phones, is it not?

Mr Collins: I think it is.

Mr Herbert: Fifty per cent of the hospitals in Germany are not owned by the state. Private companies are running the hospitals in Germany and in France. I think this artificial distinction between there is either a public sector or there is a private sector—

Mr Collins: I did not mean to imply that because in answer to David's question I was completely agnostic on who does it. I suppose I have got all sorts of biases which are incoherent. I run a place which came out of the SDP which makes us pretty friendless and we have been funded on occasion by companies involved in this and we have also been funded by trade unions and we are also funded by charitable sources. We try and take money from all of those people, but I do not think the bias is evident. The one crucial bias is agnosticism about who provides. I just do not think it matters.

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Chairman: I am not sure it makes you friendless. It makes you well connected in Downing Street.

Q56 Annette Brooke: It does seem to me, particularly with the schools situation, that we are looking at so many aspects of market failure that you are trying to overcome and you have mentioned the transport costs and I am not sure that one can ever overcome these. I would like to give you another real world example. We spoke about what happens if the school expands and it changes its character. Let us suppose I am the parent. I have chosen a small school for my children, I am there, but there are a lot more parents outside choosing this school and there is a conflict. I accept in the business world the head teacher might take that on, but the reality is that a group of parents inside the school—in this particular instance it was not me as the parent, I was the poor politician in the thick of it—persuaded the head teacher that the school should not be expanded. How does the market model work in those circumstances?

Lord Blackwell: The only solution to that is not for that school to expand. As Nick was saying, we under-estimate, because it has not been our experience here, the scope for other people to come in and provide alternatives if there is an opportunity for funding to be provided for those. People do not set up new schools to take state pupils at the moment because they cannot get paid for it. It may be perfectly reasonable for that school to say it would change its character if it got larger, but if there is a group of parents who want that kind of school then why should somebody else not provide that sort of school as well?

Mr Collins: It does happen elsewhere. It does seem odd to us that that is a good answer. One of the most remarkable things about what happened in some of the states in America was precisely the flourishing of new providers. We have probably the most regulated school entry market in the developed world. If you look at Scandinavian countries, it is much easier to set up a school there than it is here and it does work. The answer would be that there would have to be another small school.

Annette Brooke: I just cannot see it.

Q57 Chairman: We have had a memorandum from the Audit Commission on all of this which says, “There is no ‘big bang’ solution to increasing choice; maximising choice should be an integral part of a culture of continual improvement.” You are “big bang” people, are you not? You are not interested in continual improvement. You just think there has got to be a great big bang that blows the system wide open.

Sir Christopher Gent: Objective assessments of the so-called “continual improvement” would not give a very good judgment on that.

Q58 Chairman: You do not point to any improvements that are going on in your literature, you simply point to the infirmities of the system and the need for this “big bang”, which is contrary to what the Audit Commission tells us is the sensible approach.

Mr Herbert: It does sound rather like Sir Humphrey might have minuted it to a minister prior to the liberalisation of telecoms. “There is no ‘big bang’ solution. We are engaging in a constant process of improvement.”

Q59 Chairman: So the Audit Commission people are the bad guys as well?

Mr Herbert: I think they are wrong about it. We do not have to rely on the ideology here, it is worth looking at the experience of systems overseas. I appreciate that you said, for instance, you could not see that new schools would come in, but we can see evidence of that having happened in the United States of America and in Sweden and the evidence is rather compelling. If you talk to the parents and the teachers in those establishments, one of the things that is very clear is that, as Sir Christopher was saying, often these stories are quite moving ones about the way in which aspirations have been transformed for pupils and so on, but their morale is very high and they feel an intense sense of satisfaction for the service which they are able to provide to the community. That evidence is all available on our website and on others. One of the things that I would very much like to do is to make sure that it is available to the Audit Commission.

Sir Christopher Gent: By the way, we do support initiatives, such as the tuition fees, such as the foundation hospitals, that takes the overall policy direction in a way which we think is going to be better for the service and better for consumers. By the time those measures come through the legislative process they may look rather different from how they started out and as a result of that we might express disappointment about what happened to initiatives which we think are well thought through and effective in the first place. Our fundamental point is that being both the producer and the payer is going to lead to inefficiencies and we see it time and time again.

Q60 Mr Prentice: Nick, you said very dismissively about the Audit Commission memorandum that it was something that could have been written before BT liberalisation. Has the Audit Commission produced any measurable improvement at all in public services, with all the literature that they produce, all the studies that they do trying to change behaviour, to make public services more responsive, has it made any difference whatsoever?

Mr Herbert: The choice is between a centrally directed and produced system in which all the effort to lift up standards has to be through central initiatives of that kind which I think has given rise to quite a lot of the problems, particularly problems of morale in the public services themselves that we are seeing. If you are running a highly centralised system, you are directing huge extra resource into that system in order to try and gain improvements very quickly. What are the levers that are available to you to try and ensure that standards are driven up? They are levers of centralisation, performance units and inspectorates and so on and these are the target culture that results in poor morale locally.

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What we are saying is that there is a more dynamic system in which you would expect standards to be lifted by a different means. The Audit Commission is in a sense a part of the centralised system, its job is to offer advice and audit as part of that centralised system and I would not expect them to be looking at how standards may be lifted in a more fluid system which exists in other countries.

Mr Hopkins: Just one criticism of the attack on centralisation. The fact is that in Eastern Europe educational standards were much higher than they were over here. Young people who came to Britain from Eastern Europe found they were two years ahead of us in mathematics, on average. The French system 40 years ago was very centralised. The French working people had much higher standards of mathematics and language than ourselves. These were centralised systems. Centralisation is not necessarily wrong.

Q61 Chairman: I think we will take that as a statement because that is going to take us back in to territory we do not want to go into. I am still struck by the fact that the logic of this position seems to be, although you are advocates of a smaller state, if you are really asking the State to fund large excess capacity to enable choice to operate in the way that you describe it you ought to be out there advocating much bigger public expenditure, larger taxation, because this is the kind of prospectus that you are giving us.

Mr Herbert: If you look at health care spend, Britain's health care spend has now exceeded the EU average and in three or four years' time it will match the level of health care spend in France, but there will be a very important difference and I am talking about the percentage of GDP, which is that in France a quarter of that spend will come from private sources and that will be double the amount of spend in this country. I think it is perfectly possible to conceive that with increased demand for health care and so on as a nation we may wish to spend more as a percentage of our GDP on health care and that will be fine. It is a question of the extent to which it is desirable for the State to be meeting all of that expenditure itself and the efficiency with which those resources are spent.

Q62 Chairman: When I read your literature I see that you are extremely generous with public spending, you want to spend money all over the shop in order to extend diversity and choice.

Mr Herbert: I do not see how you can read that from the literature at all.

Sir Christopher Gent: It is just not there. It is misleading, Chairman. We have said that we want people to pay more out of their own resources and direct the State's funding to help those that cannot do that. That will not mean an overall increase in public expenditure, it will mean people who can afford to pay will pay.

Q63 Chairman: But you are even more generous, you are going to pay for people from the State that are paying now privately. You could not be more generous with public spending.

Sir Christopher Gent: Not necessarily. If people want to pay themselves, they will.

Q64 Chairman: That is what you are saying you are going to do. You are profligate public spenders.

Mr Herbert: This will take us into a big argument about the productivity of the public sector which is declining at the moment and the efficient allocation of resources and we would be arguing for a system that is more productive.

Q65 Chairman: I think you are big state people, not small state people.

Lord Blackwell: I have to disagree with that, as you would expect. It is not a question on these issues of how much money is spent, it is how it is spent. We have budgets set out under the current plans for significant further increases in expenditure on health and education after the already significant increases over the last few years. What I am arguing is that that money can be far better spent if part of it is used to encourage a different structure that allows diversity, allows freedom at a local level and encourages choice. Even if you stuck to exactly the same spending levels going forward, you would get a far better health service in five years' time if you go down that route. Yes, you may have to use some of the resources at least temporarily to cover some of the transitional issues. Any restructuring involves some cost. That would be a cost well worth paying to get to the end point of a structure that is then using that money much more effectively at the end of the day. The smaller state in my argument is about getting the Government out of doing things, so a smaller state in terms of Government realising the limits to what it should do in running services.

Chairman: We will have to stop. I am very grateful both for what you have said today and for the information you have supplied to us. Thank you very much for coming along.

Memorandum by the Rt Hon Lord Hattersley (CVP 15)

Choice is, in many aspects, an essential ingredient of freedom. However, this morning we discuss it in the special context of public policy—choice as a method of allocating social services and resources and as an instrument for improving the efficiency of the public sector.

Choice as the guarantee of efficiency—regarded only 10 years ago as the view of ideological extremists—amounts to the operation of a market within the public sector. “Good” schools and hospitals attract more patients and pupils whilst their “bad” competitors wither and die. But, even in the private sector, the market tolerates the existence of inefficient companies and the collapse of the least profitable always takes time. In the public sector price, one of the main determinants of consumer satisfaction, does not guide choice. Reaction to the quality of public services would inevitably be slow. As a result, allegedly “bad” hospitals and schools would continue to operate, inefficiently, until the Government—not the consumer—decided to close and replace them. The whole process would take so long and be accompanied by such adverse publicity that it could not possibly be used as a general method of improving performance. Recent history shows that the Government will make a few closures but the choice will be made by ministers and its scope will not be sufficient to justify the idea of a general improvement in efficiency.

Choice as a method of allocating resources is certainly possible and therefore a far more dangerous instrument of policy. For choice to be real—rather than a matter of whim or fad—there needs to be real differences between the services and resources available. In our present society the difference often is—and will always be seen to be—between “good” schools and hospitals and “bad”. The perception of good and bad may be faulty. But that is how the consuming public will see the alternatives. For choice to be real there also has to be an adequate supply of the most desirable commodities. Nobody suggests (see the previous paragraph) that there is a surplus of “good” hospitals and schools. The net result is that a proportion of the public—in a system of extended choice—will obtain the services which they regard as most desirable. Others will be left with no choice other than to accept what is left over.

There is no doubt about which sector of the community will make up each of the categories. The articulate and self-confident middle classes will insist on the receipt of the superior services. The further down the income scale a family comes, the less likely it is to receive anything other than the residue which is left after others have made a choice. This situation creates a double detriment for the low income families. Not only are they left with the worst services and the least resources. It is increasingly assumed that even in their sector no improvements or additions are needed. After all, the people who complain most about the inadequacy of the public sector will be increasingly satisfied and therefore not exert pressure on parliament and politicians. The result is less pressure for general improvement.

The vulgar complaint against the diagnosis set out above is that it patronises the working class. Perhaps so. But the situation it describes is undeniable. I am bewildered how anyone with any experience of life—and particularly Members of Parliament with experience of constituency surgeries—can doubt that a certain sort of person talks his or her way into a disproportionate share of public provision. That is a process which—while high quality services are in short supply—ought to be reduced rather than extended.

The above notes are written on the assumption that a theory of choice is genuinely offered as a remedy to social problems—though it is difficult to take seriously an idea which, whilst claiming academic provenance, relies on the slogan “choices and voices”. There is also the strong possibility that both major parties have espoused choice because—despite its inadequacy as a policy—it appeals to target voters. Its appeal to the middle classes I do not doubt. It is its moral justification which I question.

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Witness: **Rt Hon Lord Hattersley**, a Member of the House of Lords, examined.

Q66 Chairman: If I could get us together again and welcome our witness to the second session of the morning which is Lord Hattersley. I am sorry for the slight delay in hearing you. We wanted to do justice to our previous witnesses.

Lord Hattersley: I have not had an excursion into Utopia for some time!

Q67 Chairman: We very much wanted to hear from you as part of our inquiry into these issues because of the way in which you have expressed a certain approach to them, and thank you very much for your note beforehand. I do not know whether you want to say anything by way of introduction or whether you want to move into some questions.

Lord Hattersley: I am in your hands. My note was a brief resume of my views on the subject and I will not weary the Committee by repeating them.

Q68 Chairman: My little briefing note for your section here says, “This session provides the Committee with an opportunity to question a leading sceptic in the debate about choice.” I think you are more than that. You tell me in one of your *Guardian* pieces that choice is “an obsession of the suburban middle classes”. It is rather more serious than that if we believe someone like Phil Collins from the Social Market Foundation who says it is something that the left ought to be seriously interested in.

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Lord Hattersley: My note does attempt to make a specific point, which is choice as an instrument of public policy, choice as a way of allocating resources and which, despite the evidence I heard two minutes ago, I believe in my lifetime, Chairman, probably yours, will continue to be scarce. The notion of a society with a huge surplus of resources which might give us certain realities of choice seems to me to be a chimera. My objection to choice is how I have described it in those rather lurid terms which you quote from *The Guardian*. I have absolutely no doubt at all that if choice as conceived within the present limitations of resources becomes an instrument of the allocation of Government resources then the net result will be a disproportionate advantage to the articulate, to the self-confident and the demanding and they are basically the suburban middle classes.

Q69 Chairman: Someone might think that this resolute opposition to choice mechanisms of all kinds is reminiscent of the voice which said you cannot paint your council house door any colour you want.

Lord Hattersley: I can see you have been going through my *Guardian* articles in some detail. I admit that in my misspent youth I was the chairman of a housing committee which not only stopped people from painting doors according to their own taste but prevented men in Sheffield from keeping whippets or pigeons. I have grown out of that. Choice as exercised by individuals is something I want to promote. Let me give you an example. I very much support Dr Reid's proposals for the smoking restrictions because they do offer the opportunity for one group of people to do one thing and one group of people to do another. I would not object if a group of Muslim parents wanted to set up a Muslim school in what was once my constituency in order to represent the religion they follow and to be faithful to Islam. My objection is to the imposition of choice as now advocated by both major parties and the consequences of that. I wonder if I can give you a simple *ad hominem* example of what worries me from my own experience. I had an angioplasty five years ago, which is when a sort of flue brush is inserted into your main artery to clean it out, and have lived happily ever after. After two and a half years I got a message from one of the great London teaching hospitals which said, I thought rather amusingly, "Two and a half years have passed, it is therefore time for your annual examination." When I went for the examination I made a joke about this and the doctor said to me, partly in defence of their rather strange message and partly in reproach, "But we would've thought you were the sort of person who will argue and press. We were astonished that you just waited for it to happen. Aren't you the sort of person who insists on getting what the health service can provide?" I am normally. What worries me is the sort of person who is not able or competent or likely to press for what the health service will provide and they are the people who normally wait two and a half years for the annual examination. What astonishes

me about the political debate on this subject is that politicians who turn up to their weekly or fortnightly constituency surgeries do not know that there are two classes of people, one who will make the choices and get the best and the other who will accept what is left over, and what worries me is what is left over and the people who get it.

Q70 Chairman: Let me take us perhaps a little further on this and bring in a friend of yours and a friend of mine, which is R H Tawney. Tawney said, as you well know, that we should not just deal in what he called "resounding affirmations", we should attend to the facts of the case. If we attend to the facts of the case then surely we discover that the post-1945 welfare state has not been very good on equity despite what you have just said. All the evidence says not very good on equity, does very badly for the least articulate and the poorest and that would suggest that we might be interested in mechanisms that would do better for them. If we look at the evidence, it suggests that there may be a role for choice mechanisms in doing this. I would like to quote from Phil Collins from the SMF who was here because they have been doing some work on all this. He says, "There is solid evidence from abroad that choice can improve services without impairing equity", and he goes on to say, "It is not true to say that choice mechanisms can never serve social democratic objectives." If it is the case, and there is evidence to suggest that it can be, that choice mechanisms can serve social democratic objectives and advance the interests of those who have not done very well under existing arrangements, does this not mean that people like you should be instinctively interested in them rather than instinctively hostile to them?

Lord Hattersley: Of course. If the hypothesis you offer was correct it would be my duty to want to have choice, but I do not accept your premise or Mr Collins' premise. Going back to Tawney for a minute, the quotation you gave was Tawney's demand that we should draw up a proper boundary between the public and private sectors, saying that there is no overall rule which governs how much public effort there should be, how much private enterprise, but we have to look at it case by case. That was the context of the comment you have just quoted and I agree with that entirely. There are some areas in which choice is necessary for efficiency and for freedom, that is the private sector, although I must say, the market has not been the unavoidable and irrevocable and inevitable promotion of efficiency that some of its advocates try to make out. If your thesis was right and choice in the public sector, where I think it is largely inappropriate, did improve the quality of services then of course I would be for it, but I see no evidence of that. Mr Collins and I were on a radio programme in which he kept urging me to look at a Scandinavian example of how choice improved schools in Sweden, believing, as people of his sort do, that you only have to say Sweden to people of our sort and we will automatically agree with what is said. I looked at the

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example and what happened, of course, is what one might expect to happen, for some people the choice worked extremely well but there was a residue for which it did not work at all and it is those people that concern me. The only way in my view that you can meet the needs of that residual group of people who will not exercise choice is by an overall improvement in the quality of public services and I believe that choice will act as a detriment to that process because we know as practical politicians that services are improved when people agitate and what choice is going to do is provide improved services for the agitating persons and it will then be assumed that it is improved for everybody and it will be improved for the sort of people I used to represent in the Spark division of Birmingham.

Q71 Chairman: Leaving aside council house doors, we know from various choice mechanisms that have been introduced, whether it is the demand from disabled people that they should have direct payments to buy the kind of social care that they want, that these are working well, they are popular and well supported. The move to choice-based letting systems rather than simply being allocated by the council seems to be working well. If we stop talking about choice and start talking about power, that is just giving a bit more power to people, particularly those who have not had very much. Are these not things that we should feel instinctively supportive of?

Lord Hattersley: I quote back at you your aphorism or whatever it was from Tawney. I think there are some of examples you gave where it is appropriate and some where it is not. I would be deeply concerned about extending the sort of choice that I think would be involved in the allocation of council properties. I am sure I know what would happen if that was generally the case and indeed it does happen when it becomes the case. We have what are called "saint estates", which are the estates to which people go who have not exercised the sort of choice you are talking about, they do not get the estates that the more articulate people get and I would be deeply disturbed about that. One of the problems with the argument is we have to generalise in this context. You gave an example where choice might work. Let me give an example of a thing which really worries me. When the Prime Minister made his statement in the summer about education I actually wrote and said that I thought that my constituency, as was, might benefit immensely from the creation of a city technology college. The idea of a special school with additional resources, with prestige and a new building was what decaying centres like mine wanted. What Birmingham then says to me is that it would be marvellous if this city technology college was available to the people of Sparkbrook and Small Heath exclusively, if there is going to be choice, if it is going to be open to the entire population of Birmingham. If it is as good as you make it out to be it will be for the exclusive youth of Edgbaston, Sutton Coldfield and the more salubrious suburbs. That is the sort of choice that worries me.

Q72 Chairman: In principle, though, the SMF position is very much that it all depends on how you design particular mechanisms. If it turned out that you could devise choice mechanisms that advanced the cause of efficiency and effectiveness and advanced the cause of equity, would you not be quite interested in them?

Lord Hattersley: Of course I would. If you hypothesised a situation in which choice is beneficial for all that we might worry about then I would support it, but my position is that that is not beneficial.

Q73 Chairman: That seems to me a naïve *a priori* position as opposed to one which is negotiating the evidence.

Lord Hattersley: This is not Tawney anymore, this is George Moore: "If good is good, I am in favour of good".

Chairman: I think it is time for Anne Campbell.

Q74 Mrs Campbell: Could I go back to your two classes of people, one of whom exercises choice and the other who does not. There are various reasons why those who do not exercise choice are not able to do so. In the case of schools it is because they are living in the wrong areas and they cannot afford to live in the posher catchment areas or perhaps because they are not quite so well educated so they do not have as much knowledge and expertise. One way of overcoming that is to offer professional advice to people and we already have an example of that in the public sector. I want to take you back to the system that we introduced in about 1998 where people who were trying to get back into work, very often lone parents coming back into work, were allocated a personal adviser to help them through the myriad of choices that you had to make about whether you worked part-time, full-time, whether you travel, whether you do some retraining, whether you work evenings so your partner can look after the children or whatever. Those personal advisers appear to have worked very well because we have a lot more people back into work now than we had in 1997. Can you see any advantage in offering people who at the moment do not exercise choice some better means of making sure that they can get the choice they need?

Lord Hattersley: Of course that produces an improvement and it means that some people who would not have the courage or the self-confidence to pursue their own interests would be persuaded to do so and helped to do so by the sort of people that you describe, but it would still leave us with the problem of a shortage of resources which means that some hospitals and some schools are regarded as better than others—and we can make beg the question for a moment whether that is a proper description or "better"—and it would leave us with the problem of who chose the better schools and hospitals and who are left with the rest. I do not think it would help more than marginally.

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Q75 Mrs Campbell: Is it not true that the way that the Government has been organising its secondary education means there are a lot more specialist schools? I have got six schools in my constituency: one is an ecumenical school and four of the others have specialist school status. People are not necessarily choosing schools on the basis that they are better than other schools, they may be choosing them on the basis that they would like their child to go to a school that specialised in music or sport or whatever. Quite honestly, middle class professional parents can make that choice very easily but other parents may not be able to do so. Do you not think some sort of advisory service is essential if we are going to ensure equity in these cases?

Lord Hattersley: Let us deal with examples. I think it is easier to talk about this in terms of examples than in generalities. The specialist schools raise a very interesting issue of education as well as choice because they have different effects in different areas. If it is an urban area where there are two or three specialist schools and two or three comprehensive schools which are not specialist for one reason or another, I have no doubt at all that that in itself creates a hierarchy of schools with all the problems that I see in selective education, because parents and teachers and local authorities see in their minds the idea that the specialist school is somehow better than the non-specialist school and the hierarchy works exactly. In other areas specialist schools are denying choice. One of the things that we have to understand is that the argument about the failure of comprehensive schools is very largely an urban argument. There are counties all over the country where comprehensive schools with their own natural catchment area are meeting everybody's need. In fact, I live in such an area. In the area covered by that school there is great concern that the school is going to become a specialist school for no other reason than it gets extra money, which I understand entirely, but people are saying if we become a performing arts school how will the farmer's lads from up the valleys feel about going to a performing arts school or if we become a sports school, how would the girls who take piano lessons in the market town feel about going to a sports school? I think almost every example of choice has to be judged, as the Chairman has said, on its merits and I think more often than not the merits come down against choice as an instrument of policy because the hierarchy is developed in people's minds and when the hierarchy is there some people get the best and some people get what is left over.

Q76 Mr Liddell-Grainger: You say in your paper, "No doubt the world looks different from Islington."

Lord Hattersley: Yes.

Q77 Mr Liddell-Grainger: Specialist schools in my area have been a great boom, they have done wonders. You made the point about Derbyshire. I have a very big rural constituency in Somerset and specialist schools have been extremely good, the

Government have got it right. Do you not think it is an opportunity for people to specialise in something that may better them for their future life?

Lord Hattersley: It may be, but in the example I have given and in your county example it happens to be a diminution of choice. The school is specialising in one thing and the opportunities to do other things are reduced. The myth of the Department of Education is that they cannot do all the other things to the same degree, but of course they do not. I applauded the notion that every school should become a specialist school because it breaks down the concept of hierarchy. You have to examine how it applies in different circumstances. I think what the education departments are now thinking of, which is schools to be called specialist schools but they do not specialise because they want a wide range of subjects, is probably the answer, ie they get the money and they do not have to concentrate on sport or maths or performing arts.

Q78 Mr Liddell-Grainger: Choice is interesting. We have one secondary and you go or you do not go, you do not have choice. They have got technology status which has been a boon to an area which desperately needs inward investment. Surely that is the right sort of choice.

Lord Hattersley: You say there is one school for the whole rural catchment area and there is no choice. There is an immense amount of choice. One of the great advantages of the comprehensive system is that it provides more choice but it provides it within a single building or a single institution. The comprehensive system provides far more choice than I had when I was shuffled off to a grammar school at eleven and far more choice than I would have had if I had not passed the 11 Plus. Within the comprehensive school the choice is there.

Mr Liddell-Grainger: I have been looking through some of your *Guardian* work—I do not always read the *Guardian*, I only read mass circulation papers—and you are not a choice man. You like the more structured way of education or structured way of health or structured way of delivering public services. You do not strike me as a choice person at all.

Q79 Chairman: I think that is probably an accurate summary of the articles.

Lord Hattersley: It depends on the context in which I am so described. My paper says that choice as a method of allocating public services is certainly possible. I am not in favour of that because I think it will result in the people who most need help getting less help, at least comparatively, perhaps absolutely, than they are getting now. I confess that my entire political existence has been biased in favour of what was in my youth the urban poor, they turned into the brown urban poor when I became the MP for Birmingham, but they are a group of people who are neglected right now by both political parties and choice in my view will be a disadvantage to them and somebody ought to say something on their behalf.

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Q80 Mr Liddell-Grainger: You give a wonderful description here of speaking in Edinburgh when you said that hopefully after the next election Tony Blair will take a few faltering steps forward towards a more equal society. We have passed that argument, have we not? You have got the Government of the day at the moment talking of choice and the other parties talking about choice of some form or other. Have we not moved on? Are you not, dare I say it, the dinosaur of the old days?

Lord Hattersley: Could I suggest to you that it is more sensible to judge ideas on their merits rather than on their age. I tend to defend my merits on my age. Look at the last paragraph of my paper. My suspicion is that between now and the next general election both parties will talk a great deal about choice because it is immensely attractive to the target voter, but I think the most extreme group of choice which we heard half an hour ago will be laughed out of court by the government which is elected after the next election.

Q81 Mr Liddell-Grainger: One of the problems for public expenditure is that it is getting more and more expensive to educate, to heal, to do whatever we have to do to keep the public system going. Surely we have to build in choice simply because as a nation collectively we cannot afford not to have choice.

Lord Hattersley: Let me look at the implication of that. The answer to that is only yes if you are saying it is a way of saving expenditure, that is the implication of your question and I then ask on who the saving is made and my conclusion from the experience of choice is the saving that you want will be made at the expense of the people who most need our help. You are confirming my concern by thinking of choice as a way of saving money.

Q82 Mr Liddell-Grainger: That is the whole dichotomy, is it not, that we do not have the answers to the problem? I cannot find what it costs to educate a child per annum, I think it is £6,900 but it is going up to £7,000 in the very near future. It is becoming so expensive that unless the nation continues raising taxes we are going to have to build in choice just to hit those levels.

Lord Hattersley: You say “unless the nation continues raising taxes”, but there are some of us who do not consider that a sin against the Holy Ghost.

Q83 Mr Liddell-Grainger: The Prime Minister might.

Lord Hattersley: Some of us think this nation could afford more on its public services and people like me and, for all I know, people like you could afford to pay a little bit more in taxes to provide the extra resources.

Q84 Mr Liddell-Grainger: It is basically going to go up by about £700 per child, per annum.

Lord Hattersley: Chairman, I am not sure if I am entitled to ask questions. If I am, tell me how choice saves money except by saving it on people in the bottom income scale?

Q85 Mr Liddell-Grainger: It creates the ability for public services to build in its own ability to do things. In my local hospital they do not specialise in cancer care, but they do in the hospital up the road. You go to another hospital of your choice to get the care you need and that is choice. That is built into the system. Should we not expand that so that people get a wider ability to go where they want to for the same provision?

Lord Hattersley: I am not opposed to my GP being allowed to perform minor acts of surgery on people's boils and therefore reducing the queues at major hospitals. I am not even opposed to the health service's proposals that nurses in hospitals should perform tasks which have been traditionally performed by doctors. That is not the choice we are talking about. The choice we are talking about is a man or a woman who says I am competing with another man and another woman in different circumstances, with different abilities, with a different background, with a different psychology, for the availability of scarce resources. Let me give you another example because I think examples are important. *The Guardian* has played a big part in this morning so let me quote from another *Guardian* piece, not my column but when I did a survey into GPs. I saw dozens of GPs and the two that struck me most were these. One of them was a GP in Liverpool and when I asked him what the main problems of his practice were he said his patients seemed committed to neglecting themselves. They eat the wrong food, some of them drink too much, more often than not they smoke, they take no exercise, they forget their medication, they come in when they are ill and they go away and do not complete the course, they will not look after themselves. No matter how hard the health workers try I cannot persuade them to look after themselves. I then went to Richmond, Surrey and I asked the GP what his main problem was and he said, “My patients come here and I analyse their illnesses. I give them a remedy, I offer them a prescription and believe it or not, they then go home and they look up on the Internet what I have told them and they send me emails saying that they have worked out for themselves a preferable treatment and why didn't I do what it said on the Internet”. The patients in Liverpool and the patients in Richmond, which of those are going to get the best out of choice and which of those are going to get very little? It is the patients in Liverpool that worry me.

Q86 Chairman: This is how the system operates now and the question becomes can we do things about the system that will enable those people who do not get much choice now to get more? If we just look at examples and you mentioned the heart issue earlier on, we have had this coronary heart disease choice pilots where basically if you had to wait more than six months to get your heart operation done you could choose to go anywhere and it would be funded for you and there would be patient care advisers who would make sure that those people who were least able to exercise choice were able to do it. Looking at the evidence around that study, it suggests it was extremely successful, people wanted to do it, they

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exercised the choice and those people who exercised choice normally least wanted to do it too. Does it not come back to the point that if you design it in a way that gives people a bit more power over their lives in a way they have not had before it can work?

Lord Hattersley: It may work for a marginal number of people. It did not work for all the people in that example. What ought to be the answer—and this is why choice deflects us from the truth—is an availability of a hospital which does not require you to go through some convoluted process of saying I will go down the road or into the next borough. Choice is likely to inhibit the Government from providing all the resources on the spot. I had a meeting with Mrs Campbell and I quoted her in a *Guardian* article saying that what people want in education is not choice in schools, they want a good school near enough for them to take their children, if they are primary children, or to be near enough to send their children to the secondary in their area and that is in a sense the alternative to choice. As one of your members has revealed, choice is one of the ways of avoiding universal provision of a high level and I am against that.

Q87 Mrs Campbell: I think what I actually said was that the reason people wanted choice was when they were faced with poor services. I think that is a slightly different interpretation from the one you put on it, if I may say so. I used another word which made you rather excited and you wrote about it in *The Guardian*. There is a case for trying to provide people with a choice when their local service is a poor service. It would be fine if we could improve all those services and I agree with what you are saying, it would be great, but we cannot always do it. I have just described in the previous session a school of mine which is probably going to close or amalgamate anyway because a spiralling down of the finances and a leakage away of students have meant that it is no longer a viable school and I think that is a terrible situation for those parents who are stuck in having to send their children to a school that they may not wish to send them to.

Lord Hattersley: So do I. The problems of falling rolls and the reorganisation of schools into viable sizes is, with great respect, a great problem. I fear you are actually saying again that choice is an alternative to providing adequate resources to meet everybody's needs. You said here are people stuck in an area with inadequate resources and some of them choose their way out of it. I would prefer to see the resources made available so they are not forced to make that sort of choice.

Q88 Chairman: I think the question is whether these are alternatives. For someone who used to go your surgeries and now come to ours to be told, "I am afraid that you cannot have the operation within several months, but I can assure you that our long-term objective is to make sure there will be excellent provision everywhere", I think they will be less interested in that argument than one which says,

"Yes, our objective is to produce excellent long-term provision everywhere but meanwhile we can offer you the chance of getting this done."

Lord Hattersley: I could not agree with you more. I do not argue against the expedience to see us through difficult situations, it has been something I understand perfectly well. I endorse the idea of people being bought places in private hospitals when the local public hospital could not meet their needs. It would be crazy to say people should die rather than be allowed to go to a private hospital. I return to the opening paragraph of my memorandum, it is choice as an instrument of public policy, not choice as an expedient. Dr Reid constantly describes it as something which should be built more and more into the system as an alternative to other methods of allocation and that is what worries me.

Q89 Mr Hopkins: Do we not have ample evidence of choice in education already, in the post-war era? Although Labour governments have been attempting to make the system more egalitarian, the reality is that the education system is disaggregated, very hierarchical. The toffs have paid their money and gone to public schools, the active middle classes with a bit of cash have gone to the posh grammar schools and the day schools and there has been an extensive hierarchy all the way down. Even now, in towns, choice operates such that you get a hierarchy of high schools. The middle classes target certain schools and then there is a cascading effect so that the bottom school finishes up with not enough pupils perhaps. If that picture is wrong then I would be grateful if you would tell me, but that is my impression.

Lord Hattersley: That is my impression and I would like to do something to end that rather than to stratify it and extend it.

Q90 Mr Hopkins: In parallel with that, an excellent organisation called Catalyst, of which you are our President, published a report a couple of years ago showing that Britain in the OECD tables has some of the best educated people in the top 10% and some amongst the worst in the bottom third and especially the bottom 10%. Is there not a link between this hierarchal, disaggregated choice-based system of education and this inadequacy in terms of our education of the least able?

Lord Hattersley: I share that view entirely. I think we want to return to the notion that we ought to improve the schools in the worst areas—by the worst I mean the most socially disadvantaged areas—and that we should improve their status as well as improve their performance. If we do that, it does require us to make sure that the benefits they provide are still available to those areas rather than leak outside, which is what choice makes inevitable. I am for restricting some of the areas of choice in education. It seems to me absurd that we should promote the sort of choice you have described by subsidising the independent schools, as we do through their charity status. It seems to me absurd that we should not co-operate with a system which is divisive and damaging, but that makes you and I

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extremists and it is a description I have only lately acquired. It is quite fun in its own way even though it is appropriate to me in its entirety.

Q91 Mr Hopkins: Is there a sense in which in Britain in particular, more so than any other country, because the active middle classes and those with politics not dissimilar to our own have done well out of the system, that there has been a devil take the hindmost for the least able?

Lord Hattersley: We know that. We know from the evidence that what we call the middle classes—and I am afraid when one talks about the middle classes this is assumed to be a sort of revolutionary view, but I just do it as a description of a group in society—have always enjoyed a disproportionate share of resources, we all know that numerically they have had more national income spent on them than they can justify according to their numbers and I have no doubt at all that is because by their nature they are pushy people and I do not necessarily blame them for that. The hospital which I referred to thought of me as a pushy person, they thought I would push and get myself a greater share of resources and some people are and some people are not and it is a product of education, it is a product of social standing, it is a product of success in society and those people will continue to get a disproportionate share of resources unless the Government actively moves the balance in the other direction and that is what I am calling for and that is what I support.

Q92 Mr Hopkins: Is it not just about the distribution of resources but the global amounts? Again, OECD figures show that Britain is still spending far less than many comparable countries on education and on health and that if there is a lack of overall resources the middle classes will manage one way or another to get more than their fair share of that.

Lord Hattersley: Absolutely. I think that one of the unhappier features of contemporary politics is the assumption that one of the Government's duties is to spend a little as possible on certain social services, that somehow higher taxes and high levels of government expenditure may be necessary but we ought to hold it back if possible. I think we need a new system and there is only one way of raising it and unless we do raise it and spend it then not only are a number of individuals going to be disadvantaged but the prospects of the country are going to be imperilled. I am unequivocally in favour of higher levels of taxation to finance high levels of public services.

Q93 Mr Hopkins: Do you not think the Government are right to measure what is going on in schools now, to find out what has been happening in failing schools and to try to do something about it? My impression is that the Government has done that. New head teachers are going in and more resources. In some of these poorer schools, in spite of the lack of overall resource, in spite of the hierarchy, in spite of the choice, they are actually making some progress in doing that.

Lord Hattersley: Yes. I was trying to avoid making political points on this ecumenical occasion. I very much applaud the high levels of public expenditure which the present Government has pioneered. My only regret is that they do not take more overt credit for it. I think the Government should be proclaiming that it is the high public expenditure party, as indeed it is, and it is one thing to make me proud to retain my membership of the party.

Q94 Mr Hopkins: One more question about how we spend these resources. Masses of resources are spent on health in America—they spend twice as much of their GDP on health as we do, but a high proportion get no health care at all. Is it not significant that efficient health services are actually in the public sector and inefficient health services are in the private sector?

Lord Hattersley: Yes. The Chairman and I have spent the morning quoting authority to each other. We were all brought up on Professor Schumpeter who said, "Private enterprise is absolutely essential because it does all the pioneering. No servant girl would be wearing silk stockings had they not been developed for a small number of aristocrats 100 years earlier." The health service is the absolute denial of this. Very many of the processes which have percolated out to the private sector have been the result of pioneering work in the health service. The health service is a shining example of what the public expenditure can do. In countries where there is a higher level of expenditure on health provision but where a large proportion of it is privately financed it still results in the neglect of the people at the bottom of the income scale. You were told an hour ago that the solution to health service spending is to have a bigger private sector because it will meet the needs of a section of the population, but it will neglect the people who worry me the most, who I think some of us ought to be in politics to protect.

Q95 Mr Heyes: I was pleased with your prediction about the wild-eyed advocates of choice being used by politicians to be cast aside after the election. I hope that prediction comes true. What is your alternative model for the use of choice for resource allocation? There has to be another way of doing it. Is it just a return to a golden age or have you got an alternative view?

Lord Hattersley: I do not think I have a model for choice because you are asking me to climb inside Dr Reid's mind, which is something I do not feel terribly comfortable doing. What I want to see is a situation in which the sort of people I once represented go to their doctors or think about sending their children to nursery school or some sort of pre-school education and find easily available something which meets their needs, and which does not involve them going through convoluted processes of, "Should I send the child there, should I go for treatment there". I do not think this is Utopia because in many areas of the country such services are available. What we need to do is in part increase expenditure to meet the needs of the deprived areas and in part switch expenditure from areas which are well provided to those which

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are treated worse. I think that avoids us even asking questions about choice in the allocation of government resources in the particular context which I have described in my paper.

Q96 Brian White: This argument is often portrayed as the classic “Britain versus America”, you either have the model we have in Britain or you have the American model, but if you look across Continental Europe there are a number of models where private and public sector interact, and you have quoted some of those this morning. It seems to me that aspect of the debate seems to be missing.

Lord Hattersley: From what I have been saying?

Q97 Brian White: From the whole debate which is happening on choice.

Lord Hattersley: I am afraid we have to deal with it case by case. There may be some areas where private and public services interact and one improves the other, but I do not think it applies to the two great examples which are normally quoted, which are secondary education and hospital provision.

Q98 Brian White: If you look at the Dutch model of housing provision, for example, which seems to encourage people to choose council houses but actually results in more council houses being built, that seems to me to be a model which is worth looking at although I am sure there are flaws in it. But it does not seem to be on the agenda here, it is either privatisation or starvation of money.

Lord Hattersley: Does it have to be about choice? I do not know about the Dutch model, and there is no point in me trying to comment on it. The greatest example of extended choice in my life in council housing provision was not the ending of unitary policies on front door paint but was the selling of council houses, which was said to provide a choice. What did it do? It provided a choice for a small proportion of the council house population, many of whom then decided they had made the wrong choice because it got them into severe financial trouble, but it did not result in the predicted production of more council houses because of a wilful decision to move away from council house building, and it has left most council estates in a situation of absolute chaos because the physically worst council houses have remained in public ownership and nobody can afford to repair them. If that is an example of extended choice, it shows what a disaster it is if it is done ideologically rather than done, as you say, Mr Chairman, on the merits of the case.

Q99 Chairman: A policy, by the way, if we are swapping names, which the great Michael Young tried to get into the 1945 Labour manifesto.

Lord Hattersley: I do not know how I should react to that! The other thing is that as well as ideas being judged on their merits rather than age, I do not think we can judge ideas on their authority.

Chairman: I thought I would give it a go!

Q100 Mr Prentice: Are council tenants behaving irrationally when they vote for a housing stock transfer in the sure knowledge that those crumbling council houses are going to get money spent on them to bring them up to standard?

Lord Hattersley: They are acting rationally in their own self-interest, but there are many things which happen which we would do in our own self-interests. I suspect in my own self-interest I would be a private medical patient, I suspect in the self-interest of some of the people around the table they would send their children to private schools, but it is sometimes the duty of the Government not only to point out that there is a common good, which may be in conflict with individual self-interest, but also to prevent people from exercising their own self-interest when it is to the detriment of the community at large.

Q101 Mr Prentice: Why is it then in Birmingham, your own city, the council tenants voted against stock transfer, but in Glasgow they voted for stock transfer, and in Manchester they voted for stock transfer? What is it about Birmingham council tenants that saw wider public interest and not their own self-interest?

Lord Hattersley: Well, I do not think it was on the merits of the case. I wanted the situation to continue in which the housing stock remained in the council's ownership but the Government provided the necessary money to repair it. I actually believe it is morally—not a word I use very often—indefensible to say to the council tenants of Birmingham, “If you choose to remain tenants of the local authority, your houses will crumble and decay around your head, but if you are prepared to have them sold off to either a public agency which is not a local authority or a private agency, we will provide money to repair it.” I do not know why the council tenants did not vote for the alternative the Government wanted, and you know as well as I do that votes cannot be attributed to the rational judgment of people. In part it was to do with who was arguing for what, in part it was to do with sentiment about the Birmingham Corporation. Birmingham citizens take local government very seriously.

Q102 Mr Prentice: Is it an example where choice can be manipulated because the Government is setting the terms on which that choice is exercised?

Lord Hattersley: I can only tell you that after 33 years as a Member of Parliament for that city, I was astonished when a very large majority voted for the council houses not being repaired, which is what it amounted to. I was astonished by that. I think it is as much to do with the personalities on each side of the argument as anything else. As I say, Birmingham continues to hold a view, going back to Joe Chamberlain, that there is something special about Birmingham local government whichever party is in command, and I think that has had a great influence on people—“We want to be tenants of the council not somebody else.”

18 November 2004 Rt Hon Lord Hattersley

Q103 Mr Prentice: I was going to ask a whole series of questions about the cost of building the new Utopia but your answers and these *Guardian* articles make it absolutely crystal clear that what you are calling for is a very substantial increase in public expenditure, moving money from area to area to get that equality, so I will not pursue that. However, there is one area which I am still interested in, and that is the boundary between private and public. Over the years that has become ever more porous, and I just wonder what you think about private providers providing public services. Do you have a kind of ideological hang-up about that?

Lord Hattersley: No, I do not.

Q104 Mr Prentice: Because you said earlier that if you had some kind of heart condition and the only way it could be seen to quickly was to go into private hospital, that would not give you any problems, and you said “as an expedient”. But I want to go beyond that, not as an expedient but as a conscious decision of public policy that private providers should be there to be chosen by individuals if that is what they want to do.

Lord Hattersley: You are quite right to describe that as an item of ideology. Some people might, I suspect, who do not hold that view quite as strongly as you are now making out. But were you to hold it that strongly, some people would regard it as a statement of prejudice. If there is advantage in it, and I see a short-term advantage if there is a shortage of resources, then obviously there is short-term advantage in people saying, “I will go to the private hospital down the road or in the next borough”, but I do not see any advantage in general and I see the disadvantage in the long-term of undermining faith in public provision and people saying, “We do not need the public provision any more, the private sector is doing it perfectly well.” I am perfectly happy to judge it on its merits. Dr Reid—and I have talked about Dr Reid this morning more often than I have talked about him in the last ten years—says there is always going to be a private element in the health service, “We do not make our own beds, we buy them from a private bed maker.” Well, great, I do not want the public ownership of bed making. I do not know where the boundary of that ends, and there will be other things we buy in from the private sector.

Q105 Mr Prentice: Let me fire a practical example at you. There are huge capacity constraints in NHS dentistry. In my constituency, in my town of 12,000 people, the only NHS dentist is closing his list and taking private patients only as from January. The nearest open NHS list must be about 30 miles away.

I have called upon Paul Boateng to make the cost of private dental insurance in these circumstances tax deductible, when someone wants to stay with the NHS, their dentist goes private and there is no alternative NHS provision in the locality. Would you agree with me?

Lord Hattersley: I would have to think about it. As I thought about it, I would be saying that your question and the circumstances you describe make my case rather than yours. Because what do we have now? A net shortage of dentists. What ought we to have? A conscious policy increasing dental education. Why do we not? Very largely simply because I do not go to my dentist in London, I have a house in Derbyshire so I go to the dentist in Derbyshire where there is no pressure on dentists, and other people either go private, as is their option, or manipulate the system in some way. The people who make the most fuss are still getting their teeth attended to, and therefore the great drive for increasing dental training, which we ought to have, does not happen. Your example is an argument against choice not in favour of choice.

Q106 Mr Prentice: We cannot go into the details but we are trying to turn things round. I am talking about a policy decision in the interim. At some stage in the future we will have an NHS dentist in the town where I live, and I am talking about the people who are forced to pay for private dental insurance because there is no NHS alternative.

Lord Hattersley: I have already said, and I meant it, I would be absurd to object to the expedient, as I described it, taking-of-places in private hospitals. Your example, which I do not know, may be exactly that but if it was a temporary expedient then it would be foolish to expect people to go on having toothache rather than take advantage of—

Mr Prentice: I shall tell Paul Boateng he is being very foolish in turning down my suggestion.

Q107 Chairman: I think in fairness to our witness and everybody we ought to pull stumps now because there is a vote and it may be followed by another one and so on. We have had a good bash. There were a few things we were still going to do, but I think we have done enough to get value from the session. I apologise for the fact that a few members of the Committee had not read all your *Guardian* articles but we shall remedy this, I can assure you, very rapidly. Thank you very much and I am sorry about this rather abbreviated ending.

Lord Hattersley: Thank you very much for having me. I am not sure I have contributed much but I have enjoyed it.

Chairman: Thank you very much indeed.

Thursday 25 November 2004

Members present:

Tony Wright, in the Chair

Mrs Anne Campbell
Mr David Heyes
Mr Kelvin Hopkins

Mr Gordon Prentice
Brian White

**Memorandum by Dr Tim Brown, Director, Centre for Comparative Housing Research,
De Montfort University (CVP 17)**

1. PERSONAL BACKGROUND

1.1 Dr Tim Brown is Director of the Centre for Comparative Housing Research (CCHR) at De Montfort University in Leicester. He is a Corporate Member of the Chartered Institute of Housing.

1.2 Tim's interest in "Choice, Voice and Public Services" stems from research on allocations and lettings in social housing in the late 1980s. Fieldtrips to The Netherlands in the early 1990s revealed a radical alternative to traditional allocations methods in the UK such as points-based systems. This new approach was known as the "Delft Model" after the city of that name which pioneered it in the late 1980s. He subsequently undertook development and evaluation work with three housing organisations in the late 1990s who initiated the transfer of the Delft Model to the UK (where it is has become known as Choice-Based Lettings—CBL): Harborough District Council, Leicester Housing Association and Charter Housing Association in South East Wales.

1.3 His involvement in CBL has broadened to cover, for example:

- Links with similar initiatives in health and social care—customers/users do not see issues in terms of departmental/professional silos;
- Making the connections with, for instance, information communications technology and the e-government agenda as a way of improving communications with customers; and
- The relationship between choice, quality and the future of public services.

2. THE ROLE OF THE CENTRE FOR COMPARATIVE HOUSING RESEARCH

2.1 Tim and his colleagues, Ros Lishman and Jo Richardson, have taken an active role in developing and evaluating CBL including:

- Working with Harborough District Council and its partners on Harborough Home Search—the first district-wide CBL system in the UK which went live in early 2000;
- Evaluating Harborough Home Search with the support of the Joseph Rowntree Foundation;
- Evaluating schemes developed by Leicester Housing Association in Mansfield and Charter Housing Association in Caerphilly; and
- Providing help and advice on CBLs for local authorities and housing associations through an ODPM-funded project that ran from summer 2001 to spring 2004—see <http://www.choicemoves.org.uk>.

2.2 Publications involving Centre staff include:

Brown, T, Hunt, R & Yates, N (2000): *Lettings—A Question of Choice*: Coventry, Chartered Institute of Housing

Brown, T, Hunt, R, Line, B & Middleton, C (2001): *HomeChoice: choice based lettings in practice*: Birmingham, People for Action

Brown, T, Dearling, A, Hunt, R, Richardson, J & Yates, N (2002): *Allocate or Let?—Your Choice*: Coventry and York, Chartered Institute of Housing and Joseph Rowntree Foundation

Brown, T, Hunt, R & Richardson, J (2002): *"How to Choose Choice"—Lessons from the first year of the ODPM's CBLs Pilot Schemes*: London, ODPM

Brown, T, Hunt, R & Richardson, J (2004): *Has it Worked?—An Evaluation of the First Three Years of Harborough Home Search*: Market Harborough, Harborough District Council

2.3 The Centre is currently finalising a good practice guide on CBL for the ODPM, which is due to be published shortly.

3. CHOICE-BASED LETTINGS: BASIC ELEMENTS

3.1 *Policy Development*

3.1.1 CBL schemes in the UK have been operating on a district-wide basis since early 2000 when Harborough District Council and its partners launched Harborough Home Search. In England, the Government's policy has its origins in the Housing Green Paper, "Quality and Choice—A Decent Home For All", that was published in April 2000 and which proposed pilot schemes to test out different approaches. This resulted in a programme covering 27 schemes that ran from 2001–03. An evaluation study of the pilot schemes was published by the ODPM in 2004.

3.1.2 The legislation and statutory guidance provides a framework for local authorities and their partners to develop schemes that reflect local requirements while at the same time meeting their legal and regulatory requirements.

3.1.3 The ODPM published targets for moving towards greater choice in spring 2002:

- 25% of local authorities are required to have CBL systems by the end of 2005; and
- 100% of local authorities are required to have CBL systems by 2010.

The Deputy Prime Minister has recently highlighted that it is the Government's intention to have a national CBL system by 2009.

3.1.4 From an analysis of information provided in Housing Investment Programme returns for 2003–04, 78 local authorities in England are operating some type of CBL. A further 100 local authorities have stated that they intend to be running a system by the end of 2005. CBL is operating in both urban (eg Home Connections in Central London) and rural areas (eg New Forest) as well as in high, mixed and low demand housing markets.¹ Nevertheless it would appear that a number of them are either small-scale or do not fully meet all of the principles of CBL—some for example appear to be primarily based on marketing low demand properties or only cover part of the social rented sector in an area. [It is worth noting that customers find multiple approaches confusing and unhelpful].

3.1.5 In Scotland, there has been less emphasis placed on CBL though a number of schemes have been developed and/or discussed eg Berwickshire, East Lothian and Edinburgh. A strong theme in Scottish policy on allocations and lettings has been the development of common housing registers for local authority areas. One of the main aims of this initiative has been to provide a more straightforward and understandable system for customers/users in accessing social housing.

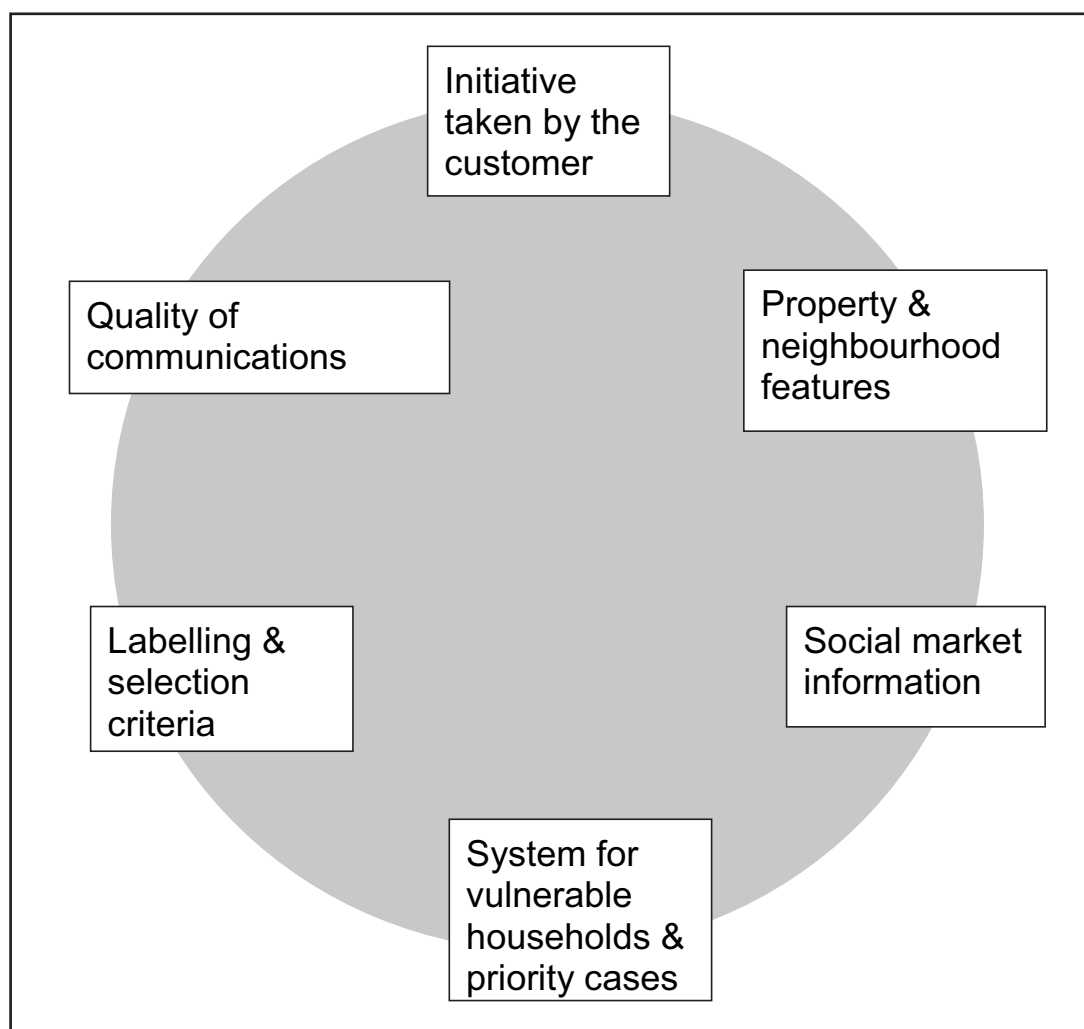
3.1.6 In Wales, the National Assembly is currently commissioning research (and a good practice guide) on CBL. It has part-funded a number of pilot schemes over the last four years. A number of local authorities and housing associations have also taken the initiative and developed CBL systems.

3.2 *Principles*

There are six interlinked principles of a CBL system and these are shown in Figure 1.

¹ High demand examples include Locata in West London and Homes@Kennet in Wiltshire, while low demand examples include Bradford Homehunter.

Figure 1: Principles of a Choice-Based Lettings system



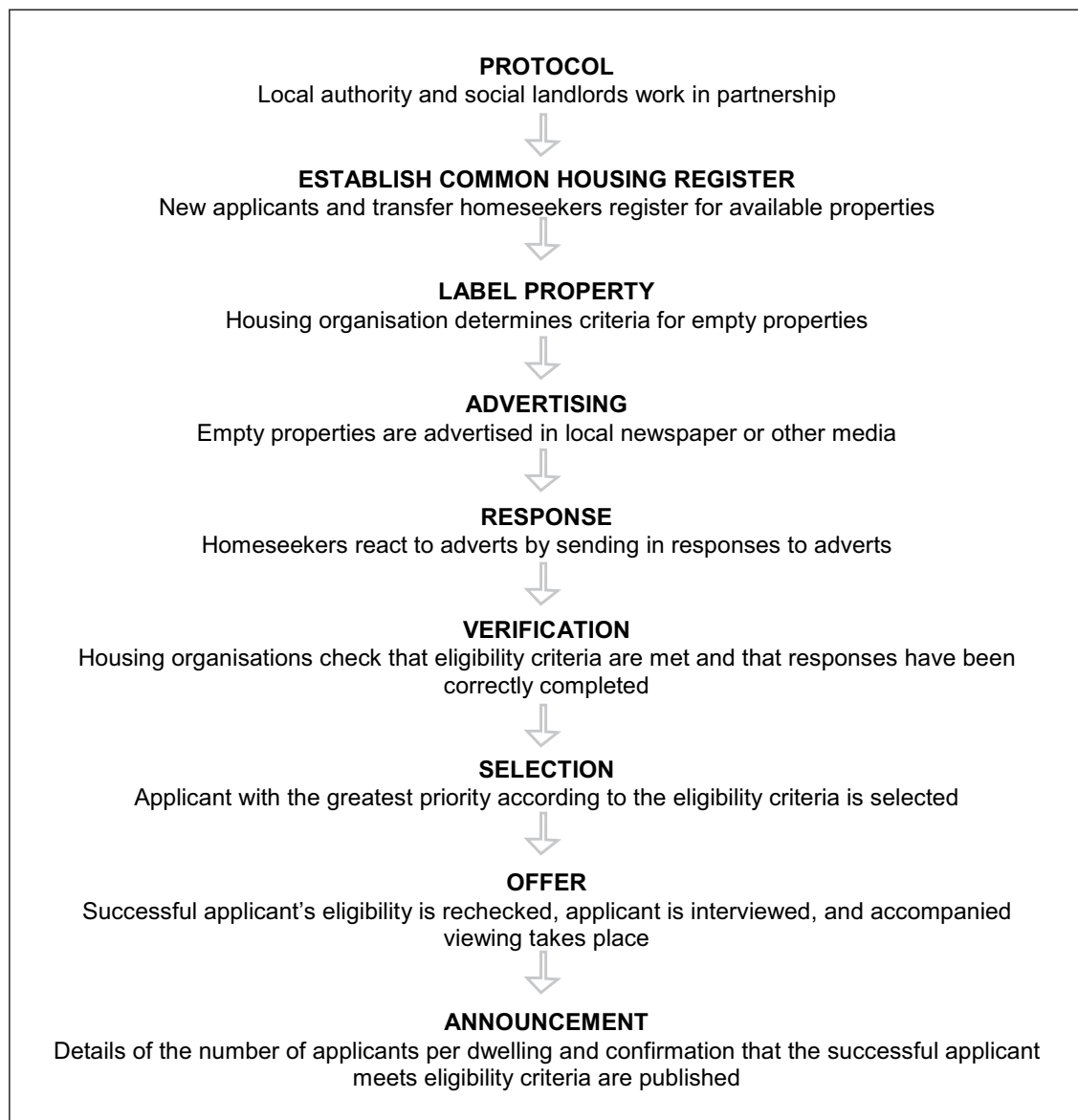
Each of these interrelated principles pose important challenges in designing the system to meet local requirements, for example:

<i>Choice-Based Lettings Principle</i>	<i>Choice-Based Lettings Practice</i>
Customer initiative	<ul style="list-style-type: none"> — Advertising all available social rented properties — Enabling customers to respond to advertisements — Feedback to customers on their responses and the lettings outcomes
Social housing market information	<ul style="list-style-type: none"> — Location and type of social rented stock — Popularity of areas and type of stock
Property and neighbourhood information	<ul style="list-style-type: none"> — Information on advertised properties eg physical features, location, rent, council tax band etc — Neighbourhood information eg schools, health facilities and public transport
Labelling and selection criteria	<ul style="list-style-type: none"> — Labelling of Advertisements eg matching property type to household <ul style="list-style-type: none"> — “Currency” issue re selection ie — Points or — “Needs-based” bands or — Length of time on housing register
Meeting the needs of vulnerable groups	<ul style="list-style-type: none"> — Housing advice and support — Linking CBL with health and social care initiatives
Quality of communications	<ul style="list-style-type: none"> — Paper-based systems eg local newspaper/free sheets — Information communications technology (ICT) eg websites/emails

3.3 CBL Process

3.3.1 This is illustrated, in general terms, in the flow in Figure 2:

Figure 2: General process of choice-based lettings



3.4 Traditional Systems

3.4.1 Traditionally, social housing in the UK has been allocated on the basis of need using a complex points-based system. Households are awarded points on the basis of their existing housing situation, medical condition and social issues (and the number of points may increase or decrease as circumstances change). They are placed on a waiting list. When a household reaches the top of the list and in the opinion of housing officers a suitable property becomes available, they will be made an offer. Many social housing landlords have operated a limited offer policy ie if, say, two properties are refused by a household, that household may be suspended from the waiting list for a period of time.

3.4.2 The problems with traditional approaches have recently been well-illustrated by Oona King (MP for Bethnal Green and Bow) on 21 October 2004 on the “Debate on the ODPM Select Committee Report on Social Cohesion”

“... I do think the days of telling people that they can take the flat they are offered or lump it must come to an end.”

4. ISSUES

4.1 *Introduction*

4.1.1 This section seeks to address a number of the points raised by the Public Administration Select Committee in its “Issues and Questions Paper”. It draws primarily on the experiences of CBL, and attempts to provide insights into how this new approach on lettings links into the broader debate on choice.

4.1.2 Evaluation of CBL has generally shown positive findings. The ODPM’s review of the pilot programme in England and Dutch studies have come to similar conclusions that customers generally prefer the new system compared to traditional approaches because of its transparency, fairness and ability to exercise greater relative choice. More detailed case studies that the CCHR has been involved with supports this perspective. For example:

- 80% of respondents to a Harborough Home Search Survey who could compare the new system with the previous system preferred the former; and
- Customer focus groups in the Home Connections scheme in Central London preferred the new approach.

4.1.3 Nevertheless, there are continuing concerns as to whether the needs of specific groups and vulnerable households have been fully addressed.

4.2 *The Meaning of Choice*

4.2.1 The degree of choice in traditional allocation approaches for the applicant or customer is heavily limited. They may be able to express an interest in a specific area ie housing officers will only make an offer to a household of a property from that area. They may also be able to refuse offers—subject to the nature of the limited offer policy.

4.2.2 CBL allows customers to respond to advertised properties where they meet the eligibility criteria (eg household size). This provides a greater relative degree of choice. It enables them to consider properties and areas that meet their aspirations rather than being dependant on the procedures operated by social housing landlords.

4.2.3 However, this is not a free market system. The eligibility criteria limits choice, while the selection criteria (eg use of bands of need and priority cards) attempts to ensure a balance between meeting housing need and providing choice.

4.2.4 Furthermore, the nature of the housing market is a major constraint. In high demand areas, the lack of available affordable properties to rent of the appropriate type and in the right location restricts customer choice. It is interesting that a number of CBL schemes in high demand areas have increasingly broadened their remit to focus on a wider range of housing options, for example, shared ownership, private renting, care and repair, and more general advice and support.

4.2.5 From a public service quality perspective, there are three dimensions:

- Product/service;
- Process of receiving the product/service; and
- Image of the provider.

Overall, CBL focuses on the lettings process. It does not directly increase the amount of social housing that is available. It, therefore, changes (and improves) the way in which the process takes place by enabling customers to have a greater relative degree of choice. It also begins to alter the image and perception of social housing landlords from being gatekeepers to facilitators.

4.3 *Concept of Customers*

4.3.1 At one level, the use of the term, “customer”, is a conscious attempt to move away from traditional allocations systems where applicants were passive to one where they are proactive and empowered to make relatively greater choices. Even so, there are challenges in defining what we mean by the customer especially in relation to highly vulnerable households. In such situations, it may be a formal or informal carer (eg a family member or a neighbour) who acts as “the customer”. There can be cases where the views of the carer may be significantly different from the vulnerable household over making responses to property advertisements.

4.3.2 There is also a danger that the citizen or community perspectives could be marginalized. From a citizen perspective in relation to CBL, the key challenge is balancing rights and responsibilities. “Rights” focus on ensuring that the “needs” of customers are being addressed, while responsibilities centre on the requirement that they become proactive in the process.

4.3.3 The community perspective consists of two dimensions that have to be addressed:

- Involving community organisations in the development and delivery of CBL; and

- Working with local communities on how allocations policies can contribute to building sustainable neighbourhoods—this might, for instance, involve the use of local lettings policies in rural areas ie giving priority to households with a local connection.

4.4 *Choice and Equity*

4.4.1 The debate on allocations and lettings processes has centred on fairness and transparency. In relation to the former, the concern with both traditional approaches and CBL has been whether specific groups are disadvantaged because of lack of information and inappropriate policies. A fundamental requirement for CBL is that policies and procedures should be ‘proofed’ to ensure that vulnerable households and other groups are not disadvantaged. In part, it is reassuring that the ODPM recently set up a Black and Minority Ethnic Advisory Group on Social Housing to explore aspects of this issue. But considerable additional work is required in relation to CBL. The ODPM evaluation of the pilot programme pointed out that one of the major weaknesses of some of the 27 schemes was that the needs of vulnerable groups were not fully addressed at the outset. Actions that are required include:

- Better co-ordination between housing and the health and social care sectors;
- Greater involvement of voluntary sector and community organisations in developing and designing CBL systems; and
- Encouraging and supporting user involvement in designing and monitoring CBL systems.

4.4.2 From a transparency perspective, there is a growing accumulation of evidence that customers consider CBL to be much easier to understand. A particularly positive feature is that feedback is provided on successful lettings ie property location, the number of bids/responses, and the key selection criteria (eg priority card/time on housing register etc). This enables households themselves to check on outcomes rather than relying on the “word of housing officers”!

4.5 *Information*

4.5.1 As has already been pointed out, information is crucial for empowering customers to make informed choices. The experience of CBL schemes in the UK is that three types of information are required:

- Social housing market information including:
- Location, type and numbers of properties;
- Relative degree of popularity of areas and properties; and
- Availability of properties.
- Information on advertised properties including not just landlord details, property type, rent, council tax band, location, number of bedrooms etc, but also features such as size of rooms, presence/absence of a garden, car parking.
- Area information such as quality of schools, location of health centres, and availability of public transport.

4.5.2 Basic information is usually made available through local newspapers and/or freesheets. Making more detailed data readily available and accessible is challenging for many housing organisations. Detailed property information including maps and photographs can be provided on websites. However, only between 10–20% of applicants are likely to have access to the internet at home. Neighbourhood information on schools etc has traditionally not been held by housing organisations. Again, this type of data is now being made available on CBL websites—but there is a real danger that the digital divide might reinforce social exclusion and inequalities in the lettings process. Clearly, there needs to be some joined up thinking with the ICT and e-government agenda to address this emerging issue.

4.5.3 Finally, customers are becoming more sophisticated and demanding in their information requirements. They want more detailed information on property adverts and they demand to be able to obtain it easily! They would like individualised feedback on responses to adverts. Young people want instant access to information and decisions. These each present major challenges for social housing landlords in addressing customer requirements in the CBL process.

4.6 *“Voice”*

4.6.1 Involving customers and communities in the development, delivery and monitoring of CBLs is central to the principle of “voice”. The key issue is that social housing organisations have to respond to the demands of the customer. If they want personalised feedback on responses, this has to be delivered. Otherwise, customers will become disenchanted with the system.

4.7 *Devolution and Diversity*

4.7.1 The crucial question is the balance between central and local government responsibilities. In The Netherlands, nearly 85% of municipalities have a “Delft-based” system. This has been achieved without any targets being set by the Dutch Ministry of Housing and Planning. The legislation merely requires that social landlords should have an allocations system.

4.7.2 In England, the ODPM has set targets for implementing CBL with all local authorities having such an approach by 2010. Forthcoming good practice guidance will “encourage” local authorities and their partners to move towards sub-regional, regional and eventually a national system.

4.7.3 The potential danger is that the Government will increasingly become more and more prescriptive on CBL and this will hinder councils from developing schemes that reflect local circumstances. The Homelessness Act, 2002, for example, resulted in a number of CBL pilots introducing more bands and categories of need—thus losing some of the straightforwardness of the system.

4.7.4 There is a tension between local decision-making and a postcode lottery in choice-based lettings. Schemes should be developed to reflect local circumstances but this has to be done within a broader context of ensuring that national priorities are being achieved. A balance has to be achieved so that households in one area have similar opportunities to those in an adjoining district, while acknowledging that the local housing markets may be different.

November 2004

Memorandum by Defend Council Housing (CVP 05)

Defend Council Housing is a tenant led campaign against privatisation of council housing that has the support of tenants, trade unionists, councillors and MPs. We welcome the committee’s inquiry and wish to comment on the particular area of “choice and voice” in housing.

We believe that real choice depends upon a number of key principles. For tenants these are:

1. a level playing field between the different options available;
2. the right of tenants to choose between all of the options;
3. any decision to change from one option to another should be tenant led;
4. public access to all the relevant information;
5. the guarantee of a “fair and balanced debate” before tenants make a decision;
6. there is a full ballot of all tenants before any decision is made.

Since the mid 1970s council housing, a major provider of housing in the 20th century, has faced cutbacks in public expenditure and therefore suffers from a backlog of under investment. The government’s Housing Green Paper in 2000 estimated that £19 billion was needed to tackle this backlog of repairs and improve council homes.

The Conservative government in the late 1980s promoted Housing Action Trusts and then stock transfer to reduce council housing. Labour governments from 1997 have stepped up this process and added Private Finance Initiative (PFI) and Arms Length Management Organisations (ALMOs) to the “options” available to local authorities.

The present government is twisting the arms of local authorities and council tenants to accept stock transfer, PFI or ALMOs by limiting the opportunity to secure additional investment to improve council homes to these three options.

In its own terms its policy is flawed. Not all council tenants around the country are given the same choices. The viability of stock transfer is driven by the interest of private lenders—dependent on whether they think they can make a profit. As a result the majority of stock transfers involve housing that is in least need of repair and improvement and in the least deprived areas.

Research by UNISON shows clearly that where “stock transfer” has taken place it has generally happened in the least deprived local authority areas—those with a rank of 158 under the ILD 1998 and the ID 2000. Only six councils that transferred their whole housing stock were in the top 100 most deprived local authorities using the ILD 98 (extent rank).

Source: Hansard, written answers, 4 July 2002, col 563W.

ALMO is only an option available to tenants of high performing housing departments. Those tenants are the ones who are least likely to want a new private company running their homes whilst those in badly run authorities are not allowed this “choice”. The viability of Housing PFIs as a choice are of course totally at the mercy of whether any of the small number of private conglomerates believe they can make a profit out of it.

There is of course a “fourth option”. That is direct investment in council housing. This is the “option” that the vast majority of tenants and many local authorities want but is presently being denied to us.

There is increasing criticism of Minister's refusal to give tenants real choice by denying the "fourth option". 130 MPs signed an early day motion in the last session of Parliament supporting direct investment. The recent No Vote against ALMO in Camden has significantly stepped up the profile of this debate and the pressure on government. Frank Dobson, one of Camden's MPs, has argued:

"It is outrageous that people are told 'if you go along with what we want there will be lots of money to do up flats and houses, but if you don't the money won't be available' . . . It's like holding people to ransom. It's totally morally and politically unacceptable . . . in the name of dogma and nothing else."

Jane Roberts, leader of Camden Council, has argued:

"if choice is the fourth principle of public service reform how can you possibly ignore the choice that tenants have made? . . . Camden tenants are no less entitled to decent homes . . . Labour wants choice in public services—our tenants have made one. They believe in what works—our services do."

Catriona Graham, Powys head of housing, highlights the dishonest handling of this debate:

"Tenants are being asked to make two choices in one vote, for a decent home and for a new landlord—or at least a different relationship to the council. A lot of them are suspicious of this two for the price of one offer . . . a whole stock transfer industry has been created—at considerable cost to the public purse."

Hostility to the government's dogmatic commitment to housing privatisation is strong amongst local authorities too. Up to 200 councils have still not carried out an options appraisal—despite massive government pressure.

The government's success largely depends on them convincing councils and their tenants that there will be no alternatives. But Roy Irwin, chief inspector of housing reflects the view of many senior officials and key policy makers when he told the ODPM Select Committee's inquiry on Decent Homes "something is going to have to give and I doubt if it is the tenants' views." (ODPM Select Committee 16 December 2003).

The ODPM Select Committee Chair, Andrew Bennett MP, summed up the current lack of choice for tenants when he challenged housing minister Keith Hill: "Wait a minute . . . there is a fourth way. It's just that you are not prepared to go along with that, is it not?" (ODPM Select Committee 28 January 2003).

Government is denying real choice for tenants in the following ways.

No "LEVEL PLAYING FIELD"

There are three fundamental ways that tenants are denied a "level playing field" between the options—one of the key principles essential to real choice.

DAYLIGHT ROBBERY—AND NOW MOONLIGHT ROBBERY

Since 1990 government has imposed a regime of "negative subsidy" on local council housing revenue accounts. More than £13 billion has been siphoned out of council housing to the exchequer by a mechanism involving government withholding Housing Benefit payments known as "Daylight Robbery". Council tenants are the only form of tenure who suffer this robbery. The government did not impose negative subsidy on either RSL or private landlords.

The government continues to maintain "negative subsidy" on council housing today by other means. Councils raise in guideline rents £6 billion nationally. The government allows them to keep £1.5 billion for Major Repairs Allowance (MRA) and £3.1 billion for Management & Maintenance Allowances (M&M), leaving a gap of £1.4 billion clawed back by government, in what is called "Moonlight Robbery".

We can get no answer on how government justifies transferring these so-called "surpluses" to transfer landlords. This effectively gives an unfair financial advantage to one "choice" option while penalising tenants' favoured option.

It is clear that if amounts being siphoned off from council tenants rents had been available to fund repairs and improvements there would not be an investment backlog today.

FREEDOM TO BORROW TO FUND INVESTMENT

The key advantage that Registered Social Landlords (Housing Associations and Housing Companies) have over local authorities is that they can borrow against the income from tenants' rents and the value of the housing asset. Local authorities have been denied this opportunity. Whilst the Local Government Act 2003 has introduced a new regime of "prudential borrowing" this does not place local authorities on an equal footing with RSLs or private landlords.

PREFERENTIAL EXTRA PUBLIC SUBSIDY

Most stock transfers would not be financially viable unless the government wrote off all overhanging debt prior to the transfer. In 2003–04 the government budgeted £800 million on writing off this debt. This was almost as much as the £832 million available that year for investment in all council homes. If all this money was used to fund investment in council housing they could almost double the programme.

Similarly the selling point for Arms Length Management Organisations and PFI is that extra public subsidy is available: money that is not available directly to council housing.

TENANTS CHOICE BETWEEN ALL THE OPTIONS AT ALL TIMES

In housing, “choice” is only one-way. Existing RSL tenants or private tenants cannot choose to become council tenants and council tenants who are transferred to RSLs cannot choose to go back to the council if they find the promises are not kept.

If there is supposed to be some benefit to tenants in exercising “choice” between landlords/tenures, why is this denied to all but council tenants?

DECISIONS NOT TENANT LED

There are no cases we are aware of where council tenants have campaigned for stock transfer, PFI or ALMO. That isn’t to say that council tenants are always satisfied with the council but they do not see a change of landlords as the solution.

In every single case to date the proposal to stock transfer, PFI or ALMO has been promoted by the council, with encouragement from Ministers and civil servants.

A small number of highly profitable companies specialise in assisting councils and RSLs with promoting the transfer. HCAS Chapman Hendy, for example, had a role in seven out of eight stock transfers in 2001–02 acting for either the council or the RSL.

Councils also employ so called “Independent Tenants Friends” to advise tenants. Haringey council in north London has recently appointed Mouchel Parkman’s Director of Housing, John Newbury as their ITA at a cost of £80,000. Mouchel Parkman plc has an order book worth £724 million covering contracts in property, defence, highways, education, ports and marine, utilities and waste, and is keen to “exploit opportunities created through development of the PFI/PPP marketplace” (MP website). Amongst its interests Mouchel Parkman has two housing contracts, worth a total of £22.4 million, with neighbouring Hackney Council.

These Independent Tenants Friends are neither independent (being paid by the council), council tenants nor our friends.

In many areas the local authority provides itself with an alibi by involving existing tenants organisations or setting up new forums. However these are often token and their “independence” compromised by the fact that they are council funded. Many of the panels setup to provide a semblance of tenant consultation are not elected and there is no means by which they can report back or be accountable to the majority of tenants.

FULL PUBLIC ACCESS TO ALL RELEVANT INFORMATION

There can be no real choice unless all those involved have full access to all relevant information. But in stock options appraisals this is not the case. Much of the financial information about how the RSL, PFI consortium or ALMO would conduct itself is withheld under the catchall blanket of “commercial confidentiality”. In fact tenants reps who take part in options appraisals are often told that they can’t discuss the limited information they are allowed to see with their members.

Council tenants have to rely on the council to provide them with objective information about the council’s own financial position and the alternatives—and this is not necessarily available. It is highly relevant that the senior managers who are recommending the “change” and conducting the options appraisal usually stand to personally gain financially from that change. Many council Directors of Housing and other senior managers become Chief Executives, etc of RSLs after transfer and receive significant increases in pay and benefits.

There are many cases where tenants have accused the council of deliberately portraying its own financial position as bleak in order to justify its recommendations. The recommended option is often described as the “only option” or “only alternative”. The judge in the Camden council judicial review noted that Camden’s material heavily used the visual image of a big tick next to its recommendation for tenants to “vote yes” to ALMO.

A "FAIR AND BALANCED DEBATE"

There can be no real choice unless there is a fair and balanced debate before any decision is made. But local authorities conducting stock option appraisals are not motivated by (or even required to guarantee) fairness.

In the case of council stock options appraisals councils use seemingly unlimited amounts of public money to mount expensive PR campaigns often involving videos, glossy newsletters, paid press adverts, trips, home visits, focus groups and meetings by invitation only, etc to promote their recommended option. On the other hand tenants opposed to the council's proposal have no access to public funds to put the arguments against so that tenants can weigh up all the issues before making a decision.

There is growing evidence that ODPM's Community Housing Task Force and the main consultants have sharpened their strategy for promoting the favoured option from experience in other authorities. The "options appraisal" process is promoted as being objective and local, but we see familiar leaflet templates reused in the name of councils in different parts of the country with the arguments identical and just the names and figures changed.

A small number of highly paid consultants are involved in most council stock options appraisals. It is fair to assume that the main consultancies in high demand get their reputation for successfully promoting the council's option. This isn't the provision of information but straight PR and marketing. In 2003 £65 million was spent on this "army of consultants" (Social Housing July 2003).

In two cases (Bath & North East Somerset and West Wiltshire) the District Auditor has found that the local authority acted unlawfully by using public money to promote stock transfer.

The District Auditor reported:

[Para 71] "I find the publicity material in question was unbalanced, one sided and misleading. I find as a fact that the publicity material constituted persuasion and was issued for the improper purpose of persuading the recipient to a particular viewpoint."

"Accordingly the Council acted in excess of its powers in funding that publicity material."

and

[Para 84] "In my view the difficulties and unlawfulness arose because Mr Alan Ward and others were so persuaded by the case for transfer that they were unable to recognise that others might reasonably have held contrary views and, in consequence, failed to reflect those contrary views in the publicity material. It is unfortunate that those acting on behalf of the Council appear to have lost sight of the need to maintain an objective and balanced approach . . ."

District Auditor report on B&NES Council May 2003

The former Director of BNES, now chief executive of Somer Housing, responded by saying:

"then given what I have seen in other councils up and down the country the same would most certainly have to be said of them".

Inside Housing 16 May 2003

Camden council admit to spending £500,000 on its recent ALMO "consultation" (December 2003) which included eight direct mail shots to every tenant, colour adverts in the local press and other material promoting the ALMO. But on judicial review Judge Munby ruled there is no legal obligation on councils to promote a "fair and balanced debate".

Housing Minister, Keith Hill, told delegates attending a London Federation of Tenants conference on 27 November 2003:

"The law is entirely clear. Tenants need to be presented with equal information about the pros and cons of the various options for which they are being consulted. That is absolutely the principle that we as government and we as ministers conform to."

The trouble is the law is not clear. Ministers need to now change the ODPM regulations to guarantee a fair and balanced debate on every occasion.

THE RIGHT TO A VOTE FOR ALL TENANTS ON EVERY OCCASION

It is of course also fundamental to "choice" that tenants have a vote whenever there is a proposal to change their landlord, tenure or management of their homes. This is currently not the case for either PFI or ALMOs. Often councils make important decisions affecting thousands of tenants based on telephone sampling, focus groups or questionnaires.

As well as the right to a formal ballot it is also necessary to demand that the date of the ballot should be fixed and notified well in advance. It has now become a familiar tactic of local authorities to start the ballot several weeks earlier than originally proposed, in what seems like an attempt to "wrong foot" opponents. In several recent cases the limited material opposing the council's proposal was only received by tenants after they had already voted.

PROVIDING “REAL CHOICE” FOR COUNCIL TENANTS

Providing real choice means providing tenants with all the options—not just the ones favoured by Ministers. In terms of choice for council tenants this comes down to making available the “fourth option”—direct investment in council housing.

In August 2002 the ODPM issued a consultation paper “The Way Forward for Housing Capital Finance” in which it floated the idea of an investment allowance as a revenue stream to fund councils borrowing to invest in their homes direct.

This is the option preferred by the overwhelming majority of council tenants and many councils too. In nearly all cases where council homes are stock transferred both the council and tenants make it clear that they have only made that decision because direct investment in council homes was not available at that time.

If all the income from tenants rents, extra cost of Housing Benefit after stock transfer, and the public subsidies for transfer were made available to councils direct they would be able to wipe out the repairs backlog and council housing could pay for itself.

The present government’s 2001 election manifesto contained the pledge to “reducing by one third the backlog of sub-standard housing by 2004, with all social housing brought up to a decent standard by 2010.” As recently as June last year Deputy Prime Minister John Prescott told the House of Commons “we have had to say that we will try to provide adequate funding for those who want to stay with local authorities”.

There is now deep anger amongst council tenants, local councillors and many MPs that Housing Minister Keith Hill seems to be considering tearing up that commitment and making additional investment conditional on tenants doing what they are told (in comments to ODPM Select Committee 28 January 2004).

Ministers offer two flimsy justifications to dress up their privatisation strategy as being more than about financial issues alone. They claim the three options for additional investment improve tenant involvement and bring additional benefits by separating housing strategy from day to day management and maintenance.

No specific evidence is provided by ODPM to support either assertion. The record of tenant involvement in the RSL sector is notoriously bad, as Housing Corporation research into tenant involvement confirms.

Heriott-Watt University found disadvantages, not benefits, in their research into the effects of separating housing strategy from management after transfer to housing associations. Alistair McIntosh, from the Housing Quality Network who commissioned the report, said:

“There doesn’t appear to be a lot of empirical evidence suggesting that the only correct route is to make a split between the strategic enabling function and the landlord function. It’s been carried on without any research or rationality underpinning it.”

Inside Housing 11 January 2002

“43% of [local] authorities reported difficulties in discharging their statutory housing duties” with post-1996 transfer RSLs, according to Shelter research.

There are many other areas where important factual issues are either withheld from tenants or deliberately falsified. Tenants are regularly told by councils and their advisors, for example, that secure tenancies are not materially affected by transfer—a highly inaccurate and partisan misrepresentation of the legal position.

Whilst the detail of these arguments is not the concern of this inquiry we would argue the committee should be concerned that government Ministers and civil servants deliberately undermine choice by regularly presenting opinions as facts without any supporting evidence in order to influence the debate.

The argument that stock transfer, PFI or ALMOs gives tenants more power is obviously an issue that does directly concern this inquiry’s terms of reference.

The record of housing associations involving tenants is diabolical. Few have any independent tenants organisation and where there are tenant board members they are usually appointed, not elected, unaccountable and bound by confidentiality clauses. As previous Minister for Housing Sally Keeble explains: “Members of the boards of RSLs have the same fiduciary duty to the RSL as any company director”. (*Hansard* 4 February 2002).

Tenants are often bullied and, ultimately, thrown off if they rock the boat. The Community Housing Association, for example, has just closed down its tenants forum because this group criticised senior management.

Places for People (P4P), England’s biggest housing association, had a boardroom clearout last October after five board members criticised the chief executive and chair. The Housing Corporation is actively encouraging RSLs to merge (becoming more remote from tenants) and make their boards smaller and more professional. In practice RSL and ALMO boards accept the “professional” advice of senior managers and do little more than rubber stamp decisions.

Ministers’ pretence that tenants are ecstatic about major improvement to their homes following stock transfer are contradicted by research in the Commons Public Accounts Committee’s report on stock transfer (July 2003). The report’s appendix shows only a 3% change (81% of tenants satisfied with the condition of home—78% before transfer). Only “85% of tenants considered that housing services were at least as good as before transfer”—even after £millions have been spent by the new landlord.

Satisfaction on rents remain static—but most stock transfer landlords are still within the five year rent guarantee period after which rents are likely to rise. Satisfaction with quality of repairs is down (63% against 68%).

CONCLUSION

We believe that the government's current dogmatic commitment to privatisation of council housing denies tenants real choice.

We would argue that:

- (a) This government's present dogmatic commitment to privatisation and refusal to grant the "fourth option" is designed to bully and blackmail tenants. It does not offer tenants the main choice they want—to stay with the council and get direct investment. Real choice for council tenants must involve allowing them to choose direct investment in council housing.
- (b) The three government stock options (stock transfer, PFI and ALMOs) undermine local democracy and accountability of housing provision. They effectively remove the unique relationship between council tenants and their landlord via the ballot box. This direct accountability is replaced with a centralisation of control amongst senior managers. Boards of directors, often drawn from the "great and good" or ambitious in practice merely rubber stamp recommendations put to them and are not accountable to either council tenants or the wider public.
- (c) The use of public resources to promote the privatisation options along with a denial of public resources for those opposed to present their arguments is not democratic. Real choice demands a full and balanced debate that rigorously considers all the arguments for and against prior to a ballot of all those affected.

We would urge the committee to agree that "real choice" for council tenants requires:

1. a level playing field between all the options;
2. full information and a fair and balanced debate;
3. a ballot of tenants before a decision; and
4. the right to go back to the council.

April 2004

Supplementary memorandum by Defend Council Housing (CVP 05 (a))

We would like to submit additional evidence covering the following:

1. ODPM Select Committee enquiry on "Decent Homes"
2. Holding ballots early to wrong foot opponents
3. Obstruction and intimidation
4. Contradiction in government policy on choice in public services

1. ODPM SELECT COMMITTEE ENQUIRY ON "DECENT HOMES"

In May 2004 the ODPM Select Committee published its highly critical report on "Decent Homes". The Committee chairman, Andrew Bennett, said at the launch of the report:

"The government makes commendable statements about improving tenants' influence over the management over their homes. However, under the pretext of Decent Homes, local authority tenants are, in reality being blackmailed into stock transfers, or almos, through the current funding arrangements."

"The government must put its money where its mouth is and leave it up to tenants to decide who should own and manage their homes."

MPs attack "dogmatic" housing policy, Society Guardian, 7 May 2004

The following extracts from their report have a direct bearing on this PASC enquiry:

125. "The Government is in effect using the Decent Homes target as an indirect means to level local authority housing stock out of direct local authority control, or even ownership . . ."

128. "The Committee recommends that the Government revisit its dogmatic pursuit of the separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and Councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as well as the one preferred by many tenants, may well be that the Local Authority retain full ownership and management responsibilities."

139. "... We have not heard evidence that creating an ALMO per se enhances the achievement of Decent Homes, or indeed tenant satisfaction. The option of creating an ALMO should continue to be available to Local Authorities, but there should be no financial incentive for Councils to do so."

152. "The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to their stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities."

153. "Apart from enabling Local Authorities to borrow on an equal footing with Registered Social Landlords (RSLs), it would clearly be fair for Local Authorities to receive the same levels of Government investment grants as those available to ALMOs or PFI schemes."

163. "... the commitment to tenant choice is a charade unless Local Authorities are able to act in accordance with the wishes of their tenants. We recommend that the Government take immediate steps to ensure that where a majority of tenants wish for their homes to remain under Council management, they are not penalised when it comes to access to funding for investment in Decent Homes or any other policy initiatives."

169. "The Committee believes that there should be a level playing field between local authorities with retained stock, ALMOs, and stock transfer companies in terms of the mechanisms and volumes of funding available to them . . ."

174. "We believe that the requirement for tenant consultation and approval should be identical regardless of whether a Local Authority intends to go down a PFI, ALMO or stock transfer route."

ODPM Select Committee enquiry on "Decent Homes", 6 May 2004

2. HOLDING BALLOTS EARLY TO WRONG FOOT OPPONENTS

It is now commonplace for local authorities to bring forward ballots or other "test of opinion" consultations in advance of the advertised date. The purpose is to get tenants to vote before they have received any material putting the alternative arguments.

Local authorities can afford to put out a constant stream of material in the months leading up to a ballot promoting their policy. Those campaigning for direct investment have very limited resources (both in terms of finance and distribution). Most campaigns only manage to get one leaflet out. By deliberately misleading their opponents councils can effectively prevent tenants getting to read the case against.

In Wakefield the council knew opponents of stock transfer had booked leaflet distribution via the local paper and called a snap ballot so that tenants voted before the material arrived. The same happened in North East Lincolnshire (Grimsby) prompting a formal complaint from Austin Mitchell MP to the Electoral Reform Society.

Islington council kept refusing calls to ballot tenants on its proposal to setup an ALMO and then gave one days notice of a ballot which was issued with a leaflet telling tenants to vote yes in the same envelope.

Most recently, Wolverhampton council called a snap ballot when it was alerted to the fact that the local UNISON branch had pre-booked adverts in the local press. The council's website displays the following statement:

"We have not held the ballot earlier than planned, as claimed by some. We have always said that the ballot would be held before Christmas. The most recent "Vote for a Better Home" newsletter, which was delivered to every tenant and leaseholder, warned them to look out for their ballot papers which arrived the very next week. Independent research indicated that awareness was extremely high, so it was the right time to proceed."

Government Announces 100% Support for Council's ALMO Bid, 28 October 2004

Wolverhampton MP Ken Purchase was one of several to complain at this flagrant breach of the normal democratic process.

Hackney council in London last week sent out ballot papers earlier than expected to "test opinion". The Hackney Tenants Convention, the recognised borough wide tenants organisation, has formally complained and called for more time.

Local authorities routinely pay for “market research” to help fine tune their propaganda and decide when is the optimum time to get tenants to vote.

We can think of no comparable elections, ballots or consultations where supporters of one side of the argument have the right to change the timetable of the democratic process to so crudely give themselves the advantage.

3. OBSTRUCTION AND INTIMIDATION

Local authorities always have several major advantages over supporters of direct investment in council housing when it comes to consultations on stock options. They can:

- use unlimited public funds to pay for glossy PR campaigns promoting transfer or ALMOs (eg Birmingham spent £12 million and Camden £530,000);
- discourage the local press from giving equal space/airtime to opponents;
- refuse to provide opponents with the addresses of residents being consulted.

In Stroud the local MP (David Drew) made several complaints to the council.

“Stroud’s Tory Council is insisting that councillors who wish to publish any information about transfer must get it approved by the special pro transfer working group as all information has to be kept to agreed “accurate” information.

“Councillors who do not comply are being threatened with being thrown off the council by being reported to the standards board for England, who through either a referral to a Special Tribunal or to the Council’s own standards committee have the power to suspend or disqualify councillors for up to five years.”

Councillor Chas Townley, Stroud, 26 October 2003

In Tower Hamlets (over the last twelve months) where the council is conducting 81 separate ballots there has been a long list of attempts to obstruct and intimidate opponents.

On three estates (Ranwell, Bow Bridge and Wapping) tenants who have attempted to attend meetings of their estate’s “steering group” have been refused entry. These unelected steering groups have been established by the council to oversee the process of preparing for stock transfer.

On Ranwell the tenant was told if you are opposed to stock transfer you could not be a member of the group. On Bow Bridge the chair said the committee was full and on Wapping they threatened to call the police to remove a tenant who wanted to observe the meeting.

On both the British Street and the Leopold Estate tenants were refused permission to hold a public meeting in the tenants hall to put the case against stock transfer in the run up to the ballot.

The Steering Group on the Christchurch Estate agreed that Tower Hamlets Against Transfer of Council Housing (THATCH) could have a stall at any open-day event but this was over-ruled by senior council officers.

Residents on the Ocean Estate reported at the THATCH conference on 29 October 2004 that they had been refused information on the stock conditions survey. The council is arguing that several blocks have to be demolished because of their condition and that the sale of the estate is the only way to finance improvements.

On the Withy estate tenants were told they were not allowed to leaflet in the block without the express permission of the steering group.

In the run up to, and during the ballot, on the Mile End Estate the council instructed housing workers to remove all anti-transfer posters from notice boards and entrance areas. Adjacent posters supporting the transfer (council and RSL) were left untouched.

The Tower Hamlets main weekly paper “East End Life”—produced by the council and financed from public funds—has banned any critical discussion or debate on transfer proposals, will not publish critical letters and even refuses paid adverts for tenants’ meetings to discuss the council’s “housing choice” options.

On the Leopold Estate minutes of the steering group (Leopold Area Regeneration Team) state:

“a postal ballot would be unreliable . . . Telephone ballot . . . perhaps a follow up door knocking exercise was to be conducted by S[teering] G[roup] members with a mobile phone to assist residents to register their vote”

<http://fp.leopold.plus.com> minutes 13 September 2004

A confirmed booking for a public meeting on 24 November 2004 at the St Pauls Way School to discuss the Leopold transfer was cancelled at the instigation of a school governor who is actively involved in promoting the stock transfer.

The “Ocean New Deal” plan proposes whipping all community leaders and board members to support a transfer proposal involving major private development on the already-overcrowded estate. They also propose to use public resources to ensure:

“housing partners and community leaders will also work to undermine the aims and integrity of those campaigning against the transfer”

Ocean New Deal Resident Consultation and communication Strategy 2004, 11 November 2004

Similar experiences are reported by tenants in other areas. We regularly get complaints from tenants that they have been “warned” by council officers and so-called “Independent Tenants Advisors” that they will be banned from meetings if they continue to argue against the council proposals. Distributing Defend Council Housing material is often opposed too.

Councils regularly put a “health warning” on their material saying it has been “checked by the ODPM”. The suggestion is that their arguments are “facts” and anything else tenants may read it just “opinion” and likely to be “misleading” or “wrong”.

4. CONTRADICTION IN GOVERNMENT POLICY ON CHOICE IN PUBLIC SERVICES

Whilst Ministers, including the Prime Minister Tony Blair, have repeatedly stated a commitment to promoting choice in public services it is clear that on the issue of council housing they are denying tenants that choice.

Councillor Jane Roberts, Leader of Camden Council, writing to the Guardian following the 77% No vote to ALMOs in Camden argued:

“While the government believes strongly in the importance of “choice” in public services, its strategy for council housing is so prescriptive that a highly performing housing service, such as Camden’s, cannot access much-needed resources for repair and improvement work without acting against the wishes of the majority of its tenants.”

Guardian, 19 January 2004

John Prescott made it clear how limited he believes that choice should be:

“What people are interested in is not whether it’s left or right, or public or private. It’s whether they’ve got decent kitchens, decent bathrooms in decent homes with central heating.”

Deputy Prime Minister, John Prescott quoted in Prescott revives sink estate sales, Society Guardian, 5 May 2004

At the Labour Party annual conference John Prescott made the following clear commitment:

“Public financing of housing doesn’t treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an enquiry into it.”

John Prescott, 26 September 2004

Housing Minister, Keith Hill, followed up this statement by saying:

“We recognise yesterday’s vote and we will engage as a result of that . . . We are continuing the review as we promised to do . . . We are continuing a negotiation, a discussion, with the various interested parties.”

On the morning of the Defend Council Housing national conference on 29 October Austin Mitchell MP received a letter from the Deputy Prime Minister withdrawing that commitment. In a separate letter to “all Council Leaders” he dismisses any need for choice and argues:

“I am not involved in any discussion about a “fourth option”. . . The existing three options of ALMO, PFI and transfer that deliver additional resources are proving highly successful and there is no need to create alternative options.”

John Prescott, 29 October 2004

Speaking at the DCH conference Clive Betts MP said:

“First of all we are fighting a democratic battle here, in that the last Labour party general election manifesto said very clearly not that council tenants would have the right to become part of a stock transfer or to move into an ALMO, but they’d have a right to have a decent home even if they remained council tenants. And that is a fundamental right that we have to fight to retain, that was a manifesto commitment, and that has been clearly reinforced by the party conference decision of a couple of weeks ago.”

“If the government is going to fight the next election campaign on a principle of the right to choose in health and education, how can they fight the same election on the right of no choice for council tenants? The things do not square together. That is something we’ve got to put very firmly to government—if choice is the agenda, then that agenda has to include council tenants having the right to choose to remain council tenants as well.”

Frank Dobson MP, also speaking at the DCH conference, said:

“Then when it comes to these ALMO ballots, you know if they sent in international observers from the UN to look at these ALMO ballots they’d be denounced as invalid wouldn’t they? I mean its rigging, and bribery, corruption of every sort that you can imagine. Vote for the ALMO and you’ll get your house done up—don’t vote for the ALMO and you’ll live in a shit-heap for ever more. Now, is that a fair choice? I suggest that it isn’t. But that’s what’s being put to people and it’s totally unacceptable.”

Tenants, leading trade unionists, councillors and MPs are signing an “open letter” to John Prescott. It states:

“This public commitment to a level playing field for council housing by the Deputy Prime Minister, accompanied by a promise of an inquiry, is a promise council tenants around the country expect to be honoured . . . Government Ministers have put considerable emphasis on ‘choice in public services’. Denying council tenants the right to choose to remain as council tenants and get improvements to their homes clearly fails this test. We urge you to stand by the commitment you made—this is not a procedural game. A promise is a promise.”

Hal Pawson, senior research fellow at Edinburgh’s Heriot-Watt university who has carried out a series of official studies for the Office of the Deputy Prime Minister, wrote last month in this year’s UK Housing Review:

“[Stock transfer] proposals are hardly ever bottom-up in the sense of being motivated by tenant preferences and yes votes are generally achieved only where the council is fully behind the proposal and presents its case forcefully.

“Ultimately, the ‘choice’ offered to the vast majority of tenants consists of no more than an opportunity to endorse or reject a single option, with rejection potentially incurring a heavy penalty in the form of debarred access to capital investment. This is, arguably, hardly a choice at all.

“According to this reasoning it is hard to contest Defend Council Housing’s portrayal of stock transfer ballots as tantamount to ‘blackmail’.”

Inside Housing, 29 October 2004

CONCLUSION

We hope that this additional evidence gives the committee some insight into the denial of choice being offered to council tenants and the lengths to which Ministers are prepared to go to try and shore up their increasingly discredited policy.

It is a disgrace that “consultations” on such an important issue are carried out in such a partisan and cavalier way with public money being used to promote one side of the debate and all sorts of tactics used to obstruct the alternative arguments being put to tenants. There would be a public outcry if such tactics were used on issues of less importance in the leafy suburbs. It is outrageous that politicians and senior government and council officers treat council tenants with such contempt.

Our campaign has few resources and no full time workers. We would urge the committee to commission its own research to establish whether the government and local authority record on consulting council tenants on stock options meets the standards normally expected.

The agenda to force tenants to accept a change of landlord does not come from tenants. It is being driven top-down from government. Even where tenants have accepted stock transfer or ALMO they have in almost every case done so reluctantly and made the point that they would rather remain as council tenants and have the improvements carried out by the council. “Yes” votes—and increasingly with ALMOs informal “tests of opinion”—are only secured because councils tell tenants this is the only way to get the improvements tenants need.

We would argue that “Choice for council tenants” must mean the right to chose to remain as council tenants and get the improvements we need. That requires a “level playing field” for council housing and a “fourth option” allowing direct investment alongside the government’s three options of transfer, PFI and ALMOs. In addition real choice depends on there being a “fair and balanced debate” with equal resources for both sides and a formal ballot in every case before any decision is made.

Alan Walter

Defend Council Housing

November 2004

Witnesses: **Dr Tim Brown**, Centre for Comparative Housing Research, De Montfort University, **Mr Alan Walter**, Defend Council Housing, **Mr Chris Wood**, Director, Housing and Customer Services Department, Newham Borough Council, examined.

Q108 Chairman: Could I welcome our witnesses this morning who are Tim Brown, Alan Walter and Chris Wood. It is very kind of you to come and help us. This Committee is doing an inquiry into the Government's public service reform agenda and is particularly focusing now on issues of choice and voice and although we do not want to get into the details of policy areas, we want to get illustrations of how some of these things might work and you all bring considerable expertise in housing to us this morning. I do not know if any of you want to say a word by way of a very short introduction or shall we just continue with the questioning?

Mr Walter: Could I make two very brief points?

Q109 Chairman: Yes, of course.

Mr Walter: I attended a public meeting in Tower Hamlets last week where there is a stock transfer ballot about to take place. We do not know when it is going to take place because it is under the control of the local authority. We ended up having a meeting in a church hall in an area where a significant minority of the tenants are Muslim and that is far from an ideal venue. We ended up there because the confirmed booking we had at the local primary school was cancelled at the last minute on the instigation of local authority members on the Board of Governors. I think that is an example of how we have got an outrageous situation where there is supposed to be choice but one side of this debate has unlimited resources, the names and addresses of electorates, they can employ professional consultants, translate material, they control local halls and determine when the ballot is held—maybe there is an analogy with what is going on in the Ukraine at the moment—and the other side has no resources and fits in campaigning around picking up the kids from school and their jobs and everything else. On any democratic criteria you apply that is not proper choice and it is not very balanced. The second thing is that there are plenty of authorities now where tenants who have been asked to exercise choice have done so and voted no and they are now being told to ballot again. The housing minister has gone to these areas and when he asked what will happen if tenants say no a second time, he said he will keep balloting them until they say yes and the money that is available if you give the right answer will not be available if it is the wrong answer. Those two principles sum up the fundamental contradiction.

Q110 Chairman: Thank you for that. I am not quite sure it is quite like the Ukraine yet. Perhaps we could start more positively and concretely by turning to the choice-based lettings system. One of the things the Committee is interested in is trying to find examples of choice models from different areas that have been designed to produce certain outcomes that are thought to be beneficial and choice-based lettings is one of those that is often referred to. Could

you just give us the essence of the scheme and tell us why the research seems to support the view that this is an advance over what happened before?

Dr Brown: My name is Tim Brown. I am the Director of the Centre for Comparative Housing Research and I have been involved in both the development and evaluation of a number of choice-based lettings systems. One of the key principles of choice-based lettings is that it gives the customer or the applicant a relatively greater say in the allocations process. I think it has to be seen in relation to the traditional allocation systems that have dominated social housing provision where previously it has been very much based on housing officers taking the lead in the process and customers being passive and waiting for a letter or a phone call from the council or from the housing association to say, "We've got a property that we think is suitable for you." Often in high demand areas it is a limited offers policy, maybe you can only have two offers before you are suspended from the waiting list, and that does not give customers much choice in the process. Empowering customers to respond to adverts seems to be a very positive way forward and something that comes across from many of the Government pilot schemes and other schemes on choice-based lettings where customers like the process of having greater relative choice.

Q111 Chairman: Do you want to add anything, Chris?

Mr Wood: I would be more enthusiastic than Tim about the positive attributes of choice-based lettings. I think it has transformed the nature of my relationship with the people who are coming to the council asking for housing. It has given them control and greater power than can be exercised in their choice of housing. I strive to ensure the system is similar to that that we enjoy in the private market. We have an unlimited choice of housing. We can buy a house wherever we want. There are constraints on that and that is the affordability of it, but we do have choice. We can buy a large house in outer London or a small flat in inner London. Our applicants in choice-based lettings schemes are afforded similar ranges of choice. There are variations between the schemes and the currency that is used to bid for the property. In the scheme that I administer waiting time is the currency and so the people who have the longest waiting time come to the top of the list and can choose any property that is available, but if they have a lesser waiting time they can choose a less popular property. They can sit and wait for the ideal three-bedroom house with a garden and off-street parking or whatever, but they recognise they may have to wait a long time for that. If they want to take a high-rise property of a similar size then the currency of waiting time is that they can move earlier.

Q112 Mr Prentice: In the briefing material we have been given we are told that there are 91 bids per property, that is the average in Newham, but in the

25 November 2004 Dr Tim Brown, Mr Alan Walter and Mr Chris Wood

best areas there are 477 bids. How long do you have to be on the waiting list to be considered for a property in one of those popular areas?

Mr Wood: You would have to be on the waiting list seconds to be considered. How realistic it would be that you would secure one of those properties—

Q113 Mr Prentice: You said it goes to the person who has been on the waiting list for the longest time.

Mr Wood: That is right.

Q114 Mr Prentice: How long would a person have had to have been on the waiting list to get a property in one of the popular areas of Newham where you have 477 bids?

Mr Wood: In one of the popular areas then the waiting times can be eight or nine years, but for a similar sized property that same person could wait half the time or less.

Q115 Mr Prentice: Do people who have their eyes focused on one of the popular areas in Newham think this is a great system that allows them to successfully bid for a property after eight or nine years on the waiting list?

Mr Wood: I would make two points in response to that. You need to compare it with what went before and this is a hugely popular scheme compared to what went before. People feel much better about this scheme than what Tim described before, the kind of rationing system that we had previously.

Q116 Brian White: People do not join the waiting lists because of that eight and nine year waiting time as they do not think it is worth it. Have you had people who previously would not have applied to go on to the waiting list now coming on to the waiting list and an increase in the number of people wanting council housing?

Mr Wood: No, I do not think so.

Dr Brown: I think certainly in high demand areas what is being changed is the process. Choice-based lettings does not affect the supply. If it is a high demand housing market it is still going to be high demand. What a number of local authorities have done is to broaden out from choice-based lettings to what I would call a housing options package by making information available about other ways of meeting housing needs, meeting their housing aspirations, promoting shared ownership, low cost owner occupation, the private rented sector and disabled facilities grants as a way of thinking about whether people really do need to move. There is always in a high demand area, whether it is east London or rural areas such as Harborough in Leicestershire, an imbalance in the housing market, but I think it is quite interesting that after two or three years some local authorities and their housing association partners are broadening it out to give people choice in social renting and making them aware of other products and services.

Q117 Chairman: One of the issues that has arisen in our discussions about all of this is whether there is a conflict between choice and equity and I would be

interested to know what you think of a scheme like this because someone could argue that the old system was basically, for all its defects, a needs driven system, ie you totted up the points that people got based upon the needs that they had and a property was allocated to them. That has the virtue of some sense of equity about it. Is equity a casualty of this, and do those people who are least able to operate this kind of system lose out?

Dr Brown: One of the principles of choice-based lettings is that it helps vulnerable people. A number of the schemes are trying to build equality into the scheme, not just by giving priority to vulnerable people through priority cards or bands rather than waiting time as the currency, but what we have found in choice-based lettings is that it is about involving a wide range of advice and support agencies in working with vulnerable people, their advocates, health sectors, the social care sector, the Citizens' Advice Bureau, who are all partners in developing the scheme so that they take account of people's needs. Can I give you an example to illustrate that? One of the issues in Harborough in Leicestershire, which is an agricultural area, was that many residents have got low literacy levels. Harborough talked to county council education departments and said they should not put the adverts in text format but use diagrams, signs, that sort of thing. There are all sorts of ways of ensuring that vulnerable groups are not missed out by the system. I am quite passionate about the fact that we have got to be sure that vulnerable groups do not lose out because of not being able to access the information, not having the support.

Mr Wood: All the choice-based lettings schemes that I am aware of hold back some properties for emergency applicants. I think in Newham it is around about 75% of our properties we advertise through the scheme, but if there are life and limb situations then obviously there is an opportunity to move people urgently into properties and that protects the most vulnerable people in the most extreme circumstances. I would concur with everything Tim has said. Again you have got to compare it with what went before. I do not think people used to read our lettings policy, I think they used to weigh it. There were just huge volumes to try and account for every conceivable circumstance that someone might find themselves in and make a judgment about whether that was relatively more needy than someone else. The system is very much more transparent and simple. The feedback I get from the users is that they much prefer that. The thing that most dissatisfied people about the old system in the research that we did was what we had called "leapfrogging" in that you could have 125 points and be top of the queue today and you would be told that you were top of the queue or second in the queue, but tomorrow if three people came in with 128 points you would suddenly become fourth or fifth in the queue. It was just counter-intuitive for people how they could be a priority today and then tomorrow that priority could be reduced. Many of the new schemes are based on high-tech solutions for delivering these schemes. Newham is one of the most

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ethnically diverse places in the country. The concern about accessibility for people whose first language is not English has been a key concern for us, but we have been able to develop new methods and new solutions. We have automated telephones available in 11 and 12 different languages and we have talking heads on our website schemes so that if you want to receive instruction advice in the language of your choice that is available on the website. People use that and they have responded to it. Our tracking applications from different ethnic groups show that there is absolutely no lack of take-up from the different ethnic groups and we have solved the problem of language as a barrier. The area where I still have some concerns appears to be with older people where there is perhaps some technophobia, reluctance to engage with websites and touch screen kiosks and so on and so forth. People can be assisted through the process by staff in our centres if they wish.

Dr Brown: Information communications technology does allow choice-based lettings to do very cutting edge stuff, such as virtual viewings of property. My concern on that, wearing my information communications technology hat, is that only between 10 and 20% of applicants are likely to have access to the Internet at home and it is not going to be Broadband and if they are trying to download information with pictures, etcetera, it is very frustrating. I think we have got to be careful about the use of technology. It can be quite liberating but it could reinforce the digital divide.

Mr Wood: I do not agree on that.

Q118 Chairman: Tell us why not.

Mr Wood: There is this notion of a digital divide and how that Internet banking is used by people in higher income groups and all these new facilities are for the more advantaged section of the population. Newham is one of the most deprived areas in the country and we have had absolutely no difficulty with people using the technology-based system. We thought that automated telephones would be the primary channel by which people would access the service and the rate of take-up through the Internet took us by surprise. These are very disadvantaged groups where Internet access in the home is only slightly less than the rest of the country, but now about 60 or 70% of all our users are accessing it through the Internet either at home, in libraries, in our centres, we have touch screens in our public offices or Internet cafes and they are managing without any difficulty to use the technology and I think it just makes it very much more open and accessible and I am a great fan.

Q119 Mrs Campbell: I was not going to follow up on ICT, I was going to take you back to the question of who manages the housing stock. The first question is really whether you think tenants should make the choice or councils should make the choice and why?

Mr Walter: I think what is fundamental is that as far as we are aware there have been no instances in the country where that issue has been raised by the tenant. The debate about management and about

who the landlord should be is one that is coming from the top down. What tenants are concerned about is the quality of the homes that they are living in. The issue of choice-based lettings is outside of our remit. In metropolitan areas and the South East I think the major issue is how many homes there are and what the quality is like. I am not against choice-based lettings but I think it is cosmetic and you have to ask why so much energy is going into something that is cosmetic rather than tackling the fundamentals of the problem. The satisfaction levels amongst council tenants about the principles of having decent, affordable and secure housing provided by the local authority are extremely high and universally across the country the criticism centres around the issue of investment predominantly, not the issues of who the landlord is and whether it is public or private. In that situation it seems to me it is completely false and dishonest for the Government to then try and make the issue of ownership and a change of landlord the central debate. As we have laid out, the justification they use for that, the arguments about separating housing strategy from housing management and the benefits of tenants' involvement, does not stand up to any examination whatsoever.

Q120 Mrs Campbell: Do either of you want to add anything?

Dr Brown: I would make the point that certainly in the first district-wide scheme in Harborough what struck me very early on was that many of the applicants thought there was far more stock in Harborough than there actually was. I remember going to a tenants' forum meeting and they said, "Gosh, the issue in Harborough is not the allocations process, we much prefer the new system, choice-based lettings, it is the fact that there is only 23 4-bedroomed properties in Harborough." The fact that properties are advertised has made the issue much clearer to tenants.

Q121 Mrs Campbell: I want to take you back to the choice of who manages the housing stock. Is there a real choice for tenants or for councils because if councils are to meet the Decent Homes Standard and the Decent Homes targets they cannot do it without extra funds? The Government have said that they will not make funds available directly to councils. Do councils have any real choice with it? Do they have any choice? Is this why they are saying to tenants that if they vote no they will have to come back to them and try again.

Mr Walter: There are many councils that can. If Decent Homes is the driver—and the ODPM Committee said it was a Trojan horse—then there are many councils that can meet the Decent Homes standard using their existing resources and yet some of those councils, Sedgefield being one of them, are still trying to stock transfer. I do not think you can look at it simply on the basis of economics. There are councils that can bring homes up to the Decent Homes Standard, that is what the agenda is meant to be and yet they still want to get rid of their council homes to a private landlord. That does not make

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sense. In that situation there is a choice for council tenants to stay with the councils, but that choice only means anything if council tenants understand what those choices are and they have access to an argument that says the council can meet Decent Homes and you can remain council tenants. In lots of areas they never hear that case.

Q122 Mrs Campbell: Can I just put to you the question that was put to the tenants of Cambridge City Council who have just had a ballot on the transfer of housing stock. They are able to meet the Decent Homes Standard without having to do any public borrowing, but they had set two standards. Apart from the Decent Homes Standard, they have a higher Cambridge standard and what they were asking tenants basically was do you want to go for the higher standard, the Cambridge standard, in which case it will mean housing stock transfer, or do you want to go for the lower standard. It seems to me that is offering choice, is it not?

Mr Walter: As long as tenants are clear how the different elements fit together. There is a number of different issues. There is what extra work is involved in the higher standard, what the benefit is and how much extra money that will cost and what the timescales are if you either stock transfer or if the council keeps the stock. There are many councils that could meet the Decent Homes Standard and retain their stock using the existing resources but maybe not by 2010, maybe they could do it by 2011–12. The way it is portrayed to tenants is that it is a black and white thing: either you stock transfer, in which case you will get gold taps, or there is going to be Armageddon. In terms of Decent Homes plus or whatever local authorities call it, it may be that the extra benefit could be achieved in 2012–13. What tenants need to weigh up is those different elements, the amount of work, the amount of improvements they are going to get and the timescales and how much they stand to lose by whichever choice. In Grimsby, where the council by its own admissions can meet the Decent Homes Standard but it said it wanted to do more than that, the kind of work that was outside of its ability if it retained the stock were things like putting in extractor fans or repaving paths. If it had been explained to tenants that the fundamental improvements to their homes would be done but maybe some of the more peripheral work might take longer, that is a very different set of information on which to make choices than if you are told it is either/or and it is privatisation or disaster.

Q123 Mrs Campbell: I understand that you clearly have some difficulty with the ways in which the choices are being presented to tenants and we could discuss that further. If a council is not able to reach the Decent Homes Standard except by extra funds which obviously are not going to be forthcoming, what choices do councils have if tenants reject the options that are put forward to them?

Mr Walter: Government policy can be changed. The fundamental responsibility of a local authority is to represent the interests of its electorate, not to

represent Government policy to tenants. For instance, in areas like Camden where the Government allocated £283 million of public money to the council but only if it set up an arm's-length management organisation is a reasonable thing to do where the council, tenants and the MPs have joined together to exert pressure on the Government. That seems to me a normal democratic process. In Birmingham where they voted two to one against stock transfer and the Government has said it would write off debt to the tune of £650 million, I think again MPs and tenants in Birmingham were right to say that if homes are not sold then that money should be made available to the council to write off debts if they keep their stocks.

Q124 Mrs Campbell: Basically you are arguing for choice, are you not? You are saying that the legislation should be changed so that tenants can have real choices.

Mr Walter: I think there are two fundamental principles here. The choice depends on there being a fair and balanced debate, which there is not, and a ballot in every instance, which there is not. Secondly, all the choices should be available. We are not asking for the moon here, we are asking that the money that belongs to council housing is ring-fenced and re-invested back into council housing. That should be the parameters of a choice debate.

Q125 Chairman: Are there cases where it is sensible for tenants to choose to move over?

Mr Walter: I think that would be for individual tenants to decide. We have no problem whatsoever with tenants being given the opportunity and given more choices. All the evidence is that if that was done the vast majority of tenants would choose to remain with the council and get their improvements that way, but if tenants voted in those circumstance for a different landlord then that is democracy. As long as they have heard the debates then I am absolutely comfortable with that and it seems to me the Government should be as well.

Mr Wood: I want to offer a contrary view. I think this is nonsense. This is my personal view. I am not articulating the policy of Newham Council in any way. I do not think tenants should collectively be given the choice of landlord. My belief is that these are the State's assets to provide housing for the current generation and for generations after. If the State chooses that it wants to re-mortgage or re-finance in order to bring this housing up to a standard and it has a responsibility to do that, then I think who owns the property, whether it is a housing association or the council, is not something that should be offered to the tenants by way of choice. The only choice that the tenants would have would be in the election where they would choose between one manifesto or another. No one has asked me to vote on the denationalisation or nationalisation of industry other than when I go to the ballot box. I do not see why council tenants are special or peculiar in some way and should be offered the chance to be balloted or to choose on the ownership of council housing.

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Q126 Mrs Campbell: Would you think they have a right to be consulted?

Mr Wood: Yes.

Q127 Mrs Campbell: What method of consultation have you used in Newham?

Mr Wood: I would defend their right to be consulted absolutely, definitely. In Newham we have had, we call it, a commission dominated by tenants with some independent people from housing associations and so on and so forth and they acted rather like a select committee, calling people to give evidence, housing associations, Defend Council Housing, and so on and so forth. We did more traditional things, public meetings, newsletters and so on, but we also commissioned a survey by MORI to do a methodologically sound representative sample, as it were, and the results of that were that people were saying that essentially they wanted decent homes and their preference, as expressed in the mechanism, was for the Arm's Length Management Organisation precisely for the reasons that you have given, because of the range of choices and options, PFI, arm's length management and stock transfer, so that was the range they were given and they chose what they felt to be the best of those three options.

Q128 Chairman: Is there not, Alan, a logic in this position which says that given the fact that you are saying that all this choice is bogus anyway, would it not be much better just not to have it?

Mr Walter: Well, I do not think the Government can pretend that it is committed to choice in public services and then either run a choice exercise that is fundamentally flawed and then when it gets into difficulty the professionals in the field basically say, "Well, it's better not to have it at all because we can't guarantee we're going to win it", which is how this debate has been run. I think there is a fundamental difference between a commuter on a British Rail train and a council tenant and one of the fundamental differences is that actually we have a legal contract called a 'secure tenancy' and, particularly in today's times where the private market is running absolutely mad and is causing misery to millions of people, actually a secure tenancy is worth its weight in gold and I do not think that the Council or the Government should be able to take that away from us without us agreeing to it. There are comparisons with people at work. This is a legal agreement and it is up to the Government to uphold those agreements. Firstly, I think the Government should be consulting people about public services because they are our services and we have paid for them, but, secondly, in the specific case of council tenants, the secure tenancy is a legal contract and we have a right to defend it.

Q129 Chairman: You say that the alternative that is being offered is privatisation, but it is surely not, is it? It is a different form of social initiative, is it not?

Mr Walter: I think this thing about social ownership is an attempt to fudge. RSLs, registered social landlords, are private companies. Now, if you turn the clock back 20 odd years, I think Gerald

Kaufman, at one of our conferences, explained that when he set up the Act which introduced housing associations, they were, by and large, and this is not paraphrasing his words, friendly, cuddly, locally based, community-orientated, specialist housing providers. That is not the case today. They are multi-million pound, increasingly national organisations dominated by the private sector and I think to call them "social" is meaningless. The Government keeps saying that they are not for profit. BUPA is not for profit, but if BUPA tried to take over your local hospital, most people would think that was privatisation and they would think that rightly. I think it is clear that is what we are talking about at the moment. We have a long tradition, a proud tradition, which I think has served millions of people well, of public housing provided by the municipality and there is a world of difference between that and what the Government is trying to do. There is also a world of difference in practical terms because, as we say to tenants when we get the opportunity, "If you get transferred to an RSL, you lose your secure tenancy, and this is not an academic issue, it means eviction rates by RSLs are significantly higher than by local authorities, your rents go up, and there is a loss of accountability because you can't hold them to account". These are concrete, practical issues and I think it absolutely justifies us in saying this is privatisation.

Q130 Mr Heyes: Why would this be? You have used words that the Government is false and dishonest, that it is a charade, it is not real, but what is really underneath all of this driving it, do you think? Why would the Government behave in this way to present this as choice when really it is disguised as something else? What is that other thing and what is driving it?

Mr Walter: Well, I think they present it as choice because they try and legitimise something. Why they are so intent on privatising council housing, I think, is a bigger question and I suspect it is because they believe that private is good and public is bad and what used to be, in many local authorities and for governments nationally, a public service that politicians were proud of, I think, because of the legacy of under-investment, has become an embarrassment that politicians would like to get shot of, but the facts are that the economic arguments do not stack up. The facts are that if all the money from tenants' rent, from capital receipts, the money they are spending on writing off debt and subsidising privatisation, if that was put into council housing, then council housing would be financially viable and Decent Homes could be met, so this is a political debate, not a financial one, and I think the Treasury has now accepted that.

Q131 Mr Heyes: It is this parallel, the dogma, against what you say is a very logical and strong economic argument. It does not make sense, does it, that dogma can dominate in that way?

Mr Walter: Well, I think if you look at what has happened with ALMOs, it really does expose the contradictions because the argument that ministers have put in the past has been that they need to lever

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in private money, but actually increasingly, because they have been losing ballots over stock transfer, they came up with the ALMO formula and now in many metropolitan areas that is the only one that they have any chance of getting through. ALMO expenditure is on balance sheets and it is no different from the councils borrowing direct, so it is clear that this is not about leveraging in public money. The Government has a commitment to trying to change the way that council housing is managed and the review that the ODPM is now conducting into the future of ALMOs, explicitly looking at selling them off, seems to us to vindicate our analysis that ALMO is two-stage privatisation and that is the Government's end game.

Q132 Mr Heyes: Our inquiry is entitled, "Choice and Voice". What does all of this do for tenant voice? My thinking behind that question is that in my area where the stock transfer took place very early, it seems to me that tenant voice has been damaged by that because, remember, Chris Wood referred to the democratic process and the bottom line is that if you do not like the way the council is running the housing stock, you can have change, and the removal of that and, alongside it, the removal of the councillor advocacy role in dealing with individual cases or collective cases of problems, all of that has been taken away. To be frank, my view is that has damaged tenant voice and I am interested in your thoughts on that.

Mr Walter: Personally, I happen to be the chair of a tenants' association on my estate and I think most tenants' associations know their ward councillors and most ward councillors know their tenants' associations and you know, when there is a problem, who to get hold of and, by and large, there is a relationship, regardless of political party, that works. I think, as you say, after stock transfer, and I think the same is becoming true of ALMOs, the politicians hold their hands up and say, "This has got nothing to do with us anymore. It is a separate organisation". It was interesting, I think, that the Health Secretary, John Reid, when he was asked about the deficit for the Bradford Foundation Hospital, where I think there are parallels, said, "This is a foundation hospital. It's not my responsibility anymore", so I think that experience is general. It is a way that local politicians can wash their hands of what has been a major part of their responsibility. What we would argue and what we would ask the Committee to do is, one, that there should be some proper research into actually what has happened with privatisation of council housing, what the experience has been, and that research should be made available to tenants who are having the question posed to them today in order to make the choice more real, and, two, there needs to be some very clear guidelines on the obligation of local authorities when conducting these options of how they conduct it. It cannot be right, and maybe the parallel with the Ukraine is a bit overstretched, the idea that one side of the debate controls when the election is going to be held. The Leopold Estate in Tower Hamlets, we expected that the ballot would

start this weekend, but we do not know, and the Council will determine it and they will use MORI or other professional firms to gauge not the right time democratically, but when they think is the optimum time for them to win their position. They can spend public money, unlimited amounts of public money, and they have access to the names and addresses of electors, whereas the opponents do not, even local MPs. David Drew in Stroud tried to get a list of council tenants who were being balloted over a stock transfer so that he, as their elected Member of Parliament, could communicate with them, and other MPs have tried to do the same thing and have been refused. Where local councillors have asked for that information, they are democratically elected politicians, and when they have attempted to express a view in areas like Stroud and other areas, they have been threatened with the Standards Committee. Now, that is happening more and more as the Government becomes more and more desperate and it is clear that the strategy is advice coming down from the ODPM to the Housing Task Force, so I think for this Committee to say that choice means that there has to be very clear guidelines as to how stock options and consultations are carried out and there has to be a ballot in all cases, not just using a MORI poll which one side can manipulate, but there has to be a proper formal vote and a clear period when two sides can debate and resources for both sides to debate and access to the electors and access to public halls and translation facilities, that would be a very helpful contribution. Also I think there needs to be some research. We do not have any full-time workers, so this is nonsense. One side has untold numbers of professionals and the other side is fits it in between taking annual leave on jobs, between taking the kids to school, caring for relatives and doing the shopping, so this is a nonsense in terms of any definition of choice, whether it is a British one, a Ukrainian one or somewhere in between.

Q133 Chairman: Is Chris's argument not the one though which says that both this Government and the last one actually believe that councils should not run housing directly anymore and that is what their policy is? Would it not be just more honest just to implement that rather than go through this game about choice and balance because we know what it is all about?

Mr Walter: I think some politicians have trouble being honest, so I think playing the choice game is a fig leaf. I think also this Government has a problem which is a legacy from the last Conservative Government which is that the Conservative Government, for whatever reasons, made the mistake, and I am sure everybody thinks it is a mistake, of giving tenants a vote with stock transfer, so, unlike other areas of public services where maybe majorities or minorities of users of those services are for or against privatisation, council tenants today on stock transfer, not on ALMOs and PFI, but on stock transfer do have a vote. I can well understand why politicians want to remove that right and where they are having trouble doing it, they want to use every

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other advantage that they have to try and circumvent democracy and rig the outcome, but it seems to me that what this Committee is considering is whether it is right that tenants have a choice. If it is right, then it seems to me that you have to make sure that choice is real and not just a paper one.

Mr Wood: I just want to make two points, one on finance and then the issue about the voice. I think in Newham we cannot meet the Decent Homes Standard without one of these options, but I would go further than that. Even if we could, if we were awash with money that meant we could meet Decent Homes in Newham without pursuing one of the three options available, and I do not only want decent homes, but I want decent schools, I want a decent environment, decent hospitals and so on, I think that the Council could quite legitimately say, "Well, we could meet the Decent Homes, but actually we want to put our investment into schools" or some other service, "and there is a means here available to us, stock transfer, PFI, whatever it is, that is going to deal with our housing problem, so we can use the resources available to us to deal with some of these other problems". To me, that would be a legitimate choice to make and on the macrocosm I guess that is the choice that the Government is making about where it chooses to put its investment and I do not have a problem with that; it is an eminently sensible thing to be doing. On the question of voice, what has happened to the tenant voice, I absolutely agree with David Heyes and I think this has damaged the tenant voice. I think organisations like Defend Council Housing have become very dogmatic and they have become pernicious in some instances. We were talking before, and I do not know the particular example of Tower Hamlets that was quoted last night, but there are clear examples where Defend Council Housing have simply scared people and they have raised concerns that are not legitimately there, and people have been frightened by some of the publicity and by some of the antagonistic nature of the debate and the dogma that has infiltrated the discussion and I think that has been damaging.

Chairman: David's point was a rather different one, I thought, that the relationship between councillors and the people that they represent has been damaged. On the one hand, you are saying, unless I have got this wrong, that you are in favour of the policy, you are acknowledging this is a consequence and it is a problem, but I do not quite see how you have taken David's point on that. Once stock is transferred, people cannot go to their councillor and say, "I've got these problems about housing. What are you going to do about it?" because the councillor will say, "Not me, guv".

Q134 Mr Heyes: And that is what housing managers, in my experience, now say to councillors and increasingly to MPs because MPs are mopping up the problems that used to go to councillors. "It's not your business, guv. We're an independent arm's length organisation. We're not going to be as responsive as we used to be when you had some power over us through the democratic process".

Mr Wood: I do not accept that. My expectation is that housing associations, for example, operating in my borough have a responsibility to provide good-quality and decent services and, if they do not, then I want to know why not. I do get councillors coming to me and saying, "I have had a constituent in my surgery, and housing association X are not doing their job properly", and we sort it out.

Q135 Mr Heyes: How do you sort it out?

Mr Wood: It depends on the issue, but with associations, the basis of the relationship is that they want to be in the favour of the local authority and there is a partnership arrangement there. I write letters, I pick up the telephone, I talk to their managers, and housing associations are not driven by a desire to provide poor services. Generally speaking, they all want to provide good services and they are committed to the same ethics and principles that the Council have.

Q136 Brian White: So you have no direct way of influencing them apart from the fact that your powers of persuasion are that good, like an MP talking to a housing association has the same powers available and they cannot force them to do anything, but only persuade them?

Mr Wood: Yes, but how can a councillor force something to happen in the Council. If a councillor rings me up and says that there is a problem with a council tenancy, then I solve it, but I cannot do them special favours because they are councillors.

Q137 Mr Heyes: The question about voice though, and councillors have an important role, in my view, of advocacy on behalf of that third, on your admission, of people who are not capable of using the Internet or using other modern methods and they need someone to speak for them or to support them and they have a very important role, but it seems to me that that has been stripped out and that is an element of reducing the amount of voice that tenants have. It might suit housing managers to make this argument because the people who really get the freedom and the choice and the voice in this new arrangement are the housing professionals, the housing managers, are they not?

Mr Walter: And the pay rises!

Mr Wood: Well, the housing professionals, I guess, yes, we are making recommendations and we are making judgments, but the motivation for that is, as I said before, we want decent homes. I am committed to people in the housing sector having high-quality homes and high-quality services. Now, there is a financial paradox here and the most sensible way to resolve that is to pursue one of the options. My councillors are sitting in judgment on my recommendation and I have not thought it out of leftfield, but there has been a good deal of preparation, consideration and consultation and it is a reasoned judgment, so I do not see how in some way it turns housing professionals into Dr Strangelove.

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Dr Brown: I think it is very easy to have a debate around the Decent Homes Standard and a separate one about choice-based lettings, but I think that the two are linked. Choice-based lettings are leading to tenants and applicants saying that the services that local authorities run are improving no end. They then get told, because of a lack of a level playing field over the Decent Homes Standard, "Your options are these", and one of them often is not to remain with the council, yet you get some very perplexed tenants and applicants, saying, "Well, hang on a minute. You've introduced choice-based lettings and you have done other things to introduce choice in the service. Your services are improving and now you are asking us to move away from the council", and there are a lot of tenants out there who get very confused about the fact that services are improving. Certainly one example I can think of is a group of tenants who approached me who said, "Well, we don't want to go into a debate about whether we go down the ALMO route or stock transfer because the council has improved its services through things like choice-based lettings in a massive way over a period of time", so I think the issues are linked. The other point that I think comes out from choice-based lettings, and I think it is both a point that Chris and Alan have alluded to, is that applicants and tenants are not just concerned about the Decent Homes Standard, and I think there was the issue about what the standard is, but when they are making decisions about where they want to live, it is the quality of the area, it is the quality of the schools, the quality of the healthcare and what the public transport is like. We really need a decent neighbourhood standard as well and that is what comes over very strongly in talking to applicants about where they want to live, so I think the issue is of choice and it is not a series of separate debates, but the debates overlap.

Q138 Mr Hopkins: Just taking up a few points which Chris made, I used to be vice chair of a housing committee 30 years ago and, in my experience, which may be old-fashioned, local authority councillors ultimately took decisions and officers gave advice, with officers there implementing those decisions. Therefore, if a constituent had come to me with a problem and I raised this with a council officer who said, "I'm sorry, I'm not going to bother", I would say that the officer is in serious trouble because we are elected and the officer is supposed to do his job. Is there no difference, therefore, between that kind of relationship and a housing association where, at best, you can write them a rude letter?

Mr Wood: I think there is a difference, there is obviously a difference, but I do not think that necessarily means that you cannot get good services from housing associations and you cannot resolve problems that tenants encounter. Levels of satisfaction with housing associations, generally speaking, are higher than levels of satisfaction with councils as landlords.

Q139 Mr Hopkins: There is no suggestion then that we should forget about democracy and public services and really let independent companies run

everything because they can provide just as good a service? Tenants have public accountability through democratic elections. Are you saying that Government should stay out of all these affairs?

Mr Wood: Well, I think that is a debate for you guys and it is not for me. That is a political question and this Government, and the previous Government, as I said before, has set out its stall about public ownership and management of housing services. Now, I am working within the parameters which have been set by government policy. I have got to achieve Decent Homes by 2010 and I am being offered three options. I am consulting with my tenants and we are pursuing one that is going to deliver quality homes.

Q140 Mr Hopkins: If I can shift over to allocations policies, in the 1970s our housing applicants had choice because we built lots of houses and there was a very low level of points required for people to be rehoused. They could choose between estates and they could choose their type of house because there was plenty of supply. Is your system not a bit like the National Lottery for a lot of poor people putting their number in a hat and hoping they are going to be drawn out and get a nice house somewhere? Does this make the fact that there is a desperate shortage of decent homes more palatable because people think they have a bit of a gambler's chance of getting one?

Mr Wood: No. The comparison with the National Lottery, frankly, I do not think that is a goer. The point that Tim made before, you cannot disguise the fact that choice-based lettings does not increase the supply of housing. There is a shortage of housing and demand outstrips supply certainly in London and choice-based lettings has not done anything to produce more houses, and that is irrefutable, but given the situation that we have got, to my mind there is an enormous amount more dignity in a system of choice-based lettings than there was in the system which preceded it.

Q141 Mr Hopkins: Well, there is plenty of dignity if there are plenty of houses and there is a real choice. If there is not a real choice because there are not enough houses, you are just playing a game with people surely?

Mr Wood: But I think there is a real choice.

Q142 Mr Hopkins: Would it not spice up this game, as I call it, by putting in a few nice choice Docklands luxury properties with applicants getting a chance of getting one of those as well?

Mr Wood: Well, tenants do in Newham have a choice of properties. We have properties provided by housing associations in the docks, so they are advertised through the same choice-based scheme.

Q143 Mr Hopkins: But people have said that there are literally hundreds of people applying for each of these better properties each week and only a very few will be successful.

Mr Wood: Absolutely.

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Q144 Mr Hopkins: So their chances are really minimal of getting one of those houses.

Mr Wood: But that is a factor of supply and demand, not a factor of choice-based lettings.

Q145 Mr Hopkins: Okay, I am coming to that. Does it not then take the onus off the local authority to provide those houses because they can say, “Well, you have not applied for one of these good houses. You’ve rejected one of the lesser properties and that’s your problem. That’s the real world you’re living in”? Is it not the job of the local authority to provide housing for the millions of people for whom owner/occupation is just not possible and the only source of a decent home is for the Government and for society collectively to provide those homes through local authorities?

Mr Wood: I would agree with everything you say, apart from through local authorities. I do not see why it needs to be through local authorities and evidently the last 20 years has demonstrated that it does not need to be through local authorities because local authorities have not built new houses for years and years.

Q146 Mr Hopkins: Well, we could have a national scheme, like the Northern Ireland Housing Corporation. That took housing out of the hands of the local authorities because they could not be trusted not to do it on a discriminatory basis. So it could be provided nationally, but in any case—society collectively, it could be a national housing scheme or a local housing scheme. I happened to use local authorities because that is how we have done it traditionally in Britain, but society has got a job collectively to make sure that the least advantaged in society have decent homes and children have decent homes in which to grow up.

Mr Wood: Absolutely.

Q147 Mr Hopkins: With the increasing marketisation of housing, does that not mean that we have winners and losers and we now do not really worry about the losers too much?

Mr Wood: It seems to me that you are just expressing in a number of different ways the difficulty that we confront because of the imbalance between supply and demand. I agree with you, that there is an imbalance between supply and demand, particularly in London, and that people have to wait unacceptably long times to access housing, the solution to which could be to build more houses, but that is a question for government. I guess if Mr Prescott were here, he would say he was addressing that question by investing in the growth areas, like the Thames Gateway.

Q148 Mr Prentice: I will come on to John Prescott in a minute, but we are interested in responsiveness in public services and the key question, just reformulating what Tony said a few moments ago, is this: is there merit in separating housing strategy from housing management, just in a word? You are all housing professionals.

Dr Brown: I believe that there is, but I think it is important that what can be learned from choice-based lettings, what is popular, what is not popular, needs to feed into strategy and investment decisions and it has to be a partnership between local authorities and housing associations. Some of the more enlightened choice-based letting schemes actually have tenants groups working as forums to discuss and to work on choice-based lettings to feed back, but I think there is a case for separating out strategy from management. It is not as though there has got to be a huge gap because they have got to learn from each other.

Q149 Mr Prentice: I understand that and I am asking the question because that is what is driving government policy and I just want a snappy reply from you.

Mr Wood: My view on this has changed. I thought it was simply dogma and I did not see the value of it, but my view is changing because the evidence seems to indicate that the arm’s length management organisations are providing better services than their predecessors. Now, I manage a large, traditional, comprehensive housing department and we do repairs and benefits and the whole bit and I think we do it quite well, but I cannot refute the evidence which seems to be that the arm’s length management organisations, where they are focusing exclusively on management, seem to be working.

Q150 Mr Prentice: Okay, we know where you are coming from! Since we know where you are coming from, let me ask you this question. John Prescott told the Labour Party Conference just six weeks ago, “Public financing of housing doesn’t treat local authorities on a level playing field. I’m going to set up an inquiry to look into it”, and then the following day our colleague, Keith Hill, said, “We recognise yesterday’s vote and we’ll engage as a result of that and we’re going to continue a review, continue to negotiate and discuss with all the various interested parties”. Then on 29 October, just a few days ago, the Deputy Prime Minister said, “There is no fourth option. We’re sticking with the three options that we’ve been talking about for the past hour and there’s no need to create alternative options”. You must have felt absolutely poleaxed by that.

Mr Walter: Can I start by saying—and it is not a form of flattery—I am not a housing professional, I am a tenant, and in terms of voice it is clear that housing professionals have all sorts of views on all sorts of issues. Actually, there is not the opportunity for a strong voice from tenants to come through. On the issue of separating housing strategy from management, I am not aware of any tenants who want that. Just to come back on Chris’s point, I am always waiting for the evidence to support the benefits of separation. We have yet to hear any. The idea that the experience of ALMOs is evidence is laughable because the criteria for being an ALMO is precisely that you have already been assessed as being a good-performing authority. If you were good-performing with the council, then it is simply fair to expect, unless ALMOs made it worse, that

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you would continue to be good-performing. As the BFS committee made clear, there is absolutely no evidence to suggest that setting up the ALMO brings those benefits. In terms of being poleaxed by John Prescott, we were not poleaxed, but we are getting a bit tired of all this because the pendulum swings backwards and forwards.

Q151 Mr Prentice: You were told one thing and a few weeks later you were told something else.

Mr Walter: Yes, and I do think tenants are entitled to expect—remember we are talking about 6 million people who live in council homes around the country—when a senior politician like the Deputy Prime Minister makes a clear commitment that he will keep to it; and the idea that you can just—

Q152 Mr Prentice: You want a fourth option, which is direct investment in council housing. That is what you tell us.

Mr Walter: Right. For the record, can I say that my understanding—and I have talked to a number of participants who were in the private negotiations with John Prescott—is that he effectively, having talked to the Treasury, conceded that at least for good-performing councils there was no argument any longer in allowing them to have access to the ALMO pot of money.

Q153 Mr Prentice: You hold to this view because you tell us in your submission that councils get £6 billion a year in rent, and £1.4 billion is clawed back by the Government, which just disappears into the Treasury coffers. You tell us that if that £1.4 billion were available to housing authorities to spend on doing up their council properties, then there would not be any need for all these other options that we hear about, because people would be living in decent houses and local authorities could afford to do them up. That is your position. Can I just ask about the costs of running choice-based letting schemes, because that is important, is it not? If you are translating into 12 languages and sending out leaflets to people's homes and this sort of thing, it must cost an arm and a leg.

Mr Wood: It is cheaper.

Q154 Mr Prentice: How do you manage that?

Mr Wood: We save money because it is less labour-intensive. There is an initial set-up cost because of the technology, but in the longer run it is definitely more efficient. We have been able to reduce the number of staff administering the scheme and divert those resources into other areas, for example tackling anti-social behaviour, which has become an emerging priority for our tenants.

Q155 Mr Prentice: What about voids? You often hear about council houses remaining empty for long periods when—

Mr Wood: It is quicker.

Q156 Mr Prentice: How long would a property be expected to stay empty for in, let us say, one of your worst areas?

Mr Wood: The average performance in Newham now is about 25 days.

Q157 Mr Prentice: What was it like under the old system?

Mr Wood: Nearly double that.

Q158 Mr Prentice: Down from 50 days to 25 days.

Mr Wood: Yes.

Dr Brown: That is a fairly common pattern across all of the 27 pilot schemes. I think what is interesting is what you do with the efficiency savings you make. I would argue that one of the things you do is put much more emphasis on the advice and support services. The way in which a number of the schemes provide better advice and support services for a vulnerable group is to use the savings from greater efficiencies in re-letting and voids into advice and support solutions. I would argue that if we moved to sub-regional schemes, which is what Chris is very keen on, and regional schemes, those savings can increase. Why do we need 354 back-office systems for choice-based lettings? You could have a regional system and really save quite a lot through efficiency, and push that back into front-line services. We have not really learnt all the lessons we can from choice-based lettings and efficiency. We could really do something about improving council services, I reckon, by greater efficiencies.

Q159 Mr Prentice: A regional call centre.

Dr Brown: Yes.

Q160 Mr Prentice: Based in Harborough!

Dr Brown: They are already running those in the Netherlands. They have eight regional systems. They started off with one in each municipality. They are learning the lessons from that, and actually you are seeing it in the types of services being run by Dutch housing associations and municipalities, through the efficiency savings.

Q161 Mr Prentice: Are there any properties in Newham that you just cannot shift?

Mr Wood: No.

Q162 Chairman: This has been a fascinating session because it has tested both choice and voice—an example of choice being commended and an example of choice being commended and problems being identified with an example of voice. Do you think that out of this discussion there are any wider lessons or extensions of some of the things we have been talking about into other public service areas? What have we learnt from any of this about how we might extend choice in particular ways across the board; or whether there are issues about the voice that come out of this too? I know it is a large question to ask at the end, but very quickly.

Dr Brown: I think it is really important that the links are made, only around choice-based lettings, with some of the choices that are happening, and I know

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you will be discussing very shortly, in the health service, things like tele-care services, and how very vulnerable people can access information in the home. What we do need to do with choice-based letting is get out of the silo, just saying it is choice-based lettings and housing, and actually widen it to the links with health and social care debates. People out there do not see it as just choice in lettings; once you start giving people choice, they want choice in lots of things, and they start asking questions—and why shouldn't they?

Q163 Mr Prentice: I would like a bigger car!

Mr Wood: There are three points for me. One of the lessons I am taking away from choice-based lettings is around e-government and the opportunities to automate many of the services, around people's ability to access schemes, and the ease with which they can do that. There is huge potential there, and we are starting to replicate it in other areas. The second one is that I am very positive about choice-based lettings, but I still think there is a long way to go. People do not have the choice to move from one part of London to another, and we need to create that choice. They have very limited choice to move from one part of the country to another, and we need to extend and break down some of those barriers. Choice-based mobility is the next phase. The final perhaps more philosophical point for me is that another lesson from the choice-based lettings experience is that creating these kinds of choices and handing over some of the control and the power to the consumer has reduced dependency. Some of the existing systems encourage a dependency. Previously, people accessed housing by demonstrating the extent of their misery and emphasising their disadvantage; and I think this turns that around and gives people more dignity but less dependency on the housing professional.

Mr Walter: I disagree with Gordon—I do not want a bigger car, but I would not mind a holiday in the Caribbean! There are some issues, to go back to what Chris said earlier, where you have to make choices; but I do not think the analogy that maybe the Government should put money into hospitals or schools rather than housing is relevant to what we are talking about here in terms of housing. The Public Accounts Committee and the National Audit Office found that stock transfer was more expensive, and our argument is that if you ring-fence the money for housing, then you could keep council houses,

rather than have privatisation. The concrete debate we have had about stock options is not a debate about where Government should put big chunks of money; it is about the politics behind its policies. I suppose that comes under the second point. I am involved in my local community in the London Borough of Camden in all sorts of capacities, and my experience as a local community representative is that we get lots of things dressed up as choice, and endless consultations, and usually that is just a fig leaf for the council or any number of other agencies trying to drive a particular policy. Actually, there is very little choice and very little community involvement. The voice of the professionals is getting bigger and bigger, and the resources they put behind driving something. In the past you might have had the local council propose something, and you might have had the ward councillor, or even the leader of the council, coming to a public meeting and having to argue their case; and equally other people, and on a much more equal footing, would have been able to stand up at a public meeting and argue an alternative case. Now, they avoid public meetings like the plague, and instead you have lots of money being spent pushing a particular argument. Unless you are incredibly well organised and have lots of resources, then in real practical human terms there is no way of countering it. Another interesting bit of research was that despite all the consultations that get carried out, at the end of them the view of the authority conducting that consultation often does get through. It seems to me that in most cases the original document and the final document are very much the same. I think it is a game, which is an abuse of people. It has nothing to do with choice and does not give people a voice.

Chairman: That is very good. One of the issues that comes out of the session, which we are all agreed on, is that if we have choice it has to be real. It does not have to be just a game that we play. That is something that the Committee is well aware of. We have had a very interesting session indeed. As someone who grew up just near Market Harborough, I never thought that it would be the centre of the universe for anything! I am delighted to know that it now is. The fact that we have had such an interesting and in some senses robust exchange of views has helped the Committee greatly. We are grateful to you all for coming along and giving us your time this morning. Thank you very much indeed.

Memorandum by Professor Allyson Pollock (CVP 20)

CHOICE

Choice implies substitution. Government policy is that health services can be substituted for each other like manufactured goods. In health care this is problematic because there is often no substitute for the appropriate intervention or treatment and patients do not seek to trade off the cost of care against its quality. However, in its latest health service reforms the government is using choice in the restricted sense of a choice of provider where the variable is price not quality.

Thus the government has stated its intention to move 15% of elective work out of the NHS into the independent sector and is encouraging the creation of joint ventures with foundation trusts in order to bring in transnational health care corporations. It is moving towards a market where there is a choice of different providers which compete largely on the basis of price.

The risks of competitive markets in health services are well known and were rehearsed extensively when the internal market was introduced to the NHS in 1991. They are:

- loss of planning on the basis of a geographic population as administration devolves to provider units, and administrative tiers become commissioners;
- loss of service integration as administration devolves to individual units;
- loss of risk pooling as service and provider budgets are increasingly isolated from one another preventing cost-sharing;
- loss of equity due to the uncoupling of equitable resource allocation mechanisms from services through price; and
- loss of equity as high cost patients become liabilities for service providers with the devolution of risk.

These risks were acknowledged in 1997 by the incoming Labour government whose first step was to announce the abolition of competition under the internal market. This year the Scottish Assembly went further in rejecting competition by abolishing the trust system.

CHOICE AND FINANCIAL FLOWS OR PAYMENT BY RESULTS

However, the “choice and plurality” agenda now being introduced to the health system in England and Wales adds a new dimension to competition not present in the internal market. This new dimension is the payment by results system or “financial flows”. Financial flows provide the price mechanism that signals the introduction of a true market.

In 1991, provider choice was crudely and only loosely linked to resource allocation through a rudimentary pricing system. Health authorities, formerly the planning tiers, were transformed into purchasers or commissioners, buying care on the basis of efficiency and quality and price. The idea was that money would follow patients in this system and although choice was expressed through contracting by fundholders and commissioners most resource allocation continued largely on an historic funding basis. Under the new system choice will be restricted to a specified number (usually four) of providers selected by the commissioners and a far larger proportion of provider income will be at risk from movements in the market:

The government is committed to introducing choice for patients at the point of referral by their GPs from the end of 2005. They also want to see much more diversity with services to NHS patients coming from the independent sector, DTCs, and Foundation Trusts as well as NHS Trusts. Against this agenda for plurality and choice the role of PCTs as commissioners is crucial and the financial flows reforms provide the tools they need to allow funding to move around with patients in the new NHS. Department of Health. Response to reforming NHS financial flows: introducing payment by results: Response issued 10 February 2003

The principle we are trying to instill is that providers are paid for the activity they actually deliver, and when they do not the commissioner has sufficient funding to look for alternative providers. So, when the SLA is based on cost and volume, there should be some reduction in funding to reflect a failure to deliver activity. Department of Health. Response to reforming NHS financial flows: introducing payment by results: Annex A. Response issued 10 February 2003

The key question is what are the implications of using market signals for planning financially viable services, distribution on the basis of need and equitable service provision?

PLANNING AND FINANCIAL VIABILITY

Under the old system (pre 1991) health authorities received a budget which was weighted for proxy measures of need. Services were planned with their local providers and resources allocated using block budgets according to strategic priorities. Under the system of financial flows purchasers may now place contracts with any provider in any area. Primary care trusts will still receive an allocation on the basis of a geographic population weighted for need but money will not necessarily flow to local providers. Thus the link between resource allocation and services in a geographic area is broken: financial flows result in an uncoupling of the mechanism for resource allocation from the financial sustainability of local providers.

RESOURCE DISTRIBUTION ON THE BASIS OF NEED

Under the old system (pre 1991) health authorities had a duty to measure and meet the health care needs of the population within their area. Under the system of financial flows the planning tiers have largely been abolished on the principle that allocation will be determined by the market. Furthermore, financial flows remain a crude pricing system subject to gaming and evasion that frustrates needs-based allocation.

Considerable sums circulate to providers in various concealed subsidies or levies. These include PFI payments, research & development and teaching levies, and extra increments for capital charges and market forces factors. Some providers have more advantages than others. For example foundation trusts must now secure cash flows to ensure their solvency and a surplus for investment. But some foundation trusts will have greater choice than others because the ability to generate cash flows will depend not just on the ability to compete for NHS income and generate commercial income but also their asset base and liabilities. Foundation trusts whose PFIs are off balance sheet will have fewer liabilities and those with a generous dowry of assets can use them for joint ventures or to secure new sources of revenue through private finance. This cash flow variation means some trusts will be better placed to invest or compete for patients, staff and services.

The US, upon which the system of financial flows is modelled, has a large literature on the endemic problem of provider fraud. This issue is acknowledged but not resolved in official guidance on financial flows.

EQUITY

The NHS equity principle is conveyed in the secretary of state's duty to make the best available health care available to all. But mechanisms that embody this principle are abandoned under a price system that also creates incentives to violate it. The weakening of the planning base means that providers are largely autonomous and are now in the business of choosing the profitable and lucrative patients, treatments, and services. The new mantra among providers is that "[our] choice is to decide what are our core businesses". Some diseases and conditions, including chronic illness, mental illness, and accident and emergency trauma care are unpredictable and difficult to price. Financial flows devolve this risk on to providers, forcing them to manage risk by placing time limits on care, applying exclusion criteria to high risk patients, or not providing the services at all.

CONCLUSION

It is difficult to see how the patient has any voice in the complex and highly unaccountable system being enacted.

The creation of foundation trusts has now returned the NHS to a pre 1948 situation where power increasingly sits with local providers rather than planning authorities.

The evidence of all market-oriented systems is that they do not deliver universal health care. There are no grounds for introducing this system if the government's objective remains, as the Treasury stated last year, a universal, publicly funded and provided health system. On the contrary, the new system defeats that objective.

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November 2004

Memorandum by the British Medical Association (CVP 18)

Summary of key points

- The idea of choice is popular with patients but needs to be further developed. A choice of provider is not at the top of the list of what the public want from choice. They would prefer more involvement in decisions about their condition and treatment^[1].
- The BMA strongly supports more meaningful choices for patients: greater engagement with their health and its management, better information, the time to engage with professionals, more coordinated and joined-up care, and better support in navigating the healthcare system.
- The way choice is defined is important. From the outset of this current debate on choice, the BMA has argued that the word "choice" should not be defined in a limited way nor be bound by purely economic logic. Current policy seems to be primarily aimed at providers rather than patients and aims to create a sharper environment in which providers compete for patients driven by a belief this will drive standards up and waiting lists down.
- At present, choice is too much centred on waiting time. Patients for whom waiting time is not the most important factor will have more difficulty in making choices and less support to do so. Policymakers must think deeply about how choice will be extended, not least to the more vulnerable.

- Choice is also predicated on the introduction of a market in healthcare. Given the lack of evidence that competition increases quality^[2], the BMA is not convinced that the market road is the best route to make the health service more responsive. In any market there will be winners and losers and the BMA is deeply concerned that the NHS is being set up to lose, about the very real threat of destabilising NHS institutions and the closure of much needed services.
- The BMA believes that choice and capacity must be considered hand in hand. At present, increasing capacity seems to be synonymous with commissioning private sector involvement. The BMA wishes to see investment to create additional capacity in the NHS.
- The BMA wishes to see efforts to enhance capacity focused on areas of greatest need. Not all the capacity being created is needed, such as the treatment centre in Oxford whose guaranteed referrals now mean the NHS must manage the risk of excess capacity and the threat this poses to public services^[3]. If the NHS service is forced to close, the policy will have limited choice not increased it. It will have transferred a public service into the private sector. It will have increased costs without enhancing capacity.
- The BMA is very concerned that current choice policy will diminish opportunities to take a population-wide view of healthcare provision and increase fragmentation. Surveys consistently show that patients value continuity in healthcare ^[4]; research consistently shows that markets fragment it^[5] ^[6].

INTRODUCTION

The following pages discuss a range of questions on choice as it relates to the NHS: how it is defined; the extent to which it is predicated on a market in healthcare; the risks this poses; and the question of how choice might change the character of healthcare in England.

DEFINING WHAT CHOICE MEANS IN THE PUBLIC SECTOR

How is choice in public services to be defined?

1. The BMA recognises that patients want greater choice ^[7] ^[8] ^[9]. However, the kind of choice they are being offered is at present limited to choice of an organisational provider, which is not the more important choice patients want^[1]. The BMA would like to see a more meaningful approach to choice where patients are more engaged with their health and its management, have better information on services, the time to engage with professionals and are better able to navigate a coordinated system of care.

2. The way choice is defined is important and from the outset of this debate the BMA has argued that the word “choice” should not be defined in a limited way nor be bound by purely economic logic.

3. While doctors support patients having greater choices in the treatment and management of their health, they have serious questions about the economic system that is being constructed in the name of patient choice. When doctors express concerns about this they are sometimes accused of resisting change and being opposed to patient empowerment. This is not the case. Doctors worry that the system being set in place will damage the coherence and capabilities of the National Health Service and seriously threaten local services.

4. Within policy, patient choice is clearly being employed as an economic concept and doctors worry the concept is being mis-sold in the NHS. While the political rhetoric relates to empowerment, the policy language is about “responsiveness”, “incentives”, and “contestability”. Current policy seems more aimed at providers rather than patients and a belief that competition will drive standards up and waiting lists down, as services try to attract patients.

Will the nature of choice vary depending on the type of provision or service?

5. Patients for whom waiting time is not the most important factor will have more difficulty in making choices and less support to do so. Policymakers must think deeply about how choice will be extended, not least to the more vulnerable.

6. As waiting lists fall, time may no longer be the most important factor in their choice. Waiting times have been the only criterion of choice in pilots of choice, but as waiting times decrease other factors will become important. A broader view of choice is needed because to very many NHS patients a choice of hospital is not always relevant—for example, those with chronic conditions or needing acute emergency care or those who cannot travel far^[10]. Choice also needs to encompass patient empowerment and a more collaborative approach between patients and professionals, particularly in the making of difficult clinical decisions.

7. If the government is serious about offering choice to all, then important differences between different services and states of ill health need to be acknowledged and thought through. While a person waiting for relatively straight-forward treatment can select one provider over another, employing information about

waiting times, in many areas this approach may not be possible or relevant. Choices for older people, children and those receiving treatment in mental health services and care homes will each be shaped differently. It is important that policymakers consider how choice will apply beyond elective care.

8. A danger is that a cultural separation will occur. Choice will be supported for those with relatively straightforward surgical and diagnostic procedures and not for those with more complex medical and social problems.

Is “choice” simply a euphemism for competition and market mechanisms?

9. Yes. In current policy, patient choice is driven by a belief that making hospitals compete with one another in a market for patients will result in providers shaping services the way that patients want them so they will come to their institution. The BMA is very concerned with some assumptions in this view. We do not believe that the difficult financial environment that will ensue will be conducive to providers taking a long term strategic focus or concentrating on organisational development.

10. Given the lack of evidence that competition improves care, we are not convinced that going down the market road is the best route to make the health service more responsive.

11. In many ways, choice is not about offering people greater control but about a more systemic and systematic management of waiting lists and times ^[11].

THE CONCEPT OF CUSTOMERS OF PUBLIC SERVICES

Is it possible to have customers of public services as well as active citizens and democratic accountability or are they mutually exclusive?

12. There will always be inherent tensions between the interests of individual patients and the collective interests of the population or specific groups within it and these need to be balanced

13. In healthcare, debates around the changing nature of professionalism and public involvement in recent years quite rightly have been driven by an increasing recognition of the central role of the patient. Although the BMA does not believe the word “customer” is appropriate to healthcare because individuals do not directly pay for services, patients do have the right to expect a high standard of care, to be treated with dignity and respect, and exercise a degree of autonomy over their treatment. This concept has always been an integral part of the values of the medical profession and was enshrined in the General Medical Council’s 1995 publication, *Good Medical Practice*.

14. Until recently, policy talked a lot about increasing local accountability and attempting to make services responsive to the collective voice. Yet this now seems to have disappeared in favour of more emphasis on forms of consumer engagement ^[12]. There is an imbalance between the “choice” of an individual and the “voice” of communities and groups. The BMA very much hopes that this will be redressed.

15. It is vitally important to have in place mechanisms to express collective views, such as those from patient groups with an interest in certain conditions. All the emphasis in policy is on individual preference and on a personal rather than a social service. But in a quasi-marketplace, the sum of individual preferences may not lead to the same conclusion as a collective choice and there is an urgent need to think through how the collective public voice will be heard.

16. In healthcare there is no appetite for a purely consumerist health service. A commonly employed argument for the introduction of patient choice is that society is now more consumerist and, if it is to survive, the NHS must offer a level of service people have become used to in other areas. But while the social trend is undeniable, there is evidence to suggest that, in the main, the public do not regard health as a consumer good ^[13]. As well as an imbalance of information making it hard to exercise consumer-style choice, there is a personal and emotional investment that is not present in other customer-provider relationships.

17. When asked, patients say they want the NHS to treat them more like customers ^[14], but they do not mean the way a supermarket cares for its shoppers. Recent research and polling consistently shows that patients want more personal guidance, better continuity of care, and more time with professionals ^[15] ^[16] ^[1]. They want the system to better support their individual needs.

18. One of the positive initiatives proposed by the government is the large-scale expansion of the Expert Patients Programme. This is a positive example of patients learning to manage their condition better, increasing confidence and enhancing their expression of preferences, and has the potential to combine the ethos of both active citizenship and customer oriented focus. The BMA supports the aim of this initiative and will follow its evaluation with great interest.

19. People with long-term conditions need well-planned and integrated services. In the face of choice, ensuring integrated local planning will not be straightforward. Many would prefer access to high quality, well co-ordinated local services rather than a choice of units that will provide different parts of the care process.

20. Unchecked, consumer choices pose a threat to the ability to plan and develop patient pathways.

Is it necessary to devise a more precise and generally acceptable definition of who the user or customer for each service is? For example is it the pupil who is the user of the school system when it is the parent who exercises the choice?

21. In healthcare, this is not always a straightforward question because while the patient is the primary user of the service, in many cases the parents, carers and relatives are critical voices and sometimes are the active choosers.

Is it possible to identify a customer for the entire range of government functions or is it limited to public facing activities as envisaged, for example, in the Next Steps approach of the late 1980s?

22. At some levels it is not helpful to think of a patient in individual terms. In areas such as public health the notion of the individual patient may become less useful than thinking in terms of “stakeholders” and at a wider collective level.

MECHANISMS FOR EXPRESSING CHOICE

Are targets and league tables, customer surveys and complaints systems sufficient for ensuring adequate responsiveness to consumer preferences?

23. The BMA has long argued that targets that are unrelated, too numerous and politically driven distort clinical care. The Public Administration Select Committee perfectly articulated the problems with targets in its report (July 2003) *On Target? Government by Measurement*.

24. League tables are an inadequate guide for policy, patients and professionals. It is pointless to rank providers across a composite of unrelated measures. The data is almost always global, relating to whole institutions instead of departments or units, and the most fundamental problem is that the measures focus on the wrong things.

25. Standards and benchmarks of quality services are needed that are relevant to patients, doctors and managers. Part of the problem in the current system is that these groups have little confidence in the ratings. The BMA has called for a performance criterion that is based on clinical criteria and that collects and reports data that is meaningful in practice. This information should be triangulated with patient surveys to build up a multifaceted view of performance.

Is contestability a further requirement to make choice fully responsive? If so to what degree?

26. Competition between providers is fundamental to a system of choice that is based upon patients choosing one provider over another and where providers that do not attract referrals face closure. The BMA is not convinced, however, that this is the most effective way to plan a health service. We believe it will destabilise a vital public service and lead to inequalities in service provision from area to area that will fragment care and be very costly.

Can individual choice, collective choice and choice on behalf of the citizen (by Government or Local Authorities for example) operate successfully alongside each other?

27. Each implies different relationships between the health service and those it exists to serve and none could peacefully coexist in its pure form.

28. There are inevitably tensions between these levels of choice. An important role for the government is to identify which is predominant in different circumstances and to provide mechanisms by which they can be resolved. The National Institute for Clinical Excellence is one such mechanism—its role necessarily involves placing constraints on individual choice in order to safeguard the wider collective interest. At the same time, local communities should be able to allocate resources to meet health needs, which are specific to their area.

29. Societal choices should not disallow individual expression of preference and nor should the sum of individual preferences determine societal decisions. A clear mechanism to square these views and address inherent tensions is needed.

Are all these forms of choice equally effective in ensuring a) efficiency and responsiveness and b) equity and fairness?

30. Some academics worry that individual choice will exacerbate inequalities, particularly for the vulnerable^[17].

31. Individual choice does not obviously ensure efficiency and responsiveness, even where it is translated into market signals, because providers may not have the flexibility or incentives to respond to all patients’ needs. Too great an emphasis on individual choice could privilege the well-informed, educated and articulate over those with greater needs.

32. Efficiency and responsiveness may be more effectively delivered through collective choice. For example, within an area served by a particular primary care trust, detailed data on local health needs and public opinion surveys on the type and range of services would help inform decisions about service delivery. They will inevitably need to balance competing demands for limited resources and their ability to do so will determine the extent to which they can ensure equity and fairness.

CHOICE AND EQUITY

Is there a generally understood definition of what equity means in respect of public services? Does equity currently exist in public service provision? If not who have been the main beneficiaries and why?

33. The generally accepted notion is of equal access to services for those in equal need.

How can a choice-based provision of public services avoid providers “cream-skimming” the less difficult or resource intensive users of the service?

34. A key concern over Payment By Results is that the system is procedure based, not patient based, which is somewhat ironic given the shift of government policy is to become more patient focused. It means the private sector has an in-built incentive to select patients that are fit with little co-morbidity leaving the existing NHS acute sector to cope with more complex cases. The BMA’s consultants’ committee has pointed out that a coronary artery by-pass graft procedure carries the same tariff whether one or four vessels are stenosed and whether it is a first time or repeated case. Unless the payment regime is made more sophisticated, case selection will be a key factor in the profitability of the organisations concerned.

35. The payment system must be sensitive to the case-mix involved in care. It should be able to incorporate variations so that different elements of care are broken down in the tariff. This will enable case-mix to be better recorded and, crucially, in terms of the innovative service redesign policymakers hope will result, it will enable care to be undertaken in different settings. It will pay for care outside the hospital.

INFORMATION FOR USERS

To what degree is the ability to evaluate different providers necessary for consumer choice?

36. Information is a vital ingredient for patients in making choices. Better information will mean accessible, relevant and comprehensible information as judged by a range of groups. There is academic literature around what is effective and what is not. It is not a straightforward task to create a common currency that makes sense and is relevant to patients, doctors, managers and policy makers, but it is an important one.

37. Waiting times are important, but not enough alone to inform choice. Patients want information about their condition, possible procedures and treatments. Information about clinical management is more important to them than organisational management.

VOICE AND PUBLIC SERVICES

38. We have made a number of references to the lack of mechanisms to incorporate voice in the health services.

Does the complaint system operate effectively and equitably in the public sector? If not what should be done to improve this?

39. The complaints system has been inadequate but plans to reform the complaints procedure is moving in the right direction; they quite rightly aim to enhance local resolution.

DEVOLUTION AND DIVERSITY

At what levels can choice and voice operate within public service provision? Do they reinforce greater localism and devolution?

40. Individuals should be involved as partners in their care at all levels of individual interaction. It is right that they have the opportunity to take different pathways through the healthcare system. However, it is important that these decisions are framed by higher order choices that have been agreed at collective levels.

Does choice risk reinforcing the so-called “postcode lottery”?

41. If choice involves selecting from a list of options, it will also be necessary to codify what is not available. If localism means that different pathways are defined in different areas, then inevitably where one lives is critically important. Without question, the BMA believes that somewhere down the line patient choice will lead to discussions of rationing, of what is and what is not available.

CHOICE AND THE PUBLIC GOOD

Can the consumer be “sovereign” in the public services? If not, why not?

42. Because of resource limitations, patients cannot be sovereign in the sense that they can always have what they demand. Sometimes people may also demand a service that is not considered clinically appropriate. In healthcare these issues lead to very difficult discussions and decisions.

43. At a general level, the introduction of choice should strengthen the patients’ relationship with doctors and other health professionals. However recent research into patient-doctor relationships across five countries contains warning signs that initiatives to promote choice might harm the relationship of the

healthcare system if it is not truly focused on achieving this aim. 'If high expectations are not met patients are left to logically acknowledge the presence of one of two realities: either "my doctor doesn't care about me" or "my doctor is powerless to advocate for me". Either way the common result is strain on the doctor-patient relationship as patients come to think, "I must now fend for myself". If choice is promised, appropriate avenues must be available in the system. Otherwise, the patient-health professional relationship—a great strength of the current system—will be placed under great strain. This point is made in the context of the prospect of choice being described in the current debate as "illusory" and "rhetorical". If this proves to be the case, public confidence in the health service will suffer further^[18].

Is there a risk that a consumerist approach to public services will undermine the public service ethos?

44. Yes. The National Health Service is in essence a risk and cost-sharing social insurance system and there is a very great danger that, unchecked, a consumerist approach to the health service could undermine this ethos.

45. Potentially, opening up healthcare to non-NHS providers could fundamentally change the NHS. These providers are unlikely to disappear once excessive waits across a range of conditions fall—they are in the market for the long haul. The BMA is concerned about the extent to which non-NHS providers will penetrate healthcare because beyond a certain point, private sector provision will inevitably change the character of the NHS.

CAPACITY

46. The BMA believes that choice and capacity must be considered hand in hand. At present, increasing capacity seems to be synonymous with commissioning private sector involvement. The BMA wishes to see investment to create additional capacity being concentrated on the NHS. We are concerned that the additional capacity being added is not commensurate with the resources being committed to treatment centres. Not all the capacity being created is needed, such as in Oxford where the NHS must now manage the risk of capacity and the threat this poses to public services [3]. Efforts to enhance capacity must focus on areas of greatest need.

EVIDENCE BASE

Is there already sufficient evidence, research and experience to judge the effect of greater choice on equity in public services?

47. No. A recent review of choice across international contexts found quite a lot of evidence on schools but practically nothing on patient choice, save the results of early evaluation of pilots in the UK. It devoted quite a large section to GP fundholding from the 90s, but found it was not a useful proxy for patient choice^[19].

The BMA is a voluntary, professional association that represents all doctors from all branches of medicine across the UK. About 80% of practising doctors are members, as are nearly 14,000 medical students and over 3,000 members overseas.

22 November 2004

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Memorandum by King’s Fund (CVP 19)

The King’s Fund has been actively engaged in research and debates about choice, voice and service responsiveness in health care for many years. More recently, and with the development of policy more directly aimed at promoting choice in the NHS, the Fund has published a number of policy papers, articles and the findings of research into choice (see appendix for bibliography). In addition, the Fund has an ongoing programme of work into choice and related policy such as payment by results (see appendix for details).

This note is based on the Fund’s research into and thinking on choice and is structured around the questions detailed in the Committee’s paper, *Choice, Voice and Public Services: An Issues and Questions Paper*.

1. INTRODUCTION

The case for choice scarcely needs to be argued, for choice defines the democratic capitalist state:² voters (through the ballot box) choose their politicians, and consumers (through their purchasing power) choose the goods and services they wish to buy. Similarly, individuals may in most cases choose whether or not to seek clinical advice—their ability to do so needs no justification.

But choice is also valued for the benefits it can bring. There are two main arguments here:

1. *When people can take their business elsewhere, they put pressure on producers to be efficient and to develop new products.*

If patients (or those acting for them) are able to choose between different providers, those not attracting users must respond by lowering prices or increasing quality—or go out of business. Moreover, if providers are themselves free to develop more effective services, then competition can provide a sustained impetus to improve care (provided certain conditions are met).

2. *When people have a wide range of alternatives, they can choose the mixture of goods and services that best meets their preferences.*

Choice is the necessary precondition for different wants to be satisfied, thus creating a better match between what is supplied and what is desired. While choice in the first sense implies the existence of alternative providers of what might be very similar services, choice in this second sense implies diversity in the provision of care—offering either different ways of meeting the same need or the ability to respond to a diversity of needs.

² Le Grand (2002) notes that under a liberal viewpoint, choice is desirable “as an end in itself”, regardless of whether the exercise of that choice has the consequence of improving welfare. He concludes that, both from a welfarist and the liberal perspective, the patient (not the doctor) should be sovereign, but he does not consider in any detail what the limits to that sovereignty might be.

These two (producer and consumer) perspectives on choice reflect a standard view of the benefits of choice in a market environment. But of course, choice can also be compatible with non-marketed services—such as the NHS. Indeed, there are numerous examples historically and currently of patients ability to exercise choice—of hospital, of treatment etc—which have been enabled through mechanisms and processes other than the strictly “take it or leave it” incentive of a market system.

Furthermore, despite the theoretical benefits choice set within a market environment can bring to both consumers and producers³, we know that markets can fail to deliver these benefits (providing the rationale for state intervention or regulation of markets)⁴. Moreover, no health care system (no matter what degree of market orientation) offers completely free choice to patients; all restrict, in one way or another, treatment and other options open to patients.

The key issue concerning choice in the NHS, therefore, is not whether choice is indisputably a bad thing or a good thing, but more an empirical question of where choice (and what type of choices) can bring benefits where the cost of doing so is judged acceptable. The “costs” in this case are not just financial, but will include clashes with, or erosion of, other desired aims such as equity (of access).

Our responses to the Committee’s questions (below) will illustrate this general stance on choice.

2. QUESTIONS

2.1 *Defining what choice means in the public sector*

2.1.1 How is choice in public services to be defined?

2.1.2 Will the nature of choice vary depending on the type of provision or service?

The Government’s current policy on choice in the NHS is based almost wholly on just one aspect of the potential domain of choices: choice of hospital for elective treatment (to be replaced from December 2005 by choice at the point of GP referral—that is, largely, choice of outpatient department).

Clearly, this is a very restricted notion of choice—although one which arose from a pressing target, the reduction of maximum inpatient waiting times⁵. We have noted previously a more comprehensive domain of possible choices for patients (and indeed, choices for individuals before they need to enter the health care system)—see table 1.

Table 1

POTENTIAL CHOICES IN HEALTH CARE

<i>Choice</i>	<i>Comment</i>
Healthseeking behaviour	Choice of lifestyle, diet etc will have a fundamental impact on an individual’s health—and hence need for health care
Payer/purchaser	Choice of payer/purchaser or package of insured care within the NHS would require reorganisation of the system.
Package of insured care	
Whether to seek care	A basic choice when ill is whether to seek professional care or to self-treat. Self-treating raises other issues concerning choice: eg access to drugs.
Type of care	As regards type of care, it is usually possible to choose between conventional and alternative medicine. Within both regimes there will be a variety of
Treatment	treatment options provided by various practitioners, whose advice may or may not be accepted.
Health care professional	
Accepting advice	
Provider	Choice of provider—public or private, local or not etc—and time of
Time of treatment	treatment are likely to be linked, although other factors—travel distance, quality of care offered etc— will also inform choice.

Source: Appleby, Harrison and Devlin (2003)

2.1.3 *Is “choice” simply a euphemism for competition and market mechanisms?*

While the term “choice” has been used as a euphemism for competition and market mechanisms it is clear from the variety of these choices (and the possible different limitations society may deem it necessary to impose on different types of choice) that such a “one size fits all” notion of choice would not necessarily be

³ “Choice mechanisms enhance equity by exerting pressure on low quality or incompetent providers. Competitive pressures and incentives drive up quality, efficiency and responsiveness in the public sector. Choice leads to higher standards. The over-riding principle is clear. We should give poorer patients . . . the same range of choices the rich have always enjoyed. In a heterogeneous society where there is enormous variation in needs and preferences, public services must be equipped to respond.” Tony Blair speaking at South Camden Community College, 23 January 2003 (Blair, 2003).

⁴ Where the Government is committed to public services free at the point of use and available to all on the basis of need, it is important to ensure that choice is not promoted at the expense of equity or efficiency, particularly where there are market failures and capacity constraints. Public services: meeting the productivity challenge (HMT, 2003).

⁵ Actively facilitating patients’ choice of hospital based on waiting times can act to even out variations in waiting times across hospitals and hence bring down maximum waits.

the best (that is, efficient, effective or equitable) option in order to promote choice in all circumstances. For example, choice of treatment or surgical options, choice over when to see a doctor or, indeed, choice over whether to seek treatment in the first place are not competition issues.

Some forms of service—such as emergency care—may also fit uncomfortably into a competitive model due to the nature of the service provided. In principle, a market for emergency care could be created through franchising arrangements (whereby providers bid for a contract to become a monopoly provider for some fixed period). However, how patients needing emergency care would then exercise choice under this arrangement is hard to envisage.

2.2 THE CONCEPT OF CUSTOMERS OF PUBLIC SERVICES.

2.2.1 *Is it possible to have customers of public services as well as active citizens and democratic accountability or are they mutually exclusive?*

Is it possible to identify a customer for the entire range of government functions or is it limited to public facing activities as envisaged, for example, in the Next Steps approach of the late 1980s?

In our view it is not only possible to have “customers as well as active citizens and democratic accountability, but absolutely necessary and desirable. First, while patients may have choices within the NHS, it remains a tax-funded public service and as such requires a democratic input to decisions concerning, for example, its overall funding. Secondly, decisions concerning the distribution of total funds across the NHS require social value judgements in relation to equity which also require democratic input. Thirdly, there are decisions required to be taken in the NHS which are not best made (or in fact, made at all) as a result of all the separate decisions patients may make as a result of their individual choices. For example, decisions concerning major service redesign and drug availability are best made collectively.

2.2.2 *Is it necessary to devise a more precise and generally acceptable definition of who the user or customer for each service is?*

As for defining or pinpointing who is the “customer”—or the person really exercising choice—in the NHS, it is not (or will not be) always the patient receiving care. Patients may not always be in the best position to exercise choice for a variety of reasons—due to their health status or their lack of medical knowledge, for example. Asked what one of the most common questions patients pose, clinicians are likely to say, “What would you do, doctor?”. This question is a recognition by patients of information asymmetry and also trust that the clinician has the requisite knowledge and will use it to make the best decision for the patient in front of them.

But it also blurs the distinction between consumer and producer, which can give rise to problems in an economic environment where the producer faces incentives which, at the margin, may interfere with the clinical decision. In other words, the doctor may not act in the best interests, clinical, of the patient. Such an economic environment not only includes a market, but could also include circumstances where, for example, internal budgetary arrangements mean that a producer may benefit financially (directly or indirectly) from the clinical decisions they make.

2.3 MECHANISMS FOR EXPRESSING CHOICE

2.3.1 *Are targets and league tables, customer surveys and complaints systems sufficient for ensuring adequate responsiveness to consumer preferences?*

Evidence as to the best mechanism for ensuring the goals of choice—more responsive, efficient, effective and equitable services, for example—are met is patchy, sometimes contradictory and often absent.

For example, over the last few years, the English NHS has been very successful in dealing with what patients and the public have consistently reported as top of their list for lack of responsiveness: waiting times. During this time it has also been subject to almost unrelenting ministerial and managerial pressure through a target regime to reduce waiting times. One might conclude the two are linked. However, there is no research which conclusively pinpoints the impact targets per se have had on waiting times, or has been able to disentangle the combined impacts of extra funding, better sharing across the NHS of ways to deal with waiting lists etc. Broadly, we might conclude that all these factors have had a bearing on the reduction in waiting times. Whether these non-market, non-choice, hierarchical interventions ensured, as the Committee’s questions and issues paper poses, “adequate responsiveness to consumer preferences” is, in the circumstances, arguable. However, the fact remains that waiting times are now at an historic low, and falling.

A further example of where improvement in services has been achieved through non-market processes has been in cancer and heart care. Here, much of the improvement—better access to effective drugs, quicker access to diagnostic services—have been driven by health care professionals and the Department of Health.

2.3.2 *Is contestability a further requirement to make choice fully responsive? If so to what degree?*

Would a more competitive, choice-based system have achieved these (or better) results? For obvious reasons, this remains unknowable. However, publishing league tables or conducting customer surveys are only weak incentives to changing the performance of providers of health care. For example, since 2000, the NHS has published detailed information on the costs of operations by hospital which have on average shown around a three-fold variation across England. This variation has remained virtually unchanged despite dissemination of this information throughout the NHS.

The strength of the incentives to spur providers to change lies at the heart of this matter. Intuitively, a choice-based system together with a provider payment system that directly linked activity to payment embodies a much stronger incentive for providers to respond to the choices patients make (the threat being loss of income and possible exit) than “naming and shaming” through published league tables. While strong incentives can effect positive and desirable change, in practice there will be risks and consequences for costs. For example, a hospital that loses a relatively small proportion of its patients to others (for what ever reason) may be unable to respond (at all or quickly enough) to retain patients and be financially destabilised to the point where its existence is threatened. This would interfere with the freedom of choice of those patients who would want to choose that hospital. How the benefits of the exercising of choice by one group of patients is to be balanced against the costs incurred by another as a result of those choices is extremely tricky.

2.4 CHOICE AND EQUITY

2.4.1 *Is there a generally understood definition of what equity means in respect of public services? Does equity currently exist in public service provision? If not who have been the main beneficiaries and why?*

The very creation of the NHS was a major contribution to expanding choice in health care. Collective funding and universal access free at the time of use overcame a key barrier to using health care: lack of income. Nevertheless, while the population’s health (across all groups) has improved tremendously over the lifetime of the NHS—to which the NHS has contributed—removing the income barrier has not resulted in completely equal access for equal need (or, necessarily, equality of utilisation, let alone equalised health outcomes).

In their useful review of decades of research into the extent of inequalities in the utilisation of NHS services, Dixon *et al* (2004) conclude that while the evidence is mixed, an overall conclusion would be that inequalities in utilisation do exist (to varying degrees) for some, but not all, services.

However, the continued existence of access/utilisation inequalities does not in itself justify a policy of choice. As Dixon *et al* state, if there are inequalities in utilisation, there is a need to properly understand why these occur before formulating policies to deal with the problem. For example, differences exist between lower and higher socio-economic groups in their experience of travel times to health care facilities, travel cost, time trade offs, confidence, articulacy and “voice” in dealing with health care professionals and health beliefs, and all play a part in explaining differences in the use of health services. Given these multiple explanations for the existence of inequities in use, offering patients a choice of hospital for their inpatient treatment is unlikely to address the central inequalities problem; indeed, it might exacerbate it if, for example, the root cause of the inequality is a tendency on the part of poorer people not to consult their GP in the first place.

There are two further equity questions concerning choice: to what extent should we be concerned that some patients will make choices which may seem irrational? And, secondly, does patient choice introduce a new equity goal for the NHS: equal opportunity of choice?

On these, evidence from the London Patients Choice Project (LPCP) (Burge *et al*, 2004); (Coulter *et al*, 2004) and the national Heart Surgery choice scheme (Le Maistre *et al*, 2004) revealed that when offered the opportunity of quicker treatment, around 50% chose this option. This finding raises the difficult equity question of whether we should be concerned that 50% did not take up the offer. If we could be sure that the choices made by those who did not take up the chance of quicker treatment were in some sense genuine (ie there was “equal opportunity to choose”) then perhaps the resultant inequality in access (and possibly outcome) should not be of any concern. But take up of choice in the Heart Surgery scheme was found to be higher amongst, for example, younger rather than older patients (le Maistre *et al*, 2004) which might suggest that older people may have faced particular barriers in their decision to take up the choice offer (eg travel arrangements).

In addition, research linked to the LPCP has shown that different income groups place different weights on factors which influence their take up of choice (Burge *et al*, 2004). For example, higher income groups are more influenced by the “reputation” of a hospital in making their choice. As with the differences in take up rates between young and old, whether this matters from an equity point of view depends on the “genuineness” of the choice that might be made: those on lower incomes may genuinely prefer the choices they make even if there is likely to be a tendency for this group to gravitate to hospitals with poorer reputations.

However, if “equal opportunity to choose” is the new equity goal for the NHS arising from patient choice, then the NHS will need to act unequally (as it does in its resource allocation to primary care trusts) towards some individuals/groups in order to ensure such equality of opportunity. This could mean, for example, that some groups—the elderly, the poor—should be compensated for the extra travel associated with exercising choice.

2.4.2 *Must there necessarily be losers in a system involving choice and contestability?*

We have already noted (2.3.2) a hypothetical example of a situation in which the choices made by one group of patients could lead to another group losing out. However, how a choice system is designed, the limits that are set and so on, crucially determine whether or not there are losers (or the extent of the losses suffered and possible options for compensation)

2.4.3 *How can a choice-based provision of public services avoid providers “cream-skimming” the less difficult or resource intensive users of the service?*

The problem of cream skimming can be largely but not wholly addressed through the careful design of the payment system for providers. The Department of Health are currently rolling out a fixed price activity-based scheme—Payment by Results (PbR)—which is similar to other payment systems used in many other countries. In essence, PbR sets a fixed price (currently the English average) for different types of activity performed by hospitals. The number of categories (health care resource groups—HRGs) runs to many hundreds and patients classified to a particular HRG will, on average and within certain limits, consume similar amounts of health care resources. Evidence from a number of countries suggests that, at the margin, there is a risk, however, of gaming on the part of hospitals to assign patients to higher price HRGs. There will be a need for inspection—involving the individual review of samples of patients’ case notes—to monitor this. However, in general, cream skimming is unlikely to present a major financial problem.

However, there is a related issue which is the incentive PbR (and similar systems) provide to cut costs through shaving back on the quality of care. There is some evidence from other countries that one impact of activity-based fixed price reimbursement systems is to reduce the length of stay for patients in hospitals. This may be desirable up to a point if lengths of stay are “too” long, but could become problematic if pushed too far—shifting costs previously born by hospitals onto other parts of the NHS, social services, or patients and their carers. Again, experience from abroad suggests that PbR-type payment systems require continual monitoring and appropriate adjustments to deal with undesirable outcomes such as this.

2.5 INFORMATION FOR USERS

2.5.1 *To what degree is the ability to evaluate different providers necessary for consumer choice?*

While choices can be made without reference to any information (in effect, randomly), patients and the public have expressed their opinions concerning what information they would like in order to exercise an informed choice and, moreover, how they would weigh different factors to do with the “characteristics” of a hospital/provider (reputation, proximity etc). The availability of information on those aspects of a provider’s performance, or a treatment’s outcomes (or whatever the choice at hand is) is very important. Without this information choices will be random or based on misinformation: In other words, the power that choice has to exert pressure on providers to improve their performance and for the needs and preferences of patients to be better matched with supply will fail.

2.5.2 *How should those users less able to make informed choices because of their income or situation be empowered to do so? What form should the provision of information take?*

On the basis that “equal opportunity to choose” is the new equity goal for the NHS, then the NHS will need to act unequally towards some individuals/groups in order to ensure such equality of opportunity. This could mean, for example, that some groups will require additional help in making their choice—for example, extra time with GPs or other health care professionals.

2.5.3 *How is satisfaction with and the performance of services to be measured, by whom and how is that information to be made available?*

There are numerous measures of performance of providers currently available, but a crucial piece of information which is not routinely collected in the NHS on a comparable basis is the impact the NHS has on individual patients health status. While knowledge of variations in length of stay, or readmission rates will no doubt play a part in many patients choices, we would suggest that knowledge of the variations in health outcomes—of individual clinical teams, clinicians, treatments etc—is vitally important. In fact, such information is important regardless of any policy on choice. We and others have argued elsewhere that methods exist to collect comparable health outcome information and that the NHS should not delay in investigating the practicalities of doing so (cf Appleby and Devlin, 2004; Kind and Williams, 2004).

We would further argue that while the Healthcare Commission (an arms-length NHS inspection body) and private organisations (such as Dr Foster) currently provide performance information, the NHS/ Department of Health need to review the desirability of greater independence of its statistical information service and other information gathering systems. This may not lead to actual independence of these functions, but the public and patients probably need to be assured that information promulgated by the NHS and providers (including the private/independent sector) is reliable and trustworthy.

2.6 VOICE AND PUBLIC SERVICES

2.6.1 *What mechanisms (complaints, feedback) exist or should be created for exerting influence on providers? Are they available to all?*

2.6.2 *Does the complaints system operate effectively and equitably in the public sector? If not what should be done to improve this?*

The current NHS complaints procedure was introduced in 1996 and was subject to independent evaluation in 2001 (Posnett *et al.*, 2001)). This found a high level of dissatisfaction with the complaints process. As the evaluation noted:

“Among individuals whose complaint was dealt with locally, only one-third believed that their complaint had been handled well. No more than 20%–30% were satisfied with the time taken to deal with the complaint and a majority were dissatisfied with the outcome. A majority thought that the current procedure was either unfair or biased and a high proportion found the process to be stressful or distressing.”

And, “among individuals who had requested independent review, around a quarter believed that their complaint had been handled well. No more than one in ten were satisfied with the time taken to resolve their complaint and only 13% were satisfied with the outcome. Almost three-quarters believe that the complaints procedure is either unfair or biased. A significant majority found the process to be stressful or distressing.”

The complaints procedure in the NHS is now undergoing reform to try and address patients’ dissatisfaction. Whether these changes will improve the situation remains to be seen.

Having a process by which patients/consumers can complain about the services they have received is desirable—not just for a public service such as the NHS, but for private businesses operating in markets.

However, the problems the NHS has had with its complaints system suggests that this form of “voice” may be inherently weak, not just in addressing and remedying individual complaints, but exerting any significant pressure on providers to change their systems/behaviour as appropriate. The fact that the independent evaluation found that most NHS staff were pretty satisfied with a system with which most patient complainants were not, suggests a problematic bias in the process.

NHS patients also have recourse to the courts in order to pursue complaints/compensation—and evidence suggests that they are doing so in increasing numbers, with the NHS paying out increasing amounts overall in compensation. In principle, this should lead to the NHS adopting procedures which reduce the risk of liability. One perverse effect, however, could be to increase “defensive” medicine and avoidance of high-risk/“difficult” cases.

2.7 DEVOLUTION AND DIVERSITY

2.7.1 *Is diversity a prerequisite for choice? If so, does diversity refer to good and bad performers or to the requirement for some unique selling point from the provider such as faith or specialist schools?*

2.7.2 *Does choice risk reinforcing the so-called “postcode lottery”?*

Real choice would require diversity in the characteristics of the services on offer. For example, in the case of back pain, patients are, in some parts of the NHS, offered the choice of alternative providers such as chiropractors. Moreover, as patients differ physiologically (in their reaction to drugs, for example), good medical practice (not choice in a competitive framework) dictates that patients are offered choices which not only best meet their clinical needs, but best deal with their physiological differences.

We would not include “good and bad” performance as elements of the characteristics of a service; it is hard to imagine why a patient would want to choose a poorly performing hospital. However, individuals may well want to trade off different characteristics—a longish wait in order to see the consultant of their choice, for example.

Such diversity raises a potential problem in terms of standards and equity, however. In a system which offers diverse services, at any point in time, some patients’ needs/desires may be better met than others. Over time, however, providers may respond to the signals generated by the choices patients make, and change the characteristics of their services in order to be more responsive. In other words, while inequalities (which may be felt to be inequitable) may exist at any one time for certain patient groups, over time these may be addressed. On the other hand, of course, they may not, depending on the judgements providers make in response to the array of priorities, incentives and costs they face.

2.8 CHOICE AND THE PUBLIC GOOD

2.8.1 *Can the consumer be “sovereign” in the public services? If not, why not?*

Given the diversity of services within the NHS and the range of possible choices open to patients, it is impossible to provide a general answer to this question. For many choices potentially available, patients will, for example, lack information (or due to their state of health, be unable to process information) on

which to base a useful decision (that is, one that maximises the utility they derive from the service). This information will often include knowledge of what intervention they need to deal with their health problem. In this sense, “consumers” of health care are not sovereign.

But such “information asymmetry” is not unique to health care, and exists in many other services in which consumers are usually thought of as being sovereign. One traditional provider response in these circumstances is to “professionalize” their role, and act more as advocates/agents (usually coupled with internal or external professional scrutiny and regulation to ensure compliance with the professional role). Such actions do not guarantee consumer sovereignty, but provide some checks and balances and to an extent deal with the information asymmetry.

So, where consumers may not be sovereign, there are potential, if partial, solutions. But there are of course many choices and decisions within health care where only the patient knows what they want and needs no professional intermediary to advise, for example, on whether to see a male or female doctor. For other types of choice the information requirements may be minimal and easily supplied and understood.

Whether consumers can be sovereign is one matter, whether they should (always) be sovereign is another. It may be generally felt, for example, that consumer sovereignty should be limited or usurped in certain circumstances for the general good (or, indeed, for the good of the individual). For example, society has taken the view that the patient’s choice to refuse treatment should be, in certain circumstances, denied. It also takes the view (articulated through the work of NICE) that, at the margin, the benefits of certain therapies do not justify their costs; in the name of consumer sovereignty, should patients be allowed to choose treatments rejected by NICE, with the consequent increase in costs and reduction in NHS efficiency (and effectiveness for individual patients)?

2.8.2 Is there a risk that a consumerist approach to public services will undermine the public service ethos?

Possibly. It is possible to imagine, for example, that a more consumerist approach in health care may incline health care professionals to cede some professional responsibility to patients and that as a result this may reduce health care professionals’ feelings of public service duty and obligation (which often manifests itself in terms of working longer hours than contracted and performing functions which may not strictly be part of their job descriptions).

We would note, however, that it is accepted by health care professions through formal consent procedures and the notion of concordance with medicine regimes that more weight has to be given to the user/consumer when decisions are to be made. None of this is in contradiction to the public service ethos but rather a redefinition of what it should mean in practice.

2.9 CAPACITY IN THE PUBLIC SERVICES

2.9.1 Will the extension of choice create unmanageable demands on the capacity of public services to provide? If so, is some degree of excess capacity necessary for choice to operate effectively?

Hypothetically, completely free choice in all the domains we noted earlier would create unmanageable (and unaffordable) demands. But in no economic system is there completely free choice; markets always limit choice in one way (prices) or another (contractually defined). The issue for public services whose global funding is limited and finite is, therefore, what degree and type of choice can be offered within the total financial limits and what sacrifices would need to be made in order to do this.

One sacrifice that may need to be made for certain categories of choice is a reduction in efficiency as a result of ensuring extra capacity is available to ensure real choice. The sacrifice may be worth it, but this is an empirical question which requires measuring and valuing the costs and benefits of offering a particular type of choice (eg choice of hospital) to patients. It is not therefore correct to dismiss choice on the basis that excess capacity may be required and that this would be wasteful without assessing the benefits choice may bring.

2.9.2 What are the cost implications of this? Should it lead to an extension of Private Finance Initiatives?

Given the previous answer, the issue of capacity and cost should be approached the other way round; that is, having set a global budget, work out what is possible to offer within that budget (and what opportunity costs will be incurred) rather than set out a ‘vision’ for choice and work out what the global budget should be.

There is no particular link here between extra capacity (if needed, for certain categories of patient choice) and PFI. The only possible link might be that PFI may offer a more cost effective route to expanding capacity in the short term—but there are doubts of its cost effectiveness in the long term.

2.9.3 Are user charges an inevitable outcome of greater choice? Might user charges help widen choice?

User charges are not an inevitable outcome of greater choice. Charges may, however, increase the willingness of the NHS to supply certain services that are currently felt to be peripheral to patient care or of low priority—such as bedside televisions—by covering the extra costs. Of course, while in one sense increasing choice, the cost of doing so is a new inequality based on (in)ability to pay.

2.9.4 Would enforcing equity in a co-funded, choice-driven system imply a proliferation of regulators on the model of the Office of Fair Access for the universities?

This question presumes that it is only in a co-funded, choice-driven system that regulation, monitoring and inspection is desirable. Such things have been a feature of the NHS (and of course many other parts of the economy) for many years. Organisations such as the Healthcare Commission, Monitor (the foundation trust regulator) the National Patients Safety Agency etc have a number of roles, some of which include ensuring that minimum clinical and other standards are met, that variations in performance are reduced and that performance in general is raised. Striving for an equitable NHS has and continues to be approached in a variety of ways—through the weighted capitation formulae, a reliance on staff attitudes and signing up to the general mission and objectives of the NHS (which includes equity of access), the explicit setting out of minimum clinical and other standards, requirements to carry out “equity audits” and so on. Whether additional measures would need to be put in place to ensure equity of access as a result of greater patient choice is arguable. Moreover, as we noted earlier, more choice and greater diversity may necessarily mean greater inequity at any point in time, but that this may be worth bearing if choice raised standards across the board.

2.10 RAISING STANDARDS

2.10.1 *What is the nature of choice within a framework of uniform standards?*

If “uniform standards” means setting a minimum baseline for the standards of care and treatment, then there would be no conflict with patient choice. As we already note, professional standards may also embody the notion of patient empowerment through, for example, offering choices.

2.10.2 *How can an individual's choice enhance national standards and accountability?*

In theory, patients choices may reveal what standards (and what level) patients value (which may well be different to those set by health care professionals and policymakers. If so, then this information could be used to recast national minimum standards perhaps.

2.11 EVIDENCE BASE

2.11.1 *Is there already sufficient evidence, research and experience to judge the effect of greater choice on equity in public services?*

2.11.2 *Does the functioning so far of parental and patient choice support the argument that it promotes equity?*

Not really. We have noted some evidence earlier in this submission to suggest there may be equity issues to deal with, but choice (in terms of current choice policy) in health care is only just rolling out. For example, no data has yet been published on activity for the first year (2003–04) of the Payment by Results system. Even when it is published later this year, PbR only covered a very small fraction of hospitals' activity in that year so it may be hard to detect impacts on hospitals' behaviour. And, of course, patient choice at point of referral has yet to be implemented across the NHS in England.

2.11.3 *Are there lessons which can be learned from other countries and if so are they readily applicable here?*

We have already alluded to some of the experience of other countries in some of our responses above. However, there is a general point that it can be difficult to make true comparisons between different countries as, while systems may seem superficially similar (for example, activity-based payment systems) in practice differences in detail and context can mean that comparisons are misleading.

John Appleby
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November 2004

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APPENDIX

Recent King's Fund work on patient choice: 2003–04

1. *What's the real cost of more patient choice? (2003) Appleby J, Harrison A, Devlin N*

A King's Fund Policy paper setting out definitions of the scale and scope of choice and possible costs and benefits of choice in the NHS

2. *London Patient Choice Project Evaluation: a model of patients' choices of hospital from stated preference choice data (2004) Burge P, Devlin N, Appleby J, Rohr C, Grant J*

The first of two reports from the LPCP evaluation. Two further publications planned (Applied Health Economics and Health Policy and BMJ). The interim results were presented at the 5th European Conference on Health Economics at the LSE in September.

3. *Patient choice (2004) Appleby J, Dixon J BMJ 329:61–62*

Short editorial on choice and difference between Labour and Conservative policies on choice

4. *Patients choosing their hospital (2003) Appleby J, Harrison A, Dewar S BMJ, Feb 2003; 326: 407–408.*

Editorial on choice (choice can lead to inequality and inequities)

5. *Patient choice: The case of HIV/AIDS Units in London*

Current research being carried out by Ruth Thorlby looking at how choice has operated in HIV/AIDS units in London. Data collection and some analysis likely to be complete by December; write up in January 2005.

6. *Mapping travel/time for hospitals in England*

Work by Mike Damiani, Jennifer Dixon and Carol Propper showing numbers of hospitals accessible within certain times across England. Some areas of the country shown to have poor access in terms of numbers of accessible hospitals within 1/2/3 hours. Mimeo published by Bristol University/submitted paper to BMJ.

7. *Measuring success in the NHS: Using patient assessed health outcomes to manage the performance of health care providers. Appleby J and Devlin N (2004)*

Report for Dr Foster Ethics Committee looking at costs and benefits of routine generation of patient assessed health-related quality of life information. Among benefits, this sort of information vital for informing choice by patients.

8. *Assessing the impact of the first year of Payment by Results on trusts' activity and waiting times.* Appleby, J, Smith A, Devlin N, Parkin D, Jobanputra R. (2004–05)

Payment by Results (PbR) is the fixed price activity-based reimbursement system which provides the financial incentive associated with patient choice. This research will test the hypothesis that hospitals will differ in their response to the implicit incentives in PbR on the basis of their HRG costs relative to the national tariff.

9. *Paying hospitals to get results.* *New Economy, Journal of the IPPR.* Appleby J, Jobanputra R (forthcoming, December 2004)

Review paper of Payment by Results, looking at international evidence of outcomes from similar systems.

Witnesses: **Professor Allyson Pollock**, University College, London, **Mr James Johnson**, Chair, BMA Council, **Professor John Appleby** and **Mr Niall Dickson**, King's Fund, examined.

Q164 Chairman: Thank you very much for coming. As you all know, the Committee is trying to grapple with some of the issues to do with the extension of choice, and also issues of what we call voice, larger collective choices; and we are trying to test some of the arguments out in different areas. Obviously, one of the major areas is health, which is why we have assembled you this morning. I do not know whether any of you would like to say anything briefly by way of introduction. You have given us some very interesting memoranda, which we have read, so we come reasonably informed.

Mr Dickson: We are happy for you to—

Q165 Chairman: Niall is speaking for everybody in saying “just kick off”. As our starting text, can I take something from the King's Fund memorandum to the Committee. You say: “The key issue concerning choice in the NHS therefore is not whether choice is indisputably a bad thing or a good thing, but more an empirical question of where choice, and what type of choices, can bring benefits where the cost of doing so is judged acceptable.” Let us have a go at that to start with. Niall, do you want to help us and explain that to us?

Mr Dickson: There is a danger that we look at choice as being something very simple, and on the face of it, it is; but when you start to look at it in detail, it is many layered and a lot more complex. I think we over-estimate at times our understanding of how people make choices and the fact that they make choices in different circumstances. There is something inherently good about the idea that people should be able to make choices in their lives, and it is inevitable in public services that there will be increasing choice. At the same time we have to be aware of the limitations on choice, the costs of choice, the circumstances in which choice will operate in different ways and different settings. Rather than simply repeating a mantra, we need to examine it and not be hostile; we should welcome the principle of it, but be aware of the limitations of simply embracing it in all circumstances or suggesting that it is going to be limitless, because it is not.

Q166 Chairman: So we should look at cases and look at the design features of particular models: this is what a number of people have said to us already. Is it not the case, just so that we get a sense of where

we come from, that the Health Service has not been terribly good at choice in the past? It has been the classic top-down model, has it not? When we start talking about giving people more choice it comes as a kind of revelation to us here, which it does not in other countries, where people are more familiar with the notion of choosing varieties of healthcare. There is a kind of culture shock, is there not, here?

Mr Dickson: Yes, I agree. The Health Service has been quite slow to offer people choice. There has always been an element of choice within some aspects of Health Service delivery, but it has been largely a monopolistic service. Certainly, from 1948, when people were extremely grateful to be given anything for free, that has changed, and people are no longer quite as grateful and they are more discerning. There is a cultural issue for the Health Service about offering choice, not just between different providers but within particular treatments. This raises the whole question of the relationship between NHS professionals and patients, which is also undergoing change at the moment.

Q167 Chairman: Can I bring Allyson in here. When I read your stuff—which I enjoyed very much, and I have read an article here—you do not like choice very much, and you strike me as being rather attached to this old model. You say, having a go at Woolworth's, “healthcare is not something we even want to make choices about”, and you say it is all too technical anyway for people to do it. Is this not just out of sync with how people are now? They just want more choices about their lives, do they not, including big things like health?

Professor Pollock: As Niall Dickson has rightly pointed out, it is a much more complex issue. The problem is that choice implies that there is going to be some sort of substitution, and, as Niall has indicated, very often you cannot substitute health services unlike manufactured goods or products. Healthcare choice is problematic because what you are really talking about is not a substitution of interventions or treatments, but you are asking patients to choose between providers. I think it is a myth that patients have no choice: until 1991 there was extraordinary choice in terms of providers. All patients were entitled to second or third opinions, and to go to the provider of choice. Indeed, the evidence shows that the impact of the internal market was to restrict choice because you brought in

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purchasers and providers and contracts were placed on the basis of where purchasers or commissioners decided to put patients. Indeed, the Government is using choice simply as a rhetorical device, and the Government is now implementing a full market, so we are going from a quasi or internal market to a full market. Choice is simply a device, and the key thing is to understand the new system of the market under which choice will be activated through price signals or price mechanisms. It is very important for the Committee to understand the new financial structures that have been put in place and the extent to which they will deliver the core objectives in the NHS. All the time when you are talking about choice, you need to return to the core values and objectives of the NHS. Will we still be able to deliver a universal healthcare system, planned on the basis of need and free at the point of delivery, and on the principles of equity in this market-based system? To what extent will choice be there for patients?

Mr Johnson: From a political point of view there are two completely different elements of the choice agenda. The one that is always trotted out in a quick sound-bite is the choice of five hospitals to go to if you need an operation. Certainly, our evidence—and we have a patients group in the BMA—is that patients are very, very keen on choice, but they are not keen on that particular bit of it; they think that is irrelevant. The aspect of that from the political point of view, as Allyson has just said, is that with payment by results it forces competition, one provider against another, and in theory at least that will sharpen up its act, as competition does, and so on. The other element of choice—and this is what patients are interested in—is choice of treatment; people with chronic diseases who know a lot about their condition having some choice of where things are done and how things are done. They want choice in the community. We are seeing the different providers coming in to the community to perform different services, which we have not traditionally done very well. We have two completely different things going on here from a political point of view, one of which patients really like and one of which they are fairly indifferent to.

Q168 Chairman: We have to try and find some common ground in which we can have some discussion here. Does it really matter to patients in a direct sense, looking at Allyson again, how the Health Service is configured—payment by results, the different ways in which it is being organised now. Are those not things that in a sense should not concern patients? What patients want to know is, “can I get treatment in a timely way from a decent provider?” If it meets that test, in a sense does it matter how it is configured?

Professor Pollock: They are two separate questions. It may not matter to patients how care is configured, but what you are asking about is whether the design of the system matters. The Treasury has made it quite clear that the design of funding matters because progressive taxation is important because of re-distribution; but whether it is healthcare or education you are looking at, we all know that in

order to deliver universal healthcare on the basis of equity, you have to build in re-distributive elements into the design of the system, which includes above all a mechanism for risk-pooling. The problem with market mechanisms is that they work against risk-pooling; they segment risk and cause disintegration and fragmentation. That decreases patients’ access and choice and has a huge impact on equity. I have set this out in the paper for you to read. You have posed two different questions. It may not matter on the surface to patients where they go, though it will matter if they do not get the treatment they want, where they want it and how they want it. Your real question is about whether it matters as to who provides health services and how they are provided. All the evidence from across the world says that indeed it does matter. There is no universal healthcare system that delivers a universal healthcare service on the back of a marketplace or on the back of transnational or international for-profit, or even not-for-profit, providers combined.

Q169 Chairman: As I understand it—and I do not want to go too wide here—your argument seems to be that the way the Health Service is developing is bad; all these terrible things are happening to it, as you have just described. However, the contra experience from most people is that on the whole it seems to be getting better. The perspective that you are offering seems to be different from the perspective I see, from people who come to see me who are quite glad that they are waiting rather less than they were waiting before, that they are getting a bit more choice. Is there not a mismatch?

Professor Pollock: In some areas, indeed, experiences for patients may be getting better, for example A&E waiting lists. However, you have to look at the system as a whole and whether it is working for patients. One of the things about a marketplace is the way it segments risk. We know that the mechanism of devolving risk to providers, where they now have the financial risk, means that because of their need to balance the books and make a surplus, they will have to carry those risks and reduce their liabilities in terms of patients and treatments. I suspect some of your patients may be having a very good experience, but if you went out—and Help the Aged will confirm this—and talked to older people, people with Alzheimer’s or chronic illness and disease, and people at the health and social care interface, the experience is less than satisfactory. Indeed, the Ombudsman has recently highlighted the parlous state of these client groups. What we are talking about is not the people who can access elective care, and the quick and easy hi-tech solutions; we are talking about healthcare in the round, and you would have to look and examine the system as a whole.

Q170 Chairman: Going back to the initial point about looking at particular examples and looking empirically at what we are talking about, what are the kinds of choices that seem to be working, and which therefore seem capable of some kind of

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extension? If we were seriously going to develop a choice menu for the Health Service, applying the King's Fund test what areas would we be looking at?

Professor Appleby: In our written evidence we provided a table of types of choices open to patients. One of the things that strikes all of us here is that current Government policy on choice in healthcare is very narrowly defined around choice of elective care, based on shorter waiting times. That really is it at the moment. Ministers have made various statements to try and enlarge that view of choice. But, at the moment, that is where policy is concentrated, and where all the effort is going. Clearly, if we are serious about choice, there is a whole range of different sorts of choices that you could imagine patients, and people before they even get into the healthcare system, may want to have the opportunity of taking. We tried to list some of these in a fairly ordered way, from options before someone even entered the healthcare system, and going through the patient care pathway. The last bit of choice is choice of provider, choice of hospitals, and so on. There are many other choices before then. We thought that was a useful way of thinking about the different types of choices there are. Then, as Allyson says, it does expose the fact that there are lots of choices within the NHS and always have been. We have had choice of GP for example. It may not work perfectly, so that everybody gets a straightforward choice of exactly the GP they want, but it works after a fashion. With maternity care, you can have choice about how you want your baby delivered and so on. You can look at different parts of the Health Service and different services, and pick out areas where people using the service are empowered to make decisions on their own and to choose things which in a sense best match their preferences for the services they want.

Q171 Chairman: Given all that, do you think choice is a big idea or a little idea in relation to the Health Service? If you listen to John Reid, he thinks it is a big idea, does he not? You seem to think it is rather a little idea.

Professor Appleby: In a way it is a big and somewhat pervasive idea, but it is a very dispersed sort of idea. Jim may want to say something about this, but it draws in ideas about the relationship between clinicians and their patients quite strongly. It really draws in what we mean by medical training and what goes on there, and the relationship doctors and nurses have with their patients in order to empower their patients to be able to make choices within the individual clinical decisions that those patients would face. As Allyson was saying, it also potentially includes choices within a market type framework, where you have a payment system which would penalise hospitals if patients did not choose them and so on. It has macro/micro levels to it, so in that sense it is quite a big idea.

Mr Dickson: I do not think we really know what patients will do when they are presented with more choice than currently between providers. I do not think we really understand how expectations and views and so on are changing. As more information

becomes available, people's capacity to choose could be increased. It carries risks of segregation and different kinds of choices being made by different social groups, and one would need to put in mechanisms to counter that. I also think it is true that choosing between providers may encourage providers to offer more choice themselves, within the service that they are offering. One of the questions that the Health Service has to answer is this: if this is such a fabulous idea, offering people choice within a service, why has it not been done until now? There is a link between the two. I do not accept it is a full market that is proposed, and it is still a quasi market, but the difficulty is that it is a very powerful incentive. The dangers are that you get perverse consequences and people doing things that you do not want them to, rather than increasing cost and personalising the service that they are offering, as well as the possible benefits.

Mr Johnson: The linkage of choice with payment by results is a very big idea, and an idea which, although at one end of the scale probably will provide a lot of benefits—we instinctively would not like having to go to one supermarket because there was only one supermarket chain. However, I do not think it has been thought through. If you have a private outfit and a National Health Service outfit competing for surgical patients, with the same tariff and same standard, and if those patients choose the private one because it has things that they like more—a better lunch, nicer decoration—who knows, but they choose it anyway—and the money goes there; then you are taking the money away from the NHS hospital. So far, so good—there is nothing wrong with that at all. However, the NHS hospital will be providing a whole lot of other services that probably no bit of the private sector wants to compete with at all—an A&E department for example, or psychiatric services, or some things that are not at all sexy and do not have any place in the market view of life. If you destabilise that NHS hospital because the money has gone to the private one for the surgical service, how do you protect those core services that only it can provide? I do not think we have worked that one through yet. I have talked to ministers about this and they say, "oh, well, there is further work to do on that and we have not quite got there yet"; but that is a very important question. You have to have the answers to all these questions before you can bring in payments by results, and the patients effectively deciding where the money goes. It is no use saying, "we will think about that later".

Q172 Mrs Campbell: I want to come back to a rather narrow choice, which is the choice that patients may want to make about their own treatment. The recent research, and this is really directed to you Mr Johnson, has shown that Britain's doctors often fail to ask their patients their opinions about the type of treatment that they would like. It has obviously got to be informed by a doctor, but do you not think that choice there could be much more widely available than it is at the moment?

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Mr Johnson: Yes. I was quite surprised. That is the Angela Coulter research that you are referring to, is it not?

Q173 Mrs Campbell: Yes.

Mr Johnson: I do not really feel there is any intention to do that. If that is what the research shows, then presumably it happens; so you have to ask why. I suspect it is down to the fact that we are relatively under-doctored compared to a lot of countries, and we probably do not have the same time for consultations, either in general practice or in the hospital service, because to do what you have just described pre-eminently takes time. I do not have any particular defence for it, and I have no doubt at all that we should be spending a lot more time with patients, telling them the options and the pros and cons.

Q174 Mrs Campbell: Is it time, or is it in fact skill?

Mr Johnson: It may be both. I cannot believe the skills—

Q175 Mrs Campbell: If I can just expand on the question, I think doctors are often used to being very much in control and want to take the decision and then just communicate that to the patient. That is a quicker way of doing it, obviously, but the skill of explaining to a patient what choices may be available, and explaining those in a clear way so that the choice does not necessarily override the clinical priority, is quite a different issue. It is a different way of presenting information. Do you think that doctors may need some training in order to do that?

Mr Johnson: I would absolutely reject the suggestion that it is a kind of control idea, that we have them exactly where we want them by saying, “that is what you are going to have”.

Q176 Mrs Campbell: That is what it feels like sometimes.

Mr Johnson: There may be often a case, in fairly straightforward and simple conditions, where there is only one treatment which is going to have any effect, and to try and give equal weight to a lot of other possible treatments that you know will not be effective seems to be a negation of what we are there for. I really do not believe that it is a way of controlling patients. That is now how we see it.

Q177 Mrs Campbell: Can I be more specific then: some doctors think that alternative medicine is a waste of time, and that this choice should not be offered to patients. However, very often is it not true that some kinds of alternative medicines can sit alongside conventional medicine and offer patients real choice and make them feel better anyway, even if they do not have much medical effect? Do you think that is a choice that patients should be offered?

Mr Johnson: In medicine we are very much encouraged to be evidence-based, and frankly, to set aside something that just makes you feel a bit better, like a gin and tonic or a holiday on the Costa Brava—you know, that is fine—there are lots of things that make you feel better; but we are really

there to provide choice that is based on evidence. To give a choice by saying, “if you do this or that, it will probably make you better, and if you do any of the following there is not a shred of evidence to show it will do you the slightest good whatsoever apart from being nice”—again, that would be a complete negation of what we are there for, to attach equal weight to those options.

Q178 Mrs Campbell: I would be interested to know what Allyson feels about this because she has talked about choice within systems, but I do not think you have talked about this particular element of choice, whether you think it is a good thing or not.

Professor Pollock: The whole choice debate is a problem, as you are all highlighting, because it means so many different things. I have been talking about why the system is important. What you are talking about are largely the symptoms, but we need to understand the causes—so the feeling that patients perhaps do not get the choice of treatments, or doctors are talking down to them or exercising control may all be true; but these are symptoms and we need to understand these symptoms much more and get the evidence of the causes. Some of these will be system-related and some of them will be due to professional attitudes and all the rest of it; but we cannot come up with easy explanations and solutions. You have asked about alternative medicine. I work in a hospital which has homeopathic medicine as part of its remit. We, like Jim Johnson, are very keen on evidence-based medicine, and perhaps one of the questions is whether we are doing enough research into the evidence behind alternative medicines in order to give patients more choices. One of the big concerns in research, which is one of my areas, is that increasingly because of the pharmaceutical and commercial interests—and these are interests that are being driven by the Government and the Department of Trade and Industry—we are getting a crowding out of some of the other more valuable types of research, whether it be rehabilitation or speech therapy or alternative medicines, because they are not seen as profitable areas for research to follow. This is not an issue perhaps for the Committee, but it is certainly an issue in terms of the fact that one of the great things about the NHS has been its pioneering spirit and innovation. Indeed, if you look at geriatric services and day-case geriatric provision, these were pioneered in the UK, and they have been exported widely abroad. The tragedy is, companies like United Health Group and EverCare are coming back into the UK to sell us the very same services that we have pioneered since the 1960s. This is another issue where we are forgetting this extraordinary tradition in the NHS that risk-pooling gave us, this extraordinary entrepreneurial spirit which allowed us to develop new treatments and methods. One of the problems with a market-dominated system is that increasingly you have commercial imperatives dominating, so that treatments that should be open to research but

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which are not going to be valuable in commercial terms simply get crowded out. That is an increasing frustration for doctors and patients alike.

Professor Appleby: There is a big issue here about information and choice, at a whole set of different levels. Jim raised the issue of information in relation to the evidence base for what works and what does not in healthcare; but the trouble is that that evidence is not that clear-cut. It is not a case of “this works and this does not for all people at all times”. It is often a bit blurred. We have a National Institute of Clinical Excellence, which looks at the clinical and cost-effectiveness of healthcare. You only have to look at its technical reports to see how difficult it is sometimes to tease out what works and what does not work for which groups of patients. One of the issues that we raise in our evidence is that there will be patients who would want to choose treatments which may be alternative treatments or treatments evaluated by NICE but which NICE has said in general are not worth the NHS providing. But some patients may believe that they could benefit, and they may be right for them individually, but we just do not know. It is a difficult issue. This is where we could get into what is the cost of choice. It could easily push up cost if we wanted to extend choice and draw the boundary further out. There is another issue about information: a lot of the information that we would perhaps as consumers or patients, or even primary care trusts, in terms of their commissioning, would want to know, which we simply do not have in the Health Service, is to do with the health of patients. The NHS does not monitor on a regular basis the health status of the people who use its services; it simply does not happen. We do not have that information. There are some experiments that the Department of Health is starting now to look at, but even without choice the sort of information we would want to get our hands on so that we could make assessments, not just at a hospital, but at a clinical team level and a treatment level, is information that is fundamental: does this intervention do you any good; does it do you any good if you are a 60-old with a certain co-morbidity? The crude fact is that we do not have that information on a routine basis.

Professor Pollock: That links back to your question on access and whether things are getting better for patients. As the Government is currently pushing more work into the community and primary care sector, it does not have the data sets to monitor it. Recently, John Reid has said that we collect too much information, and currently information systems are under a huge strain. The Government has already failed to implement the community minimum data set. We will never be able to answer your question as to whether things are getting better, or on the equity issue, while information systems are being ripped out and dismantled as they are now.

Mr Dickson: Going back to your question on alternatives, Allyson mentioned the pioneering spirit of the NHS. I think it has been anything but pioneering in that area, and very large numbers of people have in a sense voted with their feet. I think we have to have a more open-minded view. I do

agree that it is partly about how you research things, and finding new ways rather than simply relying on double-blind trials and the rest of it as ways of measuring whether or not things are effective. That is one aspect of choice, and I think it will come in. I think that the NHS should adapt and offer more than it currently does.

Q179 Mr Prentice: I will just put reconfiguring the NHS to one side for the moment, but I want to come back to that. Picking up on the point John Appleby made, who is driving this demand for greater choice? Is it patient groups? Are people logging on to the Internet, and saying, “hang on a minute; if I spend a couple of days on the Internet, I can end up with more knowledge than my general practitioner for God’s sake”. Who is demanding this increased choice?

Professor Appleby: In policy terms it is fairly straightforward; it was the Government, the Department of Health, which really constructed a policy around choice, and which in turn has its roots in reducing times. If you look at the pilots that have been conducted on choice, particularly in London, their main objective was in a sense to bus patients around from longer lists to shorter waiting lists. That is essentially what happened by offering patients on long lists the choice of quicker treatment in a hospital with a shorter list.

Q180 Chairman: That is a good thing, is it not?

Professor Appleby: Yes, I am not being judgmental about that; I am just saying that that is the origin of the London Patients’ Choice Project. It is couched in terms of patient choice; but in a way you could look at that experiment as an almost military style capacity planning exercise to make sure the beds are here, the patients are over there—“how do we get these patients into those beds?” That is what the exercise was really about. In one sense choice of policy is being driven by the Department of Health, and the objective is to reduce waiting times; and there seems to be some evidence that that is what has happened. On the other hand, there is the rhetoric that patients are more consumer-ish, that they do look at the Internet and so on.

Q181 Mr Prentice: They do.

Professor Appleby: Of course, yes, and they do inform themselves.

Q182 Mr Prentice: People with a particular condition band together, form a patients’ group, put pressure on MPs, on their PCTs, on their trusts and on the GPs.

Professor Appleby: Yes, I would agree. There is a pressure there. It is coming from patients, and always has done actually at different levels. As I say, in terms of the particular thing that is going on now within the NHS, the Department of Health—

Q183 Mr Prentice: I do not disagree with you, but you would think that if patients were becoming empowered through the Internet and so on, they would be demanding more of the Health Service

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now than they ever did before. Allyson told us right at the beginning, and I hope I did not get it wrong, that under the old system people could get two or three opinions

Professor Appleby: You still can.

Professor Pollock: And they could go wherever they wanted.

Q184 Mr Prentice: People now must be demanding even more from the Health Service, all the way along.

Professor Appleby: I think they are, yes.

Q185 Mr Prentice: That is a good thing.

Professor Appleby: Yes. One of the things we are talking about with choice is the mechanism by which patients get their preferences for healthcare met. There are market type mechanisms where you put more pressure on doctors and providers of healthcare to do the things that patients want them to do. We are arguing where this line, this pressure, gets drawn, where some perverse things may happen if too much pressure is put on a hospital. If it is losing patients and cannot respond quick enough, what will happen to it? There is a lot of risk in this, admittedly, but potentially there are some benefits too.

Q186 Mr Prentice: You will be familiar with the website that has been constructed by the Department of Health with the help of the MS Society and so on, which allows people with MS to decide which of the various treatment options may be right for them. I used to be chair of the All-Party MS Group, so you know where I am coming from. These interferons cost a fortune, £7,000–£9,000 a year; and yet patients are being empowered to make a decision on which treatment is best for them. Is that a model that could apply to other conditions; or is it unique—because we know so little about how to treat MS successfully?

Professor Appleby: I do not know the details of the website and I am not medically qualified, but I would have thought that that could easily be a model. I do not see why it should not be at least part of a model for providing patients, especially people with chronic disease, with more information about their condition, and what is available.

Mr Johnson: As is the Government's Expert Patients' Programme. People with long-term conditions tend to know a lot about it, not unnaturally really because they will have it for the whole of their lives and have to learn to cope with it. It is a group that is uniquely placed to exercise choice, and really wants to exercise it.

Mr Dickson: We are on a journey. If you look back 20 or 30 years, patients, even patients with long-term conditions were told very little, and it was not thought suitable that they should be part of the professional decision-making process. That has changed, and is changing. A lot of what we are talking about here is capturing something that will change even more. I can give an example of a young man who had a collapsed lung. He had had it before and it had been re-inflated. He walks into an A&E

department when his other lung had collapsed, and he tells the doctors what is wrong with him. He tells them what they ought to be doing and the protocols involved, because he knows it all. Of course, for them it is something that they do not come across every day. It is an extreme example, but even an educated young man, I suggest, a mere 30 years ago would not have engaged in that way and would not have had access to the information. He would not have known how to use the information and would have simply gone in and said "do something to me". There are profound changes happening in the way that people will interact with the healthcare system, and we need to be aware of that. In a sense, groups like the MS group are at the leading edge. There will be different responses depending on whether it is episodic care or long-term care; but something is changing.

Q187 Mr Prentice: The decline of deference, I think.

Mr Dickson: Indeed.

Q188 Mr Prentice: Professor Pollock talked about the reconfiguration of the Health Service and the foundation trusts that are being set up. I was staggered to read in your evidence, and want to check that this is correct, that the administration costs in foundation trust hospitals could be approaching US levels of 24%; and at the moment administration soaks up about 11%. Is that right?

Professor Pollock: We know that administration costs were very low in the NHS prior to 1991, purely because you had great risk-pooling and integration. It was a very coherent, accountable and transparent system. We know that after the introduction of the internal market, administration costs, on rough estimates, doubled. We also know that the Government is moving very quickly to a US style healthcare system, with all the problems that has. That means that you have billing and invoicing—these new financial flow systems are very, very expensive to administer—the HRGs. You are going to have bidding and invoicing and transaction costs; you will have marketing and joint ventures. All of these things are things that the trusts are currently considering. We know in the US that USHMOs, both not-for-profit and for-profit, can have transaction costs of anything from 24–35%. I am not saying what they are now; I am saying that transaction costs will definitely increase quite considerably.

Q189 Chairman: Can I ask King's Fund: are we going in the direction of a US healthcare system?

Mr Dickson: No.

Professor Appleby: No.

Q190 Chairman: I think we should just register a disagreement there and not go further. It would take us into interesting and fascinating territory.

Professor Pollock: I talked about system delivery of HMOs. The Government is committed to a publicly funded NHS. The question is, if more money is trickling out to these transaction costs, to private finance, to the profits of the transnational

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corporations that are moving in, then something has to give. You may have a universal healthcare system that is greatly reduced in quantity and quality.

Q191 Brian White: In previous evidence sessions one of the things that was said was that the voice of professionals, when choice becomes the issue, is greatly enhanced, and the voice—in that case the tenants but in this case it would be the Health Service users—is reduced. Do you think that is a fair criticism?

Mr Dickson: There is a danger that if you are presenting complex choices, in a sense the asymmetry between the professional and the patient can be greater. As I said before, I think attitudes are changing, and the way in which technology is developing and the way that information can be put across can help. If we put into the system means by which translators, people who are advocates for patients or who are navigators, can overcome it, you would have to be aware of that asymmetry and the fact that professionals do have a great deal of power. Simply to say that there is choice in the system and that patients are able to find their way around would be deluding ourselves.

Q192 Brian White: So setting the question of choice has to recognise that asymmetry, is what you are saying.

Mr Dickson: Yes.

Mr Johnson: There is always going to be a knowledge imbalance. That is why people go to see a professional. That is why any of us use professionals, because they know more about it than we do. If you believe the best treatment for this condition is the following, but there are others, it is quite difficult to construct a conversation in which that does not come through. It might be completely unconsciously, but nonetheless that is where you are trying to steer people.

Q193 Mr Hopkins: I find myself very persuaded by Allyson Pollock's analysis of what is going on here. To crystallise it, you said that the choice is simply a rhetorical device, which makes me wonder whether we are completely on the wrong track with our inquiry. If it is just that choice is a disguise for a sinister move towards full marketisation of the NHS, should we not just abandon our inquiry and look into what really is going on? I would be interested to hear what the other members of the panel say about this. Should we forget about it; and the whole thing is a trick?

Professor Pollock: I agree. The terms of reference for the inquiry as cast are inappropriate. The most serious thing that is happening at the moment is the major change to the NHS that is taking place, which may well have catastrophic effects on the whole of the population and the public health function. We are in a very, very serious period, and you as the MPs will have to take this on board. You are the people that we are asking to champion the NHS.

Q194 Mr Heyes: This is just a diversion.

Professor Appleby: I think the key word in what Allyson has just said is “may”. There are aspects of choice where clearly there is a big rhetorical element. If you read ministerial speeches on choice within healthcare it does look like a cure-all for everything, from athlete's foot through to schizophrenia, and “we will all be much happier after we have it” sort of thing. I take that as—well, when you have a policy to sell: you oversell it and you rubbish the current system.

Q195 Chairman: We are talking in big generalities, but is it not just the case that we are trying to turn public services on their head and to make them less looking towards the people who provide them and more towards the people who use them? The great National Health Service, which we love to bits, has been the great producer-driven organisation; it has been completely inattentive to the people who use it; people just sit at home, waiting to be told if and when they are going to be treated, by whom, in what way, in what place. It comes as a kind of shock to have people say, “we are going to give you a bit more say in all this”. Is it not interesting that it is very difficult to get a common dialogue going about this, because in a sense, Allyson, you do not want to talk about whether choice could be made more of a reality in terms of how we provide services to patients; you think it is just a cover for all kinds of other things going on? The Government, despite what may or may not be good about the way in which it is organising it, is trying to turn the system round to make it face far more to the user. We are having a kind of non-conversation about this, are we not?

Professor Pollock: Well, if you were really serious you would be looking at the issues of accountability and democratisation. One of the problems of the NHS since its inception, which is why you are hearing many of these symptoms, is that it was never truly democratised or made accountable at all levels to local people. There was a great deal of lip service, and there were some attempts through community health councils, *et cetera*, but that is the real issue around choice, the democratisation and accountability. If I were to ask you to describe the new system of the NHS, any one of you in this room, and the new systems of patient accountability and public accountability, I bet none of you could give me a coherent response. That is a travesty. The old system had its weaknesses in terms of accountability and democracy; but that could have been built on and improved, and should have been. That is what this inquiry should be about, not choice—it should be about accountability and democracy, at all sorts of levels, and unpacking that.

Mr Dickson: I agree with Allyson that the current systems of accountability are a shambles, and they are a disgrace; they are certainly not transparent, and a lot of them simply do not work. However, I do not think there is a choice that one has to make between giving patients more choice within the system, and having voice, that is to say democratic accountability at different levels within the system. Even in a more market-orientated system, there will

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of course be regulation but there also must be planning. It is not something that is going to happen just by patient choice, and there are choices that have to be made about the re-distribution of resources, the reconfiguration of services. We need to think through how to make them much more accountable than they have been, frankly, since the service was started.

Q196 Chairman: You have seamlessly brought our themes together. We are almost done, but let me ask this as a closing question. When I was in hospital recently, I would have killed to get a private room, to be able to choose to have a bit of privacy. Being in a ward with a cacophony of television sets, with people making all kinds of funny noises, and lots of things going on, you sit there and you have nothing else to think about. You think, “Am I having an unworthy thought, that I would like to choose privacy? I would even be prepared to pay a large sum of money to get some privacy.” Would that cut across equity, and therefore I should not have this unworthy thought? Surely, we have to have a health service which is just much more responsive to what we want in our ordinary lives, including things like that?

Mr Johnson: Exactly, and this is really what the Government have hit on. Whether it is right or wrong in any moral sense is irrelevant; it is what the public want. Even if you can demonstrate to them that when you offered them choice they nearly always chose what you would have just given them without choice in the first place. They still say, “but we would really like to have been given the choice”. You cannot get away from that: it is a vote-winner and that is why it will be pursued.

Professor Pollock: Again, it is coming back to symptoms. You had a nightmarish experience; you talked about the television sets and the noise: perhaps you should have asked what was going on in these wards and why they are not quiet, tranquil places. Perhaps one of your inquiries might be into the built environment. What is the effect of a television set on each bedside, both in terms of charging but also in terms of noise levels, and the disappearance of the day room because of the space constraints. What you are describing is very valid, and patients’ experience in terms of the symptoms, but it needs a much more detailed analysis to look at the causes and then to arrive at the solutions.

Q197 Chairman: So it was an unworthy thought really, was it not?

Professor Pollock: It was not an unworthy thought, no.

Q198 Mr Prentice: Mr Johnson, you told us earlier that Britain was under-doctored, and talked about this whole capacity thing. What pressure has the BMA put on the Government over the years to expand the number of home-grown doctors?

Mr Johnson: The numbers have expanded enormously. We have shifted, over the last 20 years, from being a bit sceptical about this to being absolutely for it. One of the problems is that a lot of European legislation that limits hours and so on has mopped up—we reckon, for example, that the Working Time Directive will probably mop up the equivalent of 6–8,000 doctors; so you will get 8,000 doctors to have to pay for but not one extra bit of patient care. Then you still need more again.

Q199 Mr Prentice: It just seems wrong to me that we should be plundering other countries for doctors and nurses.

Mr Johnson: Absolutely right, yes.

Q200 Mr Prentice: As a health professional, you tell me that over the years the BMA has been putting pressure on the government of the day to open new medical schools, to have new doctors in training, but it has not happened.

Mr Johnson: I think it is quite scandalous that 55 years into the National Health Service we, as the fourth largest economy in the world, are still taking doctors and nurses from developing countries, as are the USA, Canada, Australia and New Zealand. We ought to be self-sufficient by now: I have no doubt about that whatsoever; it is a scandal.

Q201 Mr Prentice: A disgrace?

Mr Johnson: Yes.

Chairman: On that note, I apologise that we have only scratched the surface of these big issues. You have in your memoranda helped us greatly in the conversation we have had today. Thank you for helping us to think both about the choice and the voice side of it. It is our job to try and bring these things together in some way. Thank you very much indeed for your time this morning.

Thursday 13 January 2005

Members present:

Tony Wright, in the Chair

Annette Brooke
Mrs Anne Campbell

Mr Kelvin Hopkins
Mr Gordon Prentice

Memorandum by Philip Hunter, Chief Schools Adjudicator (CVP 21)

1. HOW MUCH CHOICE IS THERE IN EDUCATION?

Parents seeking places in schools for their children have a vast amount of information about those schools in OFSTED reports, league tables, and prospectuses. They are asked to state their preferences and, if the school they want has room, they get a place. 92% of applicants get their first choice and a further 4% get a place at a school for which they have expressed a preference. There is similar choice for students applying for places in colleges and universities—though there are tests and interviews to check that the places applied for are suitable.

This degree of choice is not available in any other public service. There is almost no information on which to base the choice of a GP or dentist. Once people have decided where to live, they have no choice of hospital, police force, fire service, waste disposal service, tax office, benefit office or road maintenance supplier. They do not even have any choice on which bus and train company they can use.

2. WHO DECIDES WHO GETS INTO OVERSUBSCRIBED SCHOOLS?

For community schools it is the LEA; for others it is the governors of the schools themselves. LEAs and schools meet locally in an admission forum to exchange views. They are supposed to “have regard to” a national Code of Practice which sets out the processes to follow and contains guidance on acceptable oversubscription criteria. Oversubscription criteria are supposed to be “clear, fair and objective” and other schools and LEAs (and in some circumstances, parents) can object to the schools adjudicator about neighbouring schools who they think are acting unfairly. Individual parents can appeal to a local appeals panel if they think the school to which they applied did not follow the criteria properly.

On the whole, parents accept that some schools will be more popular than others and that those schools will have to turn some applicants away. Somebody has to decide who should get in. Polling evidence suggests that most people do not want this choice to be left solely in the hands of head teachers and governors but want some regulation at local and national level. They realise that, left to their own devices, popular schools will do what any other organisations do when there is more demand for their services than they can supply. They drift up market and, instead of taking in local children, start selecting brighter children from further afield.

Different schools have different oversubscription criteria with the governors and the LEA deciding what is best for the school and the area. Most schools give priority to siblings, children with special needs and children in public care. Most give priority to children who live in a catchment area, attend a local “feeder” primary school or to children who live closest to the school. Some people object to this on the grounds that schools in swanky areas get more than their share of the posh children. Others, including me, say this may be true but we want schools to respond to the differing needs of their localities and we do not want our roads clogged up in the rush hour by parents shipping their children to schools miles away from their homes.

3. CAN CHOICE BE EXTENDED FURTHER?

Three ways of extending choice have been suggested:

- (i) Creating different kinds of schools so there is more to choose from. We have already got community schools, voluntary controlled schools (RC, C of E, Methodist), voluntary aided schools (C of E, RC, Muslim, Sikh, Jewish), Foundation schools, Grammar schools, partially selective schools (by ability and aptitude), Specialist schools and colleges (in art, sport, music, and languages), Academies and City Technology Colleges. They have different constitutions, funding methods, admission arrangements and ownership. Headteachers and some governors seem to care about these matters. Most parents do not. Incidentally, there never was a “bog standard”

comprehensive school. Most comprehensives were created in the 1970s by Conservative County Councils and approved by Mrs Thatcher. They were designed to be neighbourhood schools, reflecting the values of their local communities. They were meant to be different from each other.

- (ii) Encouraging popular schools to expand. Formally the size of a school is determined by the “net admission capacity”, a figure derived from a formula based on the number of teaching spaces. Governors and LEAs are asked to then fix an “admission number” within a range defined by the net capacity. They are encouraged to exceed it if they are oversubscribed. They have to publish a public notice every year if they choose an admission number below the net capacity. Parents and other schools can object to the adjudicator if they do not agree with the admission number set by a school. Most of the disputes referred to us involve schools that want a lower admission number than the LEA or parents want. They do not want to take on more pupils than they feel they can safely accommodate. Many schools are popular *because* they are small.
- (iii) Open private schools to parents who cannot now afford them by creating vouchers. There is already a quasi-voucher system for state schools. Every child who enrolls in a state school brings a “unit of resource” which is added to the school budget. The values of the units of resource vary for different children (disadvantaged and disabled children get more) and for different schools (small schools and schools in inner cities and the south east get more). There is no reason why this system could not be extended to the private sector if private schools would accept their share of difficult to teach and local children and if they would accept the same degree of monitoring and inspection as state schools. It is highly unlikely that they would accept these conditions. Experience from the assisted places scheme suggests that private schools will only take part in state funded schemes where they are allowed to select the children they receive.

4. DOES MORE CHOICE PRODUCE HIGHER STANDARDS?

The 1988 Education Act heralded more choice by creating Grant Maintained schools and delegating school budgets but these took some time to put in place and were not having much impact on the system until the early 1990s. Examination results were rising rapidly in the 1980s following the merger of O level and CSE and the creation of GCSE in 1987. In 1994 the rapid improvement had slowed a little (see attached graph). There are probably several reasons for this but it is clear that the introduction of more choice in schools was accompanied by slower improvements in results.

5. DOES MORE CHOICE INCREASE PARENTAL SATISFACTION?

In 1991 about 25,000 parents appealed against the school allocated for their children. The number rose steadily through the 1990s and there were 95,000 in 2001. Research suggests that, as parents’ expectations were raised, they all tried to pile into the popular schools so more of them were disappointed.

CONCLUSION

Most people want as much choice as possible. They want to have a say about which school, college or university their children will attend. They want to be in control of their own lives and not be told what is best for them by public servants or politicians. All public services should try to give the public as much choice as they can.

But policy makers and government should be aware that extending choice will not itself lead to higher standards and that raising expectations can reduce satisfaction. And, of course, privatisation of the railway demonstrated that creating a market can dramatically reduce the quality of a service if it is done badly. The best way to give people more choice is to improve all schools so that parents want to send their children to their local school. There are ways of doing that—most of them, I am afraid, cost money—but a blind pursuit of choice is not one of them.

Note: Schools Adjudicators are appointed under the 1998 Schools Standards and Framework Act to settle disputes between schools and LEAs on school organisation and admissions matters. There are 11 adjudicators all with extensive experience as Chief Education Officers, Her majesty’s Inspector, Civil Servants, academics of Church Directors of Education.

Memorandum by the Secondary Heads Association (CVP 22)

1. The Secondary Heads Association represents over 11,000 members of leadership teams in maintained and independent schools and colleges throughout the UK. This is an area that is of great interest to many of our members both in relation to the operation of their own schools and colleges and out of their concern for the education system as a whole.

GENERAL

2. Consumer choice is well established in some parts of education but less prevalent in others. Reflecting the interest of our members much of this paper is about choice in secondary education but there are more general remarks about choice and about other sectors first.

3. Choice of institution, of secondary school in particular, is what makes headlines, but there are other choices arguably as important if not as prominent. Chief amongst these is the choice of what is to be studied; the subject(s), topics, skills and knowledge, and the route through learning that follows—this is referred to here as the programme of study. Location is an important choice, it may follow from the choice of institution but not always directly; and traditional correspondence courses and more recent e-learning allow for study of a structured course at home. Teachers are very important to learners, who rarely have much choice over who is their teacher. Mode of attendance (full or part time) is a significant choice in some contexts, and timing (whether to study now, or next month, or next year). There are cost factors associated with many of these choices, both to the individual and the public purse.

4. The state has decided not to allow parents the choice of withdrawing their children from education between the ages of five and 16. SHA supports this. It does mean that such children are effectively compelled to attend school and choices about their education are made in a very different context than those made by older students. (The 1944 Education Act allows for education otherwise than by attending school, but cost and the difficulty of providing a broad education mean that this is not a choice that many parents are able to make.)

FURTHER EDUCATION AND HIGHER EDUCATION

5. There is no compulsion to engage in further or higher education, though there are considerable incentives. Parts of higher education operate in a national or even international market, and it is understood that students are voluntary, and have a free choice of course and of institution to which to apply. Further education and the part-time and more vocational courses in higher education are more locally based, and this may limit choice to a single institution or course.

6. The Committee will be aware of the recent report of a group led by Professor Schwartz into higher education admissions, which found the system to be inefficient, wasteful, unscientific and sometimes unfair. (DfES, September 2004). There are lessons to be learnt not only in relation to higher education, but also when considering extending choice in other parts of education.

7. SHA would also commend the report of its own commission that has recently looked at higher education admissions with a view to moving to post qualification application. (SHA, November 2004).

8. It is in further and higher education that examples of choice over location, mode of attendance and timing can most readily be found. Even in HE there is little opportunity for students to choose their teachers, and a frequent complaint of university students at elite universities is that the “star” professors who sold the course do little or none of the teaching.

CHOICE OF SCHOOL

9. This section is largely about parental choice of state secondary schools. Some of the considerations apply to the primary sector, but primary admissions are generally less vexed than secondary, and primary schools retain to a greater degree their local character.

10. Independent schools represent extra choices for those families that can afford them. HMC and GSA schools provide a generally high quality service but at too high a price for most families. Many of the same considerations apply as for state schools, but in a very different context, as the relationship is essentially commercial, and voluntary on both sides. Boarding schools obviously have less of a local character and operate in a national or regional market.

11. In considering admissions to state secondary schools, the Committee will be aware of the report of the Education and Skills Committee (House of Commons, July 2004), with which SHA very largely concurs.

12. A completely free choice of schools (like any other untrammelled freedom) can never be possible, and one of the reasons why this has become such a problem is that politicians of all parties have raised expectations of choice that cannot be fulfilled.

13. At present, parents do not have a choice so much as an opportunity to express a preference. It is of concern that as many as 10% of parents now appeal against the outcome of the admissions system to secondary school. This must reflect a wider sense of dissatisfaction.

14. Having said that, it should be noted that secondary school choice is a metropolitan, or at least urban, obsession. In rural areas and small towns there often is no choice.

15. In urban areas where there are several schools available we might consider how parents (or students) can effectively exercise choice. They clearly need good information about the schools concerned; but schooling, like any other complex process, is hard to understand, and it is difficult to extract the relevant from a mass of information of very different kinds. There is often a received wisdom about which is the “best” school, but this may be out of date and based on trivial factors or aspects of education that are not of concern to a particular parent. A consumer guide might assist the process, but a decision over education is more important than what restaurant to visit, and there are different perspectives on what factors are of particular relevance. Education has in recent years also become more politicised, which may distort commentators’ judgements.

16. The atmosphere of denigration of state education that has prevailed for much of the past 15 years has given the impression that most schools are poor and that parents need to shop around very widely to achieve a decent education for their children. There are poor schools, but the vast majority are in fact good—and surveys of parents with children at school show that the great majority use a local school and are satisfied with the education their children receive.

17. Publishing school league tables has been very unhelpful and damaging: they focus on one or two very specific measures that can actually mislead parents looking for the best school for their child, and their apparent precision is largely spurious.

INCREASING CHOICE MAKES PLANNING MORE DIFFICULT

18. If a parent is to have a real choice between two schools there must be a place available at each, this means that for there to be real choice there must be spare capacity in the system.

19. Ideally the system would reflect the choices that are made, but this is inherently difficult in education. Schools are large capital items that cannot be changed quickly to reflect changes in fashion. The climate mentioned in paragraph 16 above means that there will often be a general demand for certain schools which cannot be met. The growth of successful schools may undermine their success.

20. If parents do not choose the nearest school children have longer journeys, which has implications not only for the individual family but also for planning of school buses and traffic planning in general. There are also ecological considerations of increased travel. These issues are explored in the recent report of the Transport Committee (House of Commons, March 2004) and in the SHA memorandum appended to it.

21. The present system of school admissions creates conflict between schools (strictly, between admissions authorities), making collaboration difficult. Again, see the report of the Education and Skills Committee (*op cit*). This is exacerbated by weakness of planning and uncertainty of direction.

22. Examples can be found in the recent DfES five-year strategy in proposals for city academies, foundation schools, expansion of popular schools, new schools, and new sixth forms. In SHA’s view these are unbalanced in the direction of the autonomy of individual schools to the detriment of planning for effective provision for all children. These points are developed in the SHA response to a DfES consultation of December 2004 (appended as annex A).¹

23. Where a wide choice of secondary schools is exercised it creates extra problems for children’s transition from primary to secondary. In metropolitan areas it is not unusual for children to leave a primary school to 20 destinations, and join a secondary school from 50. This is not only a problem for schools but also for the children themselves at an already difficult time.

THE CASE AGAINST PLANNING

24. The extra efficiency promised by planning bodies is not always delivered, and comes at a price. The last 25 years have seen a move towards competition and the market in many aspects of education. SHA is not convinced that competition is the best way for education, and any education market needs to be highly regulated. The experience of schools when encouraged to compete by the previous government was less than encouraging, and that of FE colleges (incorporated in 1993) still less so. Conflicting messages have come from this government too—there has been an emphasis on collaboration between schools, but increased diversity and a tendency to favour elite institutions.

25. Administrative boundaries may distort choice if authorities favour their own institutions (when planning transport for example).

¹ Ev not printed.

26. Many secondary school leaders see local authorities as bureaucratic consumers of resources better deployed at the school level, more wasteful than any duplication and lack of coherent planning in a less regulated system. In general, subsidiarity is a principle that SHA favours.

27. Most school leaders are happy with the decision-making shift from LEA to school that has taken place, but still see themselves as part of the public service and are less comfortable with outright competition between schools.

WHO MAKES THE CHOICE?

28. As resources and hence places are always limited popular schools may actually be choosing their students rather than parents choosing schools. For many parents, having been told that they have a choice, this is infuriating. The situation is similar to that in HE, where elite universities choosing their students is quite explicit and long established, but still not uncontroversial.

29. Selection to grammar schools is also explicit, reasonably objective and generally accepted where it happens, at least by those whose children pass the entrance test. It clearly does reduce the choice for those whose children are not selected.

30. Other selection may be less overt, and this clearly increases the danger that it will be unfair. On the whole SHA welcomes the extra regulation of admissions recently introduced by the present government.

31. SHA does not welcome, however, the tendency to increase the number of types of school for parents to choose between. School leaders, including those of specialist schools, report that many such choices are spurious and are really parents “playing the system” to gain access to a school seen as better for reasons often not related to its specialism or status. This tends to disadvantage less knowledgeable and well-educated parents, and to allow more scope for covert selection.

32. The effect of these changes has been to exaggerate an existing tendency for the most able, most motivated and best supported students to concentrate in a few institutions. This clearly benefits those institutions, but there is no reason to suppose that the performance of all students (or even of the elite students) is thereby improved.

33. The government should concentrate less on reforming the system, and spend less time in creating elite schools. It should concentrate instead on improving all schools and celebrating their success so that more parents will want to choose their local school.

34. Schools organisation committees, schools admissions forums and the Schools Adjudicator for admissions all have limited powers but provide valuable safeguards against some schools working against the interests of other schools and the education system as a whole. As schools gain greater autonomy, and parents have more choice of and influence on schools, it is important that these and other bodies are strengthened.

CONFLICTS WITH OTHER PRIORITIES

35. Choice of school (and hence school’s choice of students) conflicts with the inclusion agenda aimed at bringing disadvantaged students of various types into mainstream education. Schools that embrace this agenda are frequently punished by simplistic league table results and simplistic inspections. Those that covertly (or even overtly) reject inclusion are frequently rewarded.

36. Choice of school conflicts with equality of opportunity. Though one may argue that the opportunity is there for all, in practice admissions systems penalise less articulate and knowledgeable parents and less well-prepared students. Changes made to accommodate to the loudly expressed needs of the middle classes need to be balanced with support for the choice of those less fortunate.

37. There is a danger that choice of school (and diversity of schools) will increase social polarisation, and religious and ethnic separation. This has the potential to damage social cohesion in future—religious conflict in Northern Ireland and ethnic tensions in some cities in northern England have been exacerbated and sustained by such divisions.

38. Increased choice in one aspect may limit it in another. An example is the proposal to make easier the opening of new sixth forms in 11–16 schools. This would present students with extra choices for where to get their 16–19 education, and in some areas may be beneficial. But if the result were to be a plethora of small, uneconomic sixth forms offering a poor selection of courses then student choice would actually be diminished.

39. SHA does not advocate an abandonment of parental or student choice, but rather a balance between that and other policy objectives.

PROGRAMME OF STUDY

40. Although interest is focused on choice of school, as already noted choice of programme of study is really the more important. Young people are strongly motivated by the opportunity to study their preferred subject or to follow their preferred vocational pathway, and correspondingly demotivated when that choice is not allowed.

41. At the same time that organisational and financial matters have been increasingly deregulated and devolved to schools the curriculum has largely been centralised and subjected to increased bureaucracy. SHA welcomes the recent move to allow schools to vary the national curriculum in key stage four (14–16) to allow more choice to students, and for such students to have the opportunity to choose more vocational routes, and even to attend college to do so.

42. Likewise SHA welcomes the recommendations of the Tomlinson Committee (14–19 Curriculum and Qualifications Reform, DfES, October 2004). Its model allows students the opportunity to follow different strands, take different modules, specialise to an extent, and progress at different speeds.

43. Young people, and even their parents, have arguably never had much choice over what is studied between the ages of five and 13. That may be right in terms of large decisions—there is an advantage in all citizens having a core of knowledge and skills in common. When more detailed curricular decisions are made at one's own school and by one's own teacher, however, there is scope to at least influence them. When they are made in minute detail by national committees or national government, there is much less chance to do so. SHA would therefore also favour more flexibility in key stage three, which would give more effective choice to young people and their parents.

CONCLUSION

44. SHA would like to see a balance between choice and planning in school organisation, and an emphasis on choice (and diversity) within, rather than between, schools.

Martin Ward
Deputy General Secretary
Secondary Heads Association

January 2005

Memorandum by Professor Harry Brighouse, University of Wisconsin (CVP 23)

CHOICE, VOICE, AND EQUITY IN SCHOOLING: SOME REFLECTIONS FROM THE US

In this discussion paper I want to do several things. First I explore the relationship between voice, choice, and equity. I explain what I mean when I talk about equity in education, and claim that the extent to which parents should have choice, and to which arrangements should elicit their (and others') voice, are secondary issues to achieving equality. But both choice and voice can contribute to equality, and can also contribute to other goods. The relationship between voice and choice is complex, so I say a little about that. Then I review the multiple varieties of choice arrangements (in schooling) and explore how well each can be expected to serve equity. Then I look, briefly, at some specific experiences in the United States, and make some comments about how those experiences can inform policy in the UK.

1. DOES CHOICE COMPROMISE EQUITY?

No-one thinks that choice compromises equity with respect to a whole range of goods, like basic consumer goods and housing. We think that, as long as incomes are distributed justly, equity requires that people get more or less what they want, within their budget constraint. The question becomes interesting only when we look at goods the distribution of which we think should not merely reflect people's choices and budget constraints. Goods like the education of children and, some people think, healthcare. For these goods, we have to accept that choice does necessarily compromise equity, or rather that it should. It should compromise equity, because otherwise it could yield no efficiency gains. If choice is going to be used to improve provision of these services it must be because that better providers are chosen by more people. Those who choose the worse providers get worse provision. The better and worse providers have to compete. Over time this should produce improvement (if markets work as their enthusiasts claim). But at any given time there will be better and worse providers—those who have the worse providers are worse off (in one relevant respect) than those who have the better providers.

I understand equity as meaning something like “equally good provision”. There are other conceptions of equity on which it might not be true that choice compromises equity. But my conception is basically correct, at least for a good like education in the compulsory years; ideally no-one should get a worse education than anyone else just because she is less well born, less clever, or born to parents who make worse choices.

If you disagree with the previous paragraph please pretend that you agree for the sake of argument. I can't persuade you here. Assuming that equity is tremendously important and conceiving it my way is useful for purposes of exploring choice, because, even if we concede that choice does necessarily compromise equity, we might say no to another, more important question:

Does that mean we should reject choice, though? The answer to this question is, indeed, "no". I'll explain why.

First, though, I want to note that even education and healthcare may be different from one another. Both education and healthcare in childhood help to form the person the child will become, and provide them with the equipment to enter various life-influencing competitions—most strikingly the labor market, but also (and less remarked upon) competitions for friendship (including marriage) and for access to certain kinds of fulfilling activities. Furthermore we are unwilling to think of children, especially young children, as responsible for the quality either of their schooling or healthcare, or of the raw materials (themselves) that those services operate on. But healthcare, especially in old age, is often valuable simply because it enables the person who has access to it to lead a more satisfactory life in the near future, rather than because it enables people to do better in longer-term competitions. For this reason it is not morally problematic when wealthy elderly people vacate queues for hip replacements in the NHS by going private in the same way that it is problematic (though not necessarily wrong) for wealthy parents to send their children to expensive private schools. In fact it is not clear to me that there would be a problem of justice if wealth were justly distributed (a big if) and the state refrained from paying for, or charged a user fee for, a wide range of health-enhancing procedures for the elderly.

2. VOICE (AND VOICE) AND CHOICE

In standard presentations of the "Voice" and "Choice" distinction they are rightly distinguished as contrasting modes of power. Think of the standard market situation as a consumer in the United States. You buy a less than delightful box of tea made by Liptons. You decide that it is not good enough. Do you write to the company expressing your displeasure? Not usually. Instead you exit, upgrading to some superior product, such as Twinings or, if you are really energetic and are willing to risk the wrath of the Dept of Homeland Security, Fortnum and Mason Royal Blend. Choice, not voice.

Consider now the standard mechanism in a democratic institution. You don't like the way that the city council is being run. How do you respond? By going to the meeting and telling them what you think, or by organising an alternative candidacy, etc. Voice, not choice.

But voice and choice have a subtle relationship. Sometimes the availability of choice substitutes for, or drives out, voice (as in the tea-market). Sometimes, though, it enhances voice because the authority has to listen to you, because it does not want you to exit, and your exit will count for enough. So one of the central observations in arguments for choice in public services is that, equipped with choice, the otherwise disadvantaged are actually empowered: providers have new incentives to listen to and adapt to their concerns, because they (the providers) will be penalised for not doing so. In education, in particular, where parents have considerable reasons not to move their child frequently, they are likely to use the threat of exit as a way to leverage voice.

But there is voice, and then there is voice. Some arenas in which we use voice are arenas in which we simply use it to press our own interests as we perceive them. Others are arenas in which we deliberate with others to uncover collective interests (a common good), and to reflect on our own interests and their relationship to the common good. The threat of exit (made available by choice policies) can enhance voice in the first way—but is less likely to enhance it in the second way. Parents, once empowered, are more likely to lobby for their own children's interests as they (the parents) conceive them. Of course, politically savvy administrators will find ways to engage these voices toward deliberation about the overall good of the school and other matters, and there may be systems which will tend also to do this. But I suspect it is optimistic to suppose that increased choice will systematically encourage and enhance voice in the second sense.

This rather pessimistic consideration should be mitigated by two observations. First, school systems which allow people to choose only by going private or moving empower the parents of the most advantaged children, rather than empowering all parents equally. So extending choice to the parents of the less advantaged only levels the playing field; it may enable the less advantaged to get more access to good schooling, and hence to enhance equity. Second, there may be other, non-choice-related, ways to encourage voice in this second sense.

3. VOUCHERS AND CHOICE

I shall focus most of this discussion on vouchers, so it's worth getting some preconceptions out of the way. I use the idea of a voucher just to represent the kinds of choice in the system. Think about the way children are allocated to schools in England and Wales. Parents express preferences between schools; schools select among the first preference parents, and then money is allocated to the schools on a per-pupil basis, with extra funding allocated depending on the composition of the pupil body. No voucher is sent out or changes hands, but this is, in essence, a complicated (and in my view badly designed) voucher scheme.

In Western democracies no system of allocation of children to schools eschews parental choice completely. Parental choice is always operative at the margins, as long as private schools are legal: anyone with the necessary funds can exit into the private sector. And within the state/public school system choice always has an impact. Consider the standard neighborhood schooling system in the US, in which children are allocated to the local school. Choice enters the picture because perceived-quality-of-school considerations affect people's house purchasing decisions. The school district (or the State which authorizes the school districts) is not itself registering or managing the choices; and schools have no direct control over who attends. But choice is there anyway. It is instructive to think of the US system of public schooling as a crude and highly regulated regressive voucher system. The state gives the school more resources for your child if you live in a wealthier community than if you live in a poorer community. The wealthier you are the more control you have over which school your child will attend, because you can afford houses within reach of more schools. Schools themselves cannot reject any student; but the cumulative choices wealthier parents crowd poorer parents out of the pertinent housing market; if you like, the parents of the other children in the school can reject your child if they can outbid you in the housing market. It works in a very rough grained way, and zoning boards can undermine the dynamic to some extent by promoting integrated housing. But the voucher conceit allows us to represent the extent of choice in the system.

4. CHOICE AND EQUITY

The comment about the neighborhood schooling model helps to explain why the fact that choice compromises equity does not mean that we should reject choice. We shouldn't reject choice because there isn't a system of allocation (of children to schools) in which choice does not play a role. The issue is not, if you like, whether choice compromises equity, but rather *which feasible system of choice does best with respect to equity*.

A great deal of opposition to the UK school choice reforms of 1981 and 1988 claims that poor parents make systematically worse choices than wealthy parents do; so the choice reforms lead to more greater socio-economic segregation of schools and greater inequality of provision (see, for example, Sally Tomlinson, *Education in a Post-Welfare Society* (2001), and Sharon Gewirtz et al *Markets, Choice and Equity in Education* (1995)). The evidence is not clear, in fact (see Stephen Gorard's *Schools Markets and Choice Policies* (2003) and *Education and Social Justice* (2000)). But, it would surprise me if conclusive evidence could be found that the choice aspects of the reforms made these things worse. Why? Because prior to the reforms wealthy people were already able to have their choices respected (by moving or going private). Whether things got worse does not depend on whether they are better choosers than poor parents but whether poor parents are better choosers than the State was on their behalf. I think that it ill-suits the left to cast aspersions on the choice-making abilities of working class people, but how good they in fact are is fundamentally an empirical question. It is, similarly, an empirical question how well states choose for their disadvantaged citizens, and states themselves vary enormously on this dimension. The Netherlands, Sweden, and Germany do better than the UK, for example, so disadvantaged parents in those countries have to meet higher standards of competence in choice making than would disadvantaged parents in the UK, before they could be said to be better choosers than the government. Many urban schools in the US are not good at all, and the state allocates children to them without any consideration of whether the schools will meet their educational needs or interests. In fact many US States treat urban schools as policing devices rather than educational institutions. I believe that most disadvantaged parents could choose better, if they had adequate resources.

What about in the UK? The UK government does not (generally) choose as badly for the disadvantaged as the US government does (does any OECD government?)—that is, it does not send them to schools which are as dangerous, as ill-resourced, or in which learning is as unlikely to occur. But, in the UK I think the question of whether state or parent chooses best is politically irrelevant—the UK education system has extensive scope for parental choice, and nothing is going to change that. The issue in the UK is *what sort of choice mechanism* to adopt.

Before addressing that question I want to describe, analytically, a number of possible varieties of choice scheme. The first few are kinds of voucher scheme, but, as I indicated, nothing particularly hangs on the term “voucher”—it's just a scary political term, which makes vivid the role of choice in a system. The descriptions of the scheme are neutral between health and schooling, but the models are developed through thinking primarily about schooling. Afterwards I'll make some comments on what kind of choice system might be most equitable in the UK education context.

5. VARIETIES OF VOUCHER

A. Universal Unregulated Vouchers

The universal unregulated voucher is a simple subsidy to all consumers. They can use the voucher however they want, as long as it is for the prescribed purpose (schools, health insurance companies, etc), and is not alienable (so you can't sell it and use the proceeds for something else). The voucher can be topped up by the consumer, and the providers can repel consumers through high prices or exclusionary practices. In the purest version of this (described in chapter 6 of Milton Friedman's *Capitalism and Freedom*, but not, as far as I

know, practiced anywhere) the organizations running schools are independent of the government, and are subject to no special regulation; only the regulation that all firms usually face. In the less pure versions, government provides some schools, but these compete on a more-or-less level playing field with independent providers (this is the model suggested by the practice in Higher Education provision in the United States, in which some universities are private, others state-run).

So these schemes do vary on one dimension:

- (i) Vouchers for private providers in a sea of public provision.
- (ii) State withdraws completely from provision, leaving the field to private providers. (This is what Milton Friedman proposes in *Capitalism and Freedom*.)

All the subsequent variants vary on this dimension too. Generally, it is reasonable to conjecture that universal unregulated vouchers will produce high levels of inequity, and higher levels than standard forms of state provision. The one obvious exception is when the amount of the voucher is set at a high level, and the existing system of state provision (as in the United States) is highly inequitable. But this scenario is highly unlikely during periods of normal politics, because the forces defending inequitable state provision would have to be routed if high-level vouchers were to replace state provision.

B. *Universal Regulated Vouchers*

These involve a flat-rate subsidy to each individual, to spend, subject to regulation.

Common regulations concern:

- (i) Supplementability

For example, The schools in the Milwaukee Parental Choice Program are prohibited from charging a top-up to the voucher; it is unsupplementable.² The Statewide Propositions which failed in Michigan (1998) and California (1994) would have allowed parents unlimited top ups. The nursery (pre-kindergarten) scheme in Britain also allows unlimited top-ups, though it is funded at a sufficiently high level that some providers (including all state-run providers) can offer the service without asking for top-ups.

- (ii) Eligibility of Schools

Voucher schemes vary by how they determine the eligibility of private schools to participate. The Milwaukee scheme initially excluded schools run by religious foundations; it now permits them to participate. Florida allowed them from the start. The British nursery voucher scheme has basic licensing requirements, but allows institutions run by religious foundations, and, of course, many of the State-provided institutions that participate are run in collaboration with religious foundations. Whereas most existing voucher schemes treat private schools separately from the public schools, the British nursery scheme and the Dutch scheme effectively treat them the same.³

- (iii) Admissions

Voucher schemes vary in the admissions policies they require schools to have. Strictly speaking this is an eligibility variable, but it is important enough to have its own place. The Milwaukee scheme disallows selection on any basis except that schools may reject students with special needs if they are unequipped to deal with that special need (ie if they already have fee-paying students with that special need they cannot reject a voucher child with it), and they are permitted to apply a sibling rule. Over-subscribed schools must select by lottery. The Swedish system requires that schools to take students on a first-come first-served basis (again, with the exception of special-needs, and a sibling rule). The Dutch system allows discrimination on various bases, but the funding structure mitigates some of the disincentives schools would otherwise have to teach the least advantaged.

The degree of inequity regulated universal vouchers produce depends on the content of the regulations and the size of the voucher, but it's reasonable to conjecture that they will be highly inequitable unless they are set at a high level, and schools have very limited control over admissions.

C. *Progressive Voucher Schemes*

These vary on the same lines as the Universal Regulated Voucher, and they are, technically, universal, but the value of the voucher varies according to features of the consumer. So, for example, the Dutch scheme is explicitly progressive: the voucher is worth more for poor children and children of immigrants and parents with low educational attainment. For this reason, some studies have found that schools with moderately high concentrations of poor children actually do quite well, as they are able to provide working conditions which enable them to attract and retain high quality teaching staff. Progressive Voucher schemes are liable

² The Milwaukee scheme is, in fact, not an instance of Universal Regulated Voucher, but of a Targeted Voucher Scheme.

³ A note about the British nursery voucher scheme. It is not perceived as a voucher scheme, and many people hotly deny that that is what it is. This is because the 1997 Labour government said it wasn't a voucher scheme and because, like most voucher schemes, the parents never actually see the voucher. But it is a voucher scheme.

to be much less inequitable than other schemes, and if the vouchers are sufficiently well calibrated to the needs of the child that will off-set worries about giving schools control over admissions, because schools will have incentives to admit otherwise undesirable pupils, and schools stuck with otherwise undesirable pupils will be well compensated.

D. Targeted Voucher Schemes

The Milwaukee scheme is targeted because it is restricted to low income children. Because it operates against a background of highly regressive funding of public schools it is reasonable to think of this as a variety of progressive voucher scheme, and, again, as highly equitable. I have no doubt that the Milwaukee scheme represents an improvement with respect to equity compared with the pre-existing system of neighborhood-based schooling.

6. PUBLIC/STATE SCHOOL CHOICE SCHEMES

Public school choice schemes are unlike voucher schemes in that they exclude private schools from the set of eligible schools. This has two usual consequences. First, supply is government-controlled, and so subject to much less variability than in a voucher scheme. Second, schools within the choice system will not automatically close just because nobody wants their children to attend them; they have to be closed by bureaucratic procedures. They are less likely than voucher schools to face hard budget constraints in other words (though, it should be added that it is not clear whether in an extensive and well-functioning voucher scheme private schools would face hard budget constraints either, since there would be political pressure for governments to bail out failing schools, at the very least in transition periods). Public choice schemes vary in at least two important ways:

(i) Admissions Rules

In England and Wales all parents have to express preferences about where their children will attend schools. Admissions policies vary dramatically from school to school and region to region. Catholic schools frequently use religious affiliation as a main criterion; some Church of England schools do, but others do not use it at all. Some LEAs give proximity to school considerable weight, others much less. An Adjudicator's office adjudicates disputes among schools about each other's policies in local markets. Some secondary schools select on grounds of ability, others are allowed to but do not, others still are not allowed to. Religious schools are permitted to interview parents to establish their degree of religious commitment, interviews which are likely to be information-rich about the potential pupils. The sibling rule is ubiquitous.

North American public choice schemes tend not to permit schools to discriminate, and obviously do not endure the complications raised by including religious schools among the eligible schools.

(ii) Districting

Several States in the US have what they call "open enrollment" policies—ostensibly, choice policies that allow children to attend schools in districts other than the one in which they live. Technically these schemes should help to efface the barriers between school districts, and hence play a role in undermining the inequalities of spending between districts. However, they typically allow, or force, districts to prefer in-district children to out-of-district children, so that, in practice, children can cross over into a district only to take up places which have not been taken by in-district children. Similarly, "open-enrollment" policies in those states tend to allow children within districts to attend those schools outside their own neighbourhood which are not already full of children from its own neighbourhood.

The exceptions tend to be schemes introduced to overcome racial segregation. For example, Milwaukee and (much wealthier and higher-spending) neighbouring school districts operate a Chapter 20 program whereby low-income Milwaukee children are bussed out into much-higher spending suburban school districts at the choice of their parents, to schools which have to accommodate them regardless. These schemes are unavoidably limited in scope, and the Milwaukee scheme, for example was introduced to protect the integrity of the unequally-spending and de facto racially segregated multiple school districts, in the face of judicial pressure to find some scheme like this or suffer extensive redistricting.

7. TWO COMMENTS

I'd like to wrap up the previous two sections with two comments. The first is this: I'd conjecture that in the UK context Progressive and Targeted voucher schemes would enhance equity relative to existing arrangements, even though the existing arrangements share some features of progressive schemes. Frankly, in the US I find it hard to imagine reforms that would worsen the situation with respect to equity, though I realize that both parties have plenty of politicians eager to confound me. I'm not convinced that even unregulated vouchers, if accompanied by all-the-way-down tax cuts would represent a worsening, although they might well set in motion a worsening dynamic.

The second comment is that when evaluating reform proposals for any scheme of provision (whether in education, health, or other special areas) it is important to attend to three particular variables.

- (i) To what extent do providers have the power to select their clients (formally or informally)?
- (ii) To what extent does residence determine access to providers?
- (iii) How well calibrated is per-unit funding to individual need?

The greater the extent that providers have power to select and the greater the extent to which residence determines access to providers the more inequitable the schemes, other things being equal. The better calibrated funding is to need the less inequitable the schemes (other things being equal). The basic school choice system in the UK does very badly with respect to the first two variables, but better with respect to the third. From what I know of it the system of allocation to GPs does well with respect to the first variable, but worse with respect to the second and third. The system of neighborhood schooling in the US does well with respect to the first but appallingly with respect to the second and third; the voucher scheme in Milwaukee does well with respect to the first and second variables, and less well with respect to the third. The system of allocation to GPs in the US does not bear thinking about.

Table

<i>Formal Choice System</i>	<i>How Equitable?</i>
Universal Unregulated Voucher	Low
Universal Regulated Voucher	Low, but depends on contents of regulation and voucher size
Progressive Voucher	High, but depends on calibration of voucher-size to need
Targeted Voucher	High, but depends on regulation
State School Choice	Depends on regulation, and funding.

8. THE US EXPERIENCE

The US is interesting to UK policymakers not because it has more experience of extensive choice schemes or more parental choice (it has much less than the UK), but because it has a great variety of schemes, including schemes that are, on the face of it, much more radical than the UK has experimented with. Here are some examples:

- The most famous public choice program, East Harlem District No 4, has 23 (small) high schools organized around different themes, application to all of which is available to all parents in the district; there is no preference on residential grounds, except that only children within the District are eligible.
- Massachusetts, Minnesota, and Wisconsin (and many other states) have an official “open enrollment” policy which means that children from one district can attend a school in another district, but, usually, only if there is space available after preference has been given to children within the district.
- Many larger districts have at least one “open enrollment” school—a school to which any district child might be admitted, regardless of where they live, but only after all local children have been admitted.
- Most States now operate Charter Schools. Charter Schools are established by educational entrepreneurs in consultation with local school districts, but are exempt from much of the regulatory burden imposed by the state on public schools. The idea is that educational innovation can be fostered in the less constrained framework established, and the schools are funded by and accountable to the State. Parents may elect to send their children to these schools, which may not discriminate except on specified grounds. Because they are, in some sense, bipartisan—leaders of the largest teachers union in the US, the National Education Association, and of the Democratic Party, support Charter schools—Charter schools represent the form of choice likely to be most extended in the near future.
- The Milwaukee Parental Choice Program is the longest-running voucher system, having operated since 1990. The Cleveland Scholarship and Tutoring Program, which resembles it is slightly younger. In public/private school choice parents have a choice between a range of public schools and a specified range of private schools within the area. If a private school is chosen then the public School District pays some proportion of the tuition at that school.

The MPCP was initially modest. The total number of students in MPCP was limited to 1.5% of the children in Milwaukee Public Schools, and eligibility is still limited to students from households with incomes 1.75 of the poverty line and below who have not attended a private school (or any other school district than Milwaukee Public Schools) in the year prior to their entry into the program. The qualifying schools had to be non-sectarian, and were subject to weak non-discrimination requirements in their selection processes. The schools receive the Milwaukee Public School per-member state aid for each eligible student enrolled, and observe a no-top-up rule.

The program has since expanded, both in terms of numbers of children, and in terms of the kinds of schools involved; since 1995 religious schools have been able to be part of the scheme. The Cleveland program, which is not limited to such low income children, and allows top-ups similarly includes religious schools. More recently, the State of Florida has established a voucher scheme; whereas eligibility for the Cleveland and Milwaukee schemes is a function of poverty, eligibility for the Florida scheme is decided by state officials evaluating the public (state) school in which the child has previously been enrolled; attendees of persistently “failing” schools are eligible for private vouchers. As in the Cleveland scheme, top-ups are allowed. The District of Columbia has recently adopted a voucher program similar to the Cleveland plan, but too recently for there to be much evidence.

9. LEARNING FROM THE US EXPERIENCE

The public choice schemes in the US look tame from the UK perspective; they resemble the pre-1981 arrangements in the UK. The voucher schemes are much more radical and interesting, and have enjoyed much more play from pundits. The Milwaukee scheme in particular is frequently cited as an example of what the UK should be trying to do. Chris Woodhead mentions it as a model in his book *Class War* (2001), and my understanding is that Andrew Adonis has visited Milwaukee, and that John Norquist, one of the cheerleaders for the Milwaukee scheme, has been consulted by senior policy advisors in the DfES and the Policy Unit at No 10. Charter schools, too, have been looked at as a possible model.

It's worth asking then, whether these schemes “work”, what “working” amounts to, and whether similar models would work in the UK. The debate about the effectiveness of the Milwaukee scheme is quite technical. It has two phases. First, analysis of test score data collected in the first five years of the scheme, before religious schools were admitted. Post-1995 there have been no reporting requirements on the participating private schools, so no data has been forthcoming. The second phase was opened by a recent paper by Harvard economist Caroline Minter Hoxby focusing on the Milwaukee public school data, and claiming that the Voucher Program has raised the performance of the Public schools; so that whether or not the children using the choice scheme benefit, other children benefit from it being in place.

To summarize the first phase of the debate. Some analysts claim that the voucher children experienced significant gains in mathematic scores, while others say that there were no such gains. No-one claims that the reading scores improved. But no-one claims that scores of either kind suffered. This is significant because the voucher schools were operating at a significantly lower cost than the District schools (they received only about 2/3rds as much per child as the District schools). Furthermore, the official evaluation of the program (which was independently funded, and run by John Witte, a UW Madison scholar) found very high levels of parental satisfaction—a significant benefit in the context of inner-city schooling.

As I've said, there is no direct evidence of the quality of schooling the voucher schools have provided since 1995. In a recent paper (“School choice and School Competition”, *Swedish Economic Policy Review* 2003) Caroline Hoxby claims that the presence of the voucher scheme has, however, led to improvements among the District schools, and that these improvements cannot be accounted for by appeal to the fact that, because only poor children are eligible for vouchers, children remaining in the District schools are, on average, more advantaged than they were. Controlling for race, socio-economic class, etc, Milwaukee's schools performance have improved at a faster rate than that of comparable Wisconsin districts in the period of the voucher scheme, at all levels of achievement.

Hoxby's claims are tentatively persuasive. But her study fails to distinguish between two mechanisms that might be at work. The first is *intra-school (market) competition*: individual schools in the District improve because they are in competition with the voucher schools. The second is *political competition*: the District improves its schools from the top down because politicians are able to use the presence of the voucher scheme as a lever for change within the schools they administer. It matters a great deal for policy purposes which of these mechanisms is operative; the first is a vindication of market processes, the second is a vindication of the vision and abilities of the politicians running the District.

Consider now a recent study on Charter Schools by the American Federation of Teachers (“Charter School Achievement on the 2003 National Assessment of Educational Progress”).⁴ Using a very large data set the AFT study shows that children in Charter Schools perform worse on several measures, than children in non-Charter public schools. Average scores in reading and mathematics were lower in Charter Schools; so were the proportions of students achieving certain threshold proficiency levels. Children in receipt of free school meals did slightly worse in Charter schools.

What can we learn from this? Not very much. Charters have been a popular option for parents of children with special educational needs, many of whom, though not low-income, are likely to perform poorly on tests. They have also been more likely to emerge where parents were discontented with previous school administrations, often on grounds of achievement levels. So the study does not control for the very variables that would lead you to expect lower achievement in Charter Schools for which those schools are not responsible. The regulations of Charter Schools vary enormously among States (as does regulation of

⁴ Available at <http://www.aft.org/pubs-reports/downloads/teachers/NAEPCharterSchoolReport.pdf>

standard public schools), so even if the study did show that Charter schools as a whole performed worse, it would not tell us whether the kinds of Charter School we might propose to introduce would do better or worse.

My purpose here has been to suggest that it is difficult to draw firm lessons from the experience of choice in the US, even for the US. What are required are careful studies, which are sensitive to the particular choice features, and the particular mechanisms at work.

10. REFORM IN THE UK OR “NOT LEARNING FROM THE US EXPERIENCE”

However difficult it is to establish useful lessons from the experience of choice within the US, it is harder still to establish useful lessons for the UK. I’ll use as my example the argument that has become fashionable in some circles that the UK should adopt some sort of voucher system, on the grounds that this has worked well in Milwaukee. Like me, Chris Woodhead, Stephen Pollard, and Melanie Phillips admire the way that the Milwaukee scheme has worked. Woodhead’s proposal (in *Class War*) is vague. It seems to be modelled on the nursery voucher scheme, in which the government gives a flat-rate voucher for each child, which the parent can then use at whatever school she chooses. The school can charge extra money in addition to the voucher, and can select which children to accept. So the voucher is effectively a subsidy for those who already use private schools, and there is limited parental choice, because schools, rather than parents, have the final say on where children attend school.

This is not, in fact, the way the Milwaukee scheme works at all (as I have emphasized. The Milwaukee scheme is targeted to the poor, deploys a no-top-up rule, and gives schools no discretion over admissions). So it has, unlike Woodhead’s idea, good prospects for being relatively egalitarian.

Could we devise a voucher system that really did reflect the virtues of the Milwaukee voucher scheme? I am very skeptical. Commentators seem unaware of two crucial differences between the US and the UK, which mean that an otherwise similar scheme would work very differently in the two environments.

1. The average costs of private schools in the US is about half the average cost of public (state) schools; whereas the average cost of private schools in the UK is something like double the average cost of the state schools (depending on how you do the accounting). This makes it highly unlikely that in the short-to-medium term a targeted voucher scheme would yield significant efficiency benefits. Someone—the taxpayer or the school—would have to make up the difference between what we pay for State schooling and what we pay for the voucher schools. The taxpayer is going to be reluctant to experiment with private schooling by paying a premium; private schools are unlikely to welcome poor children whom their paying pupils have to subsidize.

2. Whereas the Milwaukee voucher schools were entirely willing to embrace the feature of the scheme that makes it progressive—that oversubscribed voucher schools have to select by a lottery—UK private schools jealously protect their powers to select on whatever criteria they choose (primarily, past achievement and behavior). A voucher scheme with the lottery feature would have very little uptake from schools; a voucher scheme with it would not pass progressive muster.

11. CHOICE-BASED REFORMS

My recommendations for the UK, for what they are worth, are these.

- The UK should be very skeptical about the idea that voucher schemes utilizing private schools would either be efficient or equitable. The success of the Milwaukee scheme is modest, and is made possible by environmental factors that are absent in the UK.
- Parental choice may have several benefits, including increasing parents’ satisfaction levels with the schools their children attend, and a better fit between children and schools. It inevitably means that some children will be better served than others. Protections should be in place to ensure that the least advantaged do not fall to the bottom of the pile.
- One of the central such protections is removing from schools the power to select children. Selection is the enemy of choice, not its corollary; under selection the choices of school officials trump those of parents. Selection is also one of the central inequity-promoting mechanisms.
- In order for parental choice to yield efficiency benefits it has to be the case that schools which are unchosen suffer the consequences. This raises the problem of spare capacity: popular schools need to have room to accommodate more children, and officials have to be willing to scale back unpopular schools (rather than filling them with children whose parents did not choose them). Spare capacity has to be built into the system, and managed by authorities other than the schools themselves.
- Parents might benefit from a more uniform set of admissions rules; especially if a lottery is introduced.
- Even within a choice system with a lottery, there may be a tendency for needy children to congregate into particular schools, because schools will have an incentive to market themselves to particular groups of parents in order to skew their applicant pools. So a progressive voucher-like

mechanism, providing much higher per-pupil funding for high need children, regardless of the school they attend would help to level the playing field. I would endorse the Commissioner for London Schools' call that low-income children should receive 300% of the regular per-pupil funding, at least in the metropolitan areas. This would be a version of the Progressive Voucher system, restricted to state schools.

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Witnesses: Professor Harry Brighouse, University of Wisconsin, *Dr Philip Hunter CBE*, Chief Schools Adjudicator, and *Mr Martin Ward*, Deputy General Secretary, Secondary Heads Association, examined.

Q202 Chairman: Could I call the Committee to order and welcome our witnesses this morning to help us with our inquiry into what we call Choice and Voice issues. We are looking particularly this morning at how some of these arguments relate to the field of education, and we are delighted to have with us Professor Harry Brighouse of the University of Wisconsin, Dr Philip Hunter who is the Chief Schools Adjudicator, who I was delighted to know in a former incarnation when you were Director of Education in Staffordshire, and Mr Martin Ward, who is Deputy General Secretary of the Secondary Heads Association. Thank you very much for coming and for your very useful notes that you have sent to us before hand. We hope we are going to have an interesting discussion because you do not all take the same view on these matters, which is why we wanted to have you along. Would any or all of you like to say anything by way of general introduction, some initial points?

Professor Brighouse: Maybe it would help if I said a couple of words.

Q203 Chairman: Perhaps give us a central proposition just to get the juices going early in the morning.

Professor Brighouse: I thought my remit was to talk a little bit about the evidence concerning choice in the United States but also to talk a little bit about the kind of choice scheme that you might use. The first thing I want to say is a note of caution, not about choice in particular, but about educational reform in general. Choice and vouchers in the US are talked about a lot of the time by proponents as if they are some sort of magic bullet. You get it all in place and you are going to get these fantastic improvements in test schools, et cetera. My reading of the actual evidence of the way things have worked out in a whole variety of schemes is that this has not worked like that. There have been various kinds of benefits from various kinds of schemes and no benefits from some others, but what is generally the case with school reform is that you cannot expect that a reform is going to get you massive gains of whatever it is that you want to gain. Most reforms get you fairly small incremental gains, and, of course, those compound over time and it is worth doing it, but you should not anticipate from any kind of reform that you are going to get some sort of great transformation in the kinds of outcomes. That was the first thing I thought I would say. The second thing, the evidence about choice in the United States

is mixed and it is also very hard to learn from. I said this in the paper that I sent out. If you want to do what some people call policy borrowing, you do not want to adopt a policy, you need to adapt it: because policies are carried out in very specific conditions and the specific kind of political or institutional environment in which a reform is adopted has an enormous impact on what kinds of result the reform gets. My case study, I suppose, is the Milwaukee case. In Milwaukee they adopted a quite radical voucher scheme targeted completely to low income parents where the parents could send their kids to private schools with the state paying for it. I am a supporter of the scheme. I think it has been basically a good thing. It has not had a tremendously exciting impact on schools, but it seems to have had some impact on achievement. The contextual conditions which have enabled it to do the good it has done are just not present in the UK. In the US private schools cost about half as much per pupil as state schools. In the UK they cost about twice as much per pupil as state schools. It is also the case that selection is just not an ingrained part of the culture of schooling in the US, either private or state schooling, and so it was easy to get especially the Roman Catholic schools that participated to accept a scheme in which they were not allowed to select kids. They are not allowed to select on the basis of ability, they are not allowed to select even on the basis of behaviour, previous behaviour. I do not envisage in the next ten years the emergence of a private sector in the UK which works at half the cost of the state schools and is happy to accept a scheme in which they are not allowed to select kids. What you need to do if you want to look at these kinds of programmes and get the kinds of outcome that they have got is figure out how to adapt them to the environment, and so my recommendation is to do that within the state system here. The adaptation would be an adaptation which did not use private schools, used only state schools, but made state schools a bit more vulnerable than they currently are to the choices of parents.

Q204 Chairman: I was tempted to come back, but let us have the opening gambits and then we will pick it all up. Martin Ward.

Mr Ward: I think the points that I would want to make to underline that are in the paper I have submitted are, first, that there are other choices than of school, and those other choices may well be more important and significant for the young people and their parents in reality, although we tend to be

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obsessed with choice of school. Given that we are obsessed with choice of school, I spent most of the space I had in the paper talking about that, but it is worth underlining the point that that is essentially an urban obsession rather than being common throughout the country, especially, of course, a metropolitan obsession, and in many rural areas, or in small market towns where there is only one secondary school, there is no effective choice of school for parents of 10 year olds as they are looking to the next phase. In those circumstances most of those parents use the local school and are very content with it; and where there is dissatisfaction it is because parents have been offered a notional choice which they have then not been able to exercise in the way that they want. They have been told: "You have got six schools to choose from", and they have said, "I will have that one then", and have been told, "Sorry, it is full"; and that is when parents tend to become very dissatisfied with the school process.

Q205 Chairman: Thank you for that. Dr Hunter.

Dr Hunter: My central proposition is that there are two perfectly legitimate and sensible objectives for government, for local government and central government. The first is to improve schools, particularly schools that are not performing terribly well, and that does two things: first of all, it raises standards, improves the education for lots of children, but, secondly, it increases choice, because it means that more schools are favoured by parents who will then want to send their children there. That is the first legitimate objective. The second one is to try and enhance choice *per se*. You can do that. There is a lot of choice in education already, but there are things that you can do from time to time, and that improves choice and that is a good thing to do, but it does not, it seems to me, have an impact on standards. You do not raise standards by setting out to improve choice.

Q206 Chairman: Thank you for that. That is the point I wanted to pick up immediately with Professor Brighouse. Are you telling us that all the evidence (especially that in the US) is that choice by itself is not a great driver of improved standards? When the Committee visited the United States last year and we went to North Carolina the evidence that we were given, and I think you referred to some of the published material we saw, suggested that in that situation the development of Charter Schools had had a positive effect on standards both in those schools and in the rest of the public school system. Are you telling us as a researcher that the idea that choice is a route to improve standards and improve quality is not right?

Professor Brighouse: No, I am telling you to be cautious about your expectations. Let me say a word about the Charter School example. My colleague, John Witte—I think I am allowed to tell you this—sent me an email just before I came over very tentatively saying our Charter School study—He is doing a very large Charter School study that is showing some interesting competitive effects. In Caroline Hoxby's paper on the Milwaukee scheme

what she claims is that the Milwaukee scheme has driven up standards in the public schools. I am sorry, state schools. There is this terminological problem: when I say public I always mean state. He is saying something similar is happening in his Charter School study. One of the problems is that there are lots and lots of Charter Schools. Every state that has Charter Schools has a different Charter School charter. It has got a different set of rules. So really it is not the case that there are Charter Schools; there are 26, 28 different phenomena, there are 28 different sets of legislation. It is also the case that Charter Schools in most of the states tend to emerge from dissatisfaction within a particular school district. So you tend to get Charter Schools not because the state has said, "We want to have a whole bunch of Charter Schools", but because it tends to be enabling legislation that says, "You can have some Charter Schools if you can put forward the right conditions", and then people from the bottom up say, "We want to have a Charter School here to do this or to do that". In those conditions you might get genuine improvements. What is difficult to know, even when you get improvements, is whether it is the choice or whether it is the intervention of fact, whether it is the excitement of a new programme. I am saying be cautious, I am not saying that you do not get benefits or that it will not look as though you will not get benefits.

Q207 Chairman: Does not the exit option, which is a form of competition, by itself lever up standards. If providers know that people can go elsewhere, does that not have a built in driver towards increased performance within it?

Professor Brighouse: Let us go back to Milwaukee again. What is not clear from Caroline Hoxby's study is whether that is the mechanism that is going on or whether there is a different mechanism at work. If that were definitely the mechanism, I think you could have a general expectation that in normal conditions the option of exits, the fact of choice would drive up standards somewhat, but we do not know whether that is really the case. Her study does not distinguish between inter-school competition, competition between schools, and political competition; so what may be happening in Milwaukee, and just watching what has been going on it has looked like this, is that you have a superintendent and a fairly well organised political coalition which is responding to the voucher scheme by trying to be more innovative, trying to drive up standards. These are the things they might have wanted to do anyway, these are the things they might have been trying to do anyway, and maybe the voucher scheme has made it easier for them to do it, but that is different from a proper market working. It is not clear that it is the market itself driving up standards; it may be a sort of competition between the market and the political facts that is pushing up standards.

Q208 Chairman: Let me move on and ask Mr Martin Ward next: when I read what you wrote and listening to you, you do not like all this kind of stuff very

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much at all. What I really want to ask you is if choice, as you say, in most places does not exist because that is not how it is in many rural and, you say, school town areas, and if where it does exist you say that it raises expectations that it cannot fulfill and causes problems, why do we not simply go to a system very much like the mainstream American system where people get assignment to schools? Would that not be more straightforward? Let us not go through the myth of choice, let us just tell people where they are going to go to school?

Mr Ward: That perhaps would be a better arrangement. I do not think that it is one that we would want to advocate at the present time and starting from where we are. There has been a period when the whole notion of choice has been sold very heavily to the public at large and to parents in particular to an extent that it has become very uncomfortable to oppose it in a total way, in the sort of way that you are suggesting. I suspect that many of our members would prefer a return, if you like, to a system like that—where there was relatively little choice in any sense promised or offered to parents, but that one simply took one's child to the nearby school. "This is the school to which you go." You live in the catchment area of such and such high school, so your child goes there. As I say, many of my members would prefer that. By no means all of them; and certainly some of them are sold on the notion of choice, competition between schools and so forth. I guess that the point that I made to begin with is just an observation that if you go to Saffron Walden, or Market Harborough, or Driffield, that sort of size of town where there is one school, effectively that is what everybody does—their children get to 11, they go to the first school—and, if you ask the parents in those schools are they satisfied with them, the answer will almost invariably be, "Yes", and the sort of satisfaction rating that those schools have got is at a level that most commercial organisations which are driven by competition would love to have. They get a great deal of support from their parents and they are generally very well regarded. Of course, if there is a monopoly there may be complacency, and one has to accept that, and I would accept that certainly there will be instances where schools in situations like that are resting on their laurels and not doing as much as they could to improve matters because life is comfortable and they do not have any competition. That is the down side of it, but the upside of it is just to observe that where there is less choice, on the whole people are more satisfied.

Q209 Chairman: One way of tackling the down side is to have published information, league tables, those kinds of external pressures, but you say you are against those as well.

Mr Ward: We do not like the league tables. It is not that we dislike the notion of publishing information and making parents and young people more aware of what the circumstance is. What we set our face against is the particular way in which that has been done in recent decades where, for a start, the league tables are published in a very simplistic way as

a league table, the implication being that you can somehow sort a very complicated set of organisations like schools out into a single pecking order against one criterion. Yes, you can, but that is extremely misleading. It is not, in fact, helpful to the parent who is looking for which school to send their ten year old to next year.

Q210 Chairman: Let us try one more thing on you, which is that, as you rightly say, much of the problems concern urban areas and that is where the school choice issue presses greatly: London is the acute case, as you can see in the appeal figures. Surely in areas like that we do have choice, we have choice by estate agents. Are we not looking for other models of choice that will get us round the fact that there is something like a 30% house premium around popular schools so, in fact, we do ghettoise education in urban areas. Is it not proper to look for mechanisms that will break out of that?

Mr Ward: Yes, I think it probably is. The notion that there is some sort of covert process going on is one that does concern us. In particular, as I said in this paper, it concerns me that some schools, effectively, are in a position to select their pupils even though there may be no overt or properly worked out mechanism by which they are doing that; and that clearly raises extra dangers that that selection will be done in an unfair and unhelpful fashion. Therefore, and I come back to the point that Philip Hunter made, it is very important that all the schools in those areas should be acceptable to the parents. That may be a rather idealistic solution, but it would certainly be very helpful if we did not have such a sharp pecking order as we do in a number of urban areas, and in London in particular, where parents almost feel that if they do not get their child into the first school or the one or two schools which are deemed to be superior then they have failed and their children will in turn fail. That is never the case, in actual fact, but parents do feel that. If we can improve all the schools to the point where they are content to use the school that is nearest to them, then that would be a better solution. Therefore, we would feel that there is a need, moving on somewhat slightly to the diversity point, not so much to create different types of school from which parents can choose, but to make sure that different types of experience are available to young people in all the schools so that parents and their young people have the really meaningful choices, which is the choice of what to study and how to study it.

Q211 Chairman: I want to bring colleagues in, but I just want to bring Dr Hunter in first so that we have all had an opening shot. Can I try the question on you? One idea that is put forward again particularly for the urban areas, that we might simply have a system where anybody can apply to any school and we have a kind of lottery that enables people to get in. Again, something which happens in the United States with, for example, the Charter Schools and seems to be accepted. When the Committee went to the United States we were surprised at the idea that the lottery was used as it was conspicuously the

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fairest way to allocate school places where there was over-subscription. Philip Hunter, you say in your note to us that you do not like this because it promotes traffic congestion. Surely that cannot be a clinching argument against giving people more access to all schools?

Dr Hunter: No, I do not use that as a clinching argument, but say as an aside normally parents do not like the roads being clogged up by children buzzing between schools across towns. We have a system where anybody can apply for any school, and the problem arises with those schools that are over-subscribed, and schools can, and do now in England, use lotteries on occasions. We approved a lottery in Brighton, I think, a couple of months ago, so there is nothing to stop a school using a lottery if that is what it wants to do. I think the problems with it are twofold. The first is that you want to see admission criteria for schools that parents can look at and get a pretty good idea about whether it is worth applying for that school or not. Using distance or the catchment area or feeder primaries, or what have you, as the tie-breaker means that a parent cannot guarantee whether they get into that school if they apply for it because they do not know who else is applying, but they can get a pretty good idea from past experience about whether, if they put their name down for that school, they would get in, and that seems eminently sensible. With a lottery you cannot do that, and I think that is a disadvantage. The second is, of course, that many schools want to be neighbourhood schools, wanting to respond to the needs of their neighbourhood, and I think it is very difficult to say to a parent, where there is a neighbourhood school trying to do that, "You cannot get in there because someone from seven miles away has been chosen instead of you." I think there are certain circumstances where it is possible to argue, sensible to argue, that there should be a lottery, but I think in most cases distance of some kind, catchment area or feeder primaries, something like that, seem to be a more acceptable way to parents.

Q212 Mrs Campbell: I think the point that none of you have addressed is the point that the Chairman made to you about middle-class catchment areas around good schools, which certainly happens in the city that I represent, so there is a huge house premium if you choose to buy a house near a good school, a good secondary school particularly. It does not seem to me that this is very fair. You are giving choice to some people, you are giving choice to the parents who can afford to pay that extra premium for their home near a good school, but you are not giving a choice to other people who finish up in areas where the schools are not so good. Do you want to comment on that?

Dr Hunter: I would just say that, of course, that happens to some extent. I would question some of the figures, I think, that some estate agents have come up with, about the 30% business. I think a lot of that is associated with things other than the school, but people choose to buy houses where they buy them, and for lots of reasons, and it is true that

the school is one of them, but it seems to me it is a question of what you are trying to achieve. You either want to see neighbourhood schools which are responding to the needs of their particular neighbourhood, and that works very well in large areas of the country, I have to say, if you look at Cannock, for example—

Q213 Chairman: Just to take an example!

Dr Hunter: There are a number of schools there. It is quite true that some of those schools find it easier to get higher examination results than others, but you only get into a real problem if there is a sink school, and that is a real problem and it is a real problem in parts of Hull and Stoke and other parts of the country, but you have to tackle that problem. You cannot improve a school by forcing parents to send their children there. It just does not work. You have to find more money to spend on those schools, you have to train the teachers, you have to give them support, sometimes you have to close them down, but that is the way to tackle it, not through the admission system.

Q214 Mrs Campbell: I am interested to hear what Mr Ward has to say to that?

Mr Ward: A process very similar to that was used certainly in the City of Hull, and Philip Hunter has just mentioned it. Hull has got major problems now. I know Hull—I used to live and work there—but back in the 1970s, and through into the 1980s to some extent, they operated a system very like that in which all the young people aged 10 were assessed and they were then allocated to schools in such a fashion that at least nominally all the schools had a similar intake in terms of ability. That was deeply unpopular with parents and young people to the point that it eventually had to be abandoned because many young people were making longer journeys than they strictly needed to make and their parents would say, "Why is it that my child at the age of 11 has to get on a bus and be driven all the way across the city to such and such a school?", and they were not, on the whole, very impressed by answers along the lines of, "We are balancing the intake in all the different schools."

Q215 Mrs Campbell: If I can interrupt you for a moment. That is one model. I do not think I would propose that model. The sort of model that we saw in the United States is where parents choose a school, choose a Charter School. If that school is over-subscribed, then the school's allocation of pupils depends on a lottery; so you are only getting people allocated to the school who have chosen that school in the first place. Why can we not use some sort of system like that? It would overcome this problem that we have of schools in, shall we say, good areas being attended by children from middle-class families who probably have a number of educational advantages anyway. In my area, at one school I have got half the parents who are FRSS. You would expect the school to be good under those circumstances?

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Mr Ward: Yes. I do not think we would have any objection to the use of a lottery system as such. The objections are the ones that Philip Hunter has already made, that it clearly does increase the amount of travelling that is going on. There are ecological objections to that. I appeared before the Transport Select Committee last year when they were looking at travel to school, because they are trying to reduce the distance that children travel to school, and, other things being equal, we would all prefer that that distance be reduced for those reasons and also because it is wasteful of the time of the children concerned to be making longer journeys than they strictly need to make. The other point is that it is that much more difficult for parents to plan to have any expectation of what the outcome of that lottery will be. I suppose we could overcome that by conducting the lottery a long time in advance, and parents would then be able to plan for at least a year, say, before the actual transition took place. I do not think we would oppose lotteries as such, but we would still prefer, and I am sure most school leaders would prefer, to have a system in which there is a set of local schools and essentially there are four or five primary schools and the children from those schools move on to the secondary school. That also makes the transition at age 11, which is already difficult for children, rather easier than if they leave the primary school to one of a whole lot of different secondary schools so their friends go elsewhere and they arrive at a secondary school that is trying to coordinate an intake that has come from 40 or 50 different primary schools with the different experiences that those children have had.

Professor Brighouse: I am much more sympathetic than these guys are to the problem. What we have in the States, the normal method of allocating children to school is that wealthy people get the school of their choice, which is the one that they move to be near, and everyone else gets the one they had to live near because that is where they could afford to live; and if a wealthy person does not like the school, (a) they can exercise the pressure that middle-class people are very good at exercising anyway to get the kid moved or to get them into a better situation at school, and (b) if it does not work they can get out, they can go to a private school. You did not even mention this. If I am really unsatisfied, I have enough money that I can send my kid to a private school, I would not, just to tell you. We have choice, we already have choice. It is just part of the system in that system; it is just choice for one set of people. Other people's kids, their children are allocated to school by the school district, which makes the choice for them. There are lots of studies in the UK of the way that parents choose, and there are lots of studies which show—their researchers do not put it this way but this is what they mean—that middle class educated parents make good choices and working-class, uneducated parents make less good choices. That is irrelevant to equity. What is relevant is whether those parents make worse choices than the state does, not whether they make worse choices than middle-class parents do. In many parts of the United States I am absolutely convinced that the

state makes worse choices for working class kids than their parents would. It systematically does it with respect to all sorts of conditions that poor people have to face, and I am sure it does it for their kids and their schools. I think it is a serious problem. It is not a serious problem in some places, but it is a serious problem in others. It is also true that the problem with the lottery, and I am a big advocate of lotteries—I think we should introduce them and that should be a way kids are allocated to school—but there is a problem with them in the neighbourhood school problem, and it is the one that Phillip mentioned, which is that it is hard to plan your life around them because you have no idea basically, it is completely random whether your kid gets into the school you chose.

Q216 Mrs Campbell: If I could interrupt, you could take away an element of uncertainty by saying that if one child from a family is allocated to a school by a lottery then subsequent siblings will automatically go to that school?

Professor Brighouse: Where lotteries are used in the States every single instance of a lottery that I know of has a sibling rule. I have never heard of one that does not have a sibling rule. That is always part of the lottery. The other thing, and this is expensive, is to build in extra capacity to schools, just build in extra capacity so that if a school gets 100 more people wanting to go to it than it anticipated, it can take them. Building in spare capacity is going to be unpopular with the Treasury, it is also going to be unpopular with the newspapers because they will say there are all these empty places; the government is spending all this money on places that we are not filling. If you want schools to work like a market, if you really want to replicate something like a market, you need spare capacity, and you also need to have mechanisms for closing schools, schools which nobody has chosen or hardly anybody has chosen. There should be no school in which more than 50% of the kids did not choose to be there. Maybe if it is like that for one year it is okay, but if it is like that for any length of time, it should be closed, and it should be closed regardless of what system we use, but if you are going to be able to close schools, you have to have capacity in other schools and you have to build in this capacity for fluidity, and that is expensive.

Q217 Mr Prentice: If you allow popular over-subscribed schools to expand capacity you may be destroying the very thing that makes the school attractive to parents in the first place?

Mr Ward: If I could come in, Chair. I think that is right. The consequence of a free competition would tend to be, presumably, that the successful schools will grow and grow. It may be that they would then become elephantine and unpopular and that would balance matters. In practice, I suspect that they would become elephantine but would continue to grow so that there would be a tendency to have fewer, larger schools, and that, I do not think, is a consequence that many parents would prefer. On the whole, if you ask parents, other things being equal,

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they prefer their children to be in smaller schools, but, of course, the schools are slow to turn—they are like super-tankers, they do take a long time to turn around—and they are large capital items. It is difficult then to follow a fashion. If you are making motor cars and everybody this year decides they want green, you put lots of green paint in the sprayers and everybody has a green car; there is no particular problem about that. It does not matter. If we all decide to drive green cars that is not something that would concern anybody, I do not suppose, but if in a town where there are four or five schools everybody decides they are going to go to school A and that means that over a period of time the other four close, we will have an enormous school which, in fact, will be unsatisfactory for everyone.

Dr Hunter: Just a couple of points, just to finish off the lottery first. I ought to say that I am not against lotteries where that seems a sensible thing to have. It is just that there are very few schools that have chosen to go down the lottery route, and I think I can understand why they have done that, but, as an adjudicator, if a school comes along with a lottery and wants to put it in, clearly one would sell it on its merits. The question, I think, for you, as a Committee, is, if you like, who decides that there should be a lottery? Is the Government going to decide that there shall be lotteries everywhere, despite what head teachers and governors and other people might want locally? I would advise that these things ought to be settled locally so that schools can respond to their local service providers. If that happens to be a lottery, that is fair enough.

Q218 Chairman: Hold on for a second. A school that is sitting in one of these nice areas, not necessarily with half the parents with FRSs, but in a decent area, a good school, it is doing all right. The system is working for that school. It has no incentive to start experimenting with lotteries to get other kinds of people in; it wants the people that it has got; it gets to the top of the league table.

Dr Hunter: I think that is a very good point. We have these things called admission forums, which is the place they ought to be discussing this sort of thing and ought, in my view, to have some powers to be able to get stuck in if that is a system that seems to work for the whole area. At the moment they do not have any power, and I would like to see them have more powers to do that.

Q219 Mrs Campbell: You were suggesting that individual schools should have that choice?

Dr Hunter: Yes, they do have that choice.

Q220 Mrs Campbell: They do have that choice?

Dr Hunter: Yes.

Q221 Mrs Campbell: I think the point that the Chairman is making and I would like to make to you is that it should not be the schools that have that choice, because there are certain very strong incentives for schools to stick to the status quo?

Dr Hunter: I understand that, which is why I am saying that I think admission forums should have more powers than they do. I do not think that central government should decree that all schools across the country should have catchment areas, or distance or feeder primary schools, or lotteries, or whatever. I think it should and does have a Code of Practice which lays out certain guidance, but I do not believe that that is a job that central government should take on because different areas are very different. If central government were to determine for the whole country what should happen, I would like to bet that they decide that what is best for London should happen to the rest of the country. That is a word of caution for me on lotteries, if you like. I am not against them; I am just saying we should not impose them on people. On the expanding schools point, there is what the statutory guidance calls a strong presumption in favour of schools that want to expand being able to do so, and I think that is right. Certainly where we get cases where schools want to expand and perhaps other schools around them are nervous of that, as often happened, then we do, as we are required to, take note of that strong presumption in favour of expanding; but I should say that we get more cases of schools not wanting to expand where the LEA, or someone else, wants them to expand than the other way round, and that is because of management reasons in the school or because they feel the school is not big enough, or whatever. There is not a huge desire right across the country for large numbers of schools to expand for ever. Lots of schools are not popular because they are small, but where schools do want to expand I think they ought to be able to and certainly the Government's line is that they should be able to.

Q222 Chairman: Can we finish this point before we lose it. What about when schools are told they have to reduce their admission numbers because of spare capacity in neighbouring schools?

Dr Hunter: Again there is a presumption that they should not be asked to do that, and again when we get a case before us we take account of the presumption. There is a general government line coming through the statutory guidance that popular schools ought to be able to expand and that they should not be asked to contract.

Chairman: Thank you very much.

Q223 Mr Prentice: You wrote a piece in *The Guardian* last year and you reminded us all there has been this huge increase in the number of appeals. In 1991 24,500 appeals and in 2001 this has shot up to over 94,000. Are parents angrier now, more demanding now? What is the reason for this huge explosion in the number of appeals?

Dr Hunter: I think it is expectations. Expectations have been built up, and that is a good thing—I am in favour of people wanting more—and they do not accept a decision that is handed down to them in the way they used to and they take it as far as they need to take it, which is to appeal.

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Q224 Mr Prentice: But these parents are taken in, you say in the same article, by schools inventing a particular ethos or developing a marketing strategy. You talk about “swanky names and logos”, “expensive marketing strategies” and there are poor gullible parents out there who are taken in by this?

Dr Hunter: Well, I was writing in *The Guardian*, but it happens. Clearly schools market themselves much more than they did 15 years ago, and that does affect the way they are perceived by parents. I think parents are encouraged to believe that they can choose whatever school they want these days, but, of course, that is clearly not the case, and they too do tend to pile into the public schools.

Q225 Mr Prentice: Tony and Anne were talking just a few minutes ago about geographic separation based on class and wealth. What about segregation based on race and religion? How big a problem is it that Muslim parents, for example, do not have a local Muslim school they can send their children to? Should there be acceleration in the programme of faith schools that the government is committed to?

Dr Hunter: I would not like from my position to comment on the Government’s policies in these matters. It is for the Government and for you.

Q226 Mr Prentice: You must have a view on that.

Dr Hunter: Clearly the Government are in favour, quite rightly it seems to me, of expanding these areas. I approved a Sikh school last year, for example, and these schools are increasing in number in certain areas and adding to the tapestry of schools.

Q227 Mr Prentice: Would you like to see more of them? We read in the papers today that Britain’s first all girls Muslim state school—and this is a school in Bradford—has been judged the best secondary school in England for adding value to children’s education. That is quite an accolade. Do we need more single-sex Muslim schools?

Dr Hunter: I am in favour of local government. I grew up with—

Q228 Mr Prentice: This is a cop out, is it not?

Dr Hunter: No, it is not a cop out, I have got to say. I do believe that these things happen better when they start off locally. I am in favour of the Government having general frameworks and policies and encouragements, but I am not in favour of imposing solutions from central government.

Q229 Mr Prentice: Is it important to strive to get a better ethnic balance in our schools?

Dr Hunter: It is important to have schools that teach children well, where children feel comfortable and welcome, and that can be achieved by making sure that those schools are teaching well and are comfortable and are welcoming. I do not believe in social engineering by shipping people around the country.

Q230 Mr Prentice: No bussing?

Dr Hunter: No bussing. I do not think it works.

Q231 Chairman: Do you both want to come in?

Professor Brighouse: I do believe in social engineering. I think that is what governments do and I think that is what they should do. First of all, the issue about faith schools is complicated because we have lots of Roman Catholic schools which get a very special kind of status, we have lots of Church of England schools and we do not have lots of Muslim schools but we have plenty of Muslims. If you get to 1992 and then stop introducing any new faith schools, what you are saying is that we will have plenty of Christian faith schools and no Muslim faith schools. That is unfair. Get rid of faith schools, that is one thing, but stopping it just when we have got all these Muslims, is totally unfair and I think unacceptable, but I think it is important for all children to mix. I do not think of this in term of ethnicity, I think of it in terms of religious belief. I think it is very important for children to be in environments in which there are other religious believers who think and believe different things and practice differently than they too do in growing up. My children grow up in a household which is atheist, and if they are going to get any kind of understanding of any religion from the inside, they are going to get it through peers, and they are going to get it through going to school with those peers.

Q232 Mr Prentice: How do you do that then?

Professor Brighouse: This is the question. One question about an all girls’ Muslim school is where would those girls be going if there was not an all girls’ Muslim school in the state system? If we found out they would be going to an all girls’ Muslim school that was not in the state system, there is no gain by getting rid of it, there is no gain on any dimension by getting rid of it. I do not know what the facts are about this, but I do know that lots of people do not send their kids back to Pakistan when they become adolescents if they can send them to an all girls’ school here, and that seems better to me. It is a complex calculation. I certainly think that there is no reason to allow faith schools to discriminate on the basis of religious belief. I see no public purpose being served by allowing a Muslim school, for example, to reject a kid who is not Muslim whose parents want them to go to a Muslim school so that they can get an appreciation of one of the world’s major faiths as well as getting a good education. Allowing schools to discriminate on the basis of faith seems to me unacceptable, and we do allow them to do that, and I think that is wrong, but I also think this may be one of the things where education policy is not very helpful. What we do in civil society, other things that we do to integrate different religious believers into our society so that they and their children are more involved in a genuinely inter-faith and non-faith society, may be more important than trying to figure out how to get them into the kind of schools we want them to be in when we are not sure we will be able to succeed anyway?

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Mr Ward: Several points on this. One is to underline the point that I think Phillip Hunter was making, which is that we need solutions that work across an area. It may be that it is in some sense a local decision, but it should not be a school by school decision, because then a whole lot of separate decisions made for each school may add up to a system that does not work terribly well. The second is related to it, which is that the creation of an elite institution does not necessarily mean that anything has been improved at all, and it is very easy to look at the Muslim girls school which has done extremely well, and I am glad they have and good for them, but that does not mean that the education of children in Bradford as an area has been improved at all; it may just mean that those particularly successful girls have been collected into one place. I think there has been a tendency in recent years to move towards the creation of more elite institutions, and I do not think there is any evidence that that actually improves the system as a whole. Those institutions may be wonderful, but you have to consider also what is happening in the schools down the road. On the question of faith schools, we would all agree, I think, that we cannot as a society say we will allow faith schools for the Church of England, Roman Catholics and a few Jewish schools, because they got in under the wire, and then we will stop when we have a large number of Muslims and Sikhs and Hindus in particular in this country. It would be unreasonable and unfair to say to those communities, "You may not have the same rights that your fellows in other religious communities have." Therefore we do not have a lot of choice, whilst we have the Church of England and Roman Catholics schools and so forth, but to allow Muslim and Sikhs and Hindus to open their schools as well, and I think we must do so but having said that it is clearly very concerning from a point of view of social cohesion. I live in Leicester, which is a town which has very good relationships between its various communities, on the whole. I am very happy to walk about Leicester in all the districts and meet with the Muslims, Hindus and Sikh folk who live there and feel very comfortable. I think they probably feel comfortable with me. I do not think that would be served in a generation's time if all our children were attending schools which were effectively ghettoised on that sort of basis. I cannot see that as being in any way likely to be helpful. There is a contradiction and conflict there. I do not want to say to the Muslims, "You may not have a school" but I would like us to, as far as possible, move away from the notion that what we need is a whole lot of different schools which are very diverse as between one school and another and move towards a notion, and sell this to all sorts of communities, that what they really need is that diversity existing within a school so that they are comfortable that their children are attending a school along with people of different communities; but that their particular issues, whatever those may be—in the case of Muslims, it is often to do with girls and sport and what they regard as appropriate modesty and so forth—can be met and that their families will be comfortable for them to be in the

schools with other people. Likewise, the Roman Catholic and Church of England folk and the atheists of which there are many as well, but they do not generally seek to have their own schools. We cannot turn away from that but I would like, as far as possible, to try and persuade people that they do not want to go in that sort of direction. I would agree with Harry's point that there is no particular reason why faith schools should be allowed to refuse admission on grounds of faith. At the moment, we certainly do allow that and that is at least a question we need to ask. Before we ask that, we need to address the question of how they make that sort of decision and in particular turn our face against interviews—there is a particular case running at the moment on that—which are nominally to determine whether somebody belongs to the appropriate faith but which can be used for other purposes as well.

Q233 Mr Hopkins: I agree, but can we step back a bit and look at the big picture in Britain and the real world? In terms of education performance compared with other countries, our top 10% are some of the best in the world. Our bottom 10% are some of the worst in the world. There is already much more diversity in performance in Britain than there is in, say, continental Europe. We have failed. Is this not a result of the fact that we have had fragmentation and choice for many decades in Britain? The energetic middle class have sought out elite schools and society has effectively said, "Devil take the hindmost" for the poorest performers, all because of choice?

Mr Ward: Yes is the quick answer to that.

Dr Hunter: It may be because of choice but the question is what to do about it now. I do not honestly believe that it would be right because of that to try and deny people a choice. The way to handle it is to sort out the schools that are not performing very well.

Q234 Mr Hopkins: Is the government not doing this now? In my constituency, we have had four schools put into special measures. They have all come out with excellent head teachers driving them upwards and are now doing well. In a sense, the government is undermining its own case for more diversity of schools by attending directly to the problem of poorly performing schools.

Dr Hunter: I do not think it would regard itself as undermining its own case. What that is doing is turning four unpopular schools into four popular schools. It has enhanced choice immensely for people who live in those areas.

Q235 Mr Hopkins: Downing Street is very keen on diversity, choice and competition. What is actually happening is that community schools are being improved and made good.

Dr Hunter: I would not want to comment.

Professor Brighouse: I want to be a bit more cautious about the idea that the school system is what gets the results. The countries in which you get very high performance and high equity are countries with almost no child poverty, for example. A lot of what

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affects these things comes from out of school variables, things which we cannot expect to change by fiddling with an education policy. The United States has appalling inequity. It has 16% of its kids without any health insurance. Do you think you are going to get them really good educations? Even if you put loads of money into the schools, kids who come to school with toothache, who are sick all the time, who do not get proper health care are not going to perform well whatever you do. The other thing is about choice. We have had a system in which the most advantaged have had a lot of choice and the least advantaged have had none. We are never going to move to a situation in which we deprive the most advantaged of choice. That is not something which is on the agenda.

Q236 Mr Hopkins: Can we not close the gap?

Professor Brighouse: Yes.

Q237 Mr Hopkins: I agree with you. Economic and social divisions are more complex than just education. Education, particularly in Britain, is a major component of that. The divisions between people are very subtle in Britain and they are often about education and the schools we attended. Would you not agree?

Professor Brighouse: I agree.

Q238 Mr Hopkins: That is socially damaging and, in the end, economically damaging.

Professor Brighouse: Yes.

Q239 Mr Hopkins: The fragmentation of our school system, the choice, the competition, the fine gradations of status have caused problems for Britain.

Professor Brighouse: Probably, but it is the particular form of choice and the fact that some people have had choice and others have not. One solution is to remove choice from everybody. I am not totally unsympathetic to that. I just do not think that is on the agenda at all. Another solution is to have a mix of measures. One is to enhance choice for the least advantaged. My caution is that is not going to do it alone. We need to do that but I do not think that can do everything for us. I agree that in some abstract way central government intervention somehow goes against the choice rhetoric but you can only do a bit of both in a way that is complementary. In practice, it is not as conflicting as it is in the abstract.

Q240 Mr Hopkins: You are all educationists and I have some interest in these matters. To reinforce the point I have been making about these different types of schools and this hierarchy of education in Britain, which we agree is economically and socially damaging, one of the factors in that has been that the most successful have had rigour and discipline in their education and the least successful have been subjected to an experiment in supposed progressive methods, informal teaching methods, which has caused terrible damage to generations of young

people in Britain. They have lost out. That is being reversed now and that is the way forward. Would you agree?

Mr Ward: I do not know the answer to that. I would go back to two points. One is I am sure that school leaders would prefer that each school should offer a diverse choice rather than that there should be a whole lot of diversity between schools. We remain unconvinced that the answer to the problem is to create lots of different types of schools with different specialisms, although those schools may individually be very successful. Given that we are allowing a degree of choice and I do not think there is any alternative to that in the present political climate, we have a population and citizenry that expects to make choices, a lot less deferential than it may have been in previous generations, and on the whole that is a good thing. Given that we have those choices being made, we need to pay more attention to helping the less advantaged to make good choices. On the whole, the middle classes can look after themselves and do. I know how to play the system and so do a lot of folk like me. Others perhaps play it less well and their children however, are no less deserving of a good education than my children. We need to be paying more attention to making sure that it is not devil take the hindmost, to use your words, but that we can support the choice that all parents make so that all children get a fair opportunity.

Q241 Mr Prentice: You are against league tables. You tell us they are unhelpful and damaging. If parents are going to make an informed choice about the education of their children, what information should be available to them?

Mr Ward: Quite a lot of information, presented in a coherent way. The present Education Bill has a provision in it for a school profile. On the whole, we like the look of that as a way forward. It is not an easy question to answer. Ideally, what we want is some sort of consumer guide because when we are trying to decide what computer to buy to put in our back room the likes of us find it very difficult to understand what all the options are and will tend to go to a magazine or a consumer guide that will set them out.

Q242 Mr Prentice: League tables in soft focus would still allow parents to distinguish between schools.

Mr Ward: They would. What we do not need to do however is to encourage them to make a simplistic choice, which is what the present league tables do. Effectively, they take a very complex organisation—a school is an immensely complicated beast—and reduce it to one number which does not reflect what parents are probably most interested in, in many instances, about their choice of school. If I have a 10 year old, I want to know that when I send my child to school he or she will be safe, happy, well supported and well treated. I also want them to be successful and to learn. But notice the order in which those came. Even when we are on the “I want them to be successful and to learn” the league table does not tell me that. What it tells me is school A has a lot of very bright pupils who do very well in the exams.

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School B does not have so many. It does not tell me whether school A or B is better at bringing on a child like mine, who may be very bright, of average or even below average ability. Even if I have a very bright child, the fact that school A is further up the league tables does not tell me that it does better for bright children. It just tells me they have more of them. The league table is, in many cases, misleading and unhelpful when parents are making their choice. What we need to be looking at is value added data. You referred to the school in Bradford as being particularly successful at adding value. That really is a key figure for people to be looking at. In a sense, I am arguing not for doing away with information being made available to parents; I am arguing for them to have more information, better presented so that they can make a more rational decision.

Q243 Mr Prentice: What is wrong with a parent just going on the internet and having a look at the latest Ofsted report on the school?

Mr Ward: There is nothing wrong with that. No doubt many parents do that. There are two points. One is the latest Ofsted report is not a full picture. It is a better picture than simply looking at a figure on a league table but the Ofsted inspections, which are improving, in the past have tended to replicate the league tables effectively because the inspectors look at those examination figures before they inspect the school. That is also not a full answer. The other point is some parents will do it just like that. You and I would. We probably have an internet connection running right by our elbows. We know how to work it. You smile.

Q244 Mr Prentice: When I mentioned the internet I knew I should not have because someone is going to say 40% of the population do not have access to it.

Mr Ward: It is not only the literal, physical access to it; we need to support those parents who would find that extremely difficult even if they had gone past that particular barrier and had the information in front of them. What they have is pages and pages of text which they are going to find very difficult to understand and find their way through. We need to look for ways of supporting them in making good choices.

Mr Hopkins: The Moser Report concluded that 50% of the population do not understand what 50% means and 20% are functionally illiterate. How are they going to handle the internet? They are the ones we ought to be worrying about.

Q245 Annette Brooke: I happen to come from an area that probably has every type of school imaginable including grammar schools. The way the admissions policy works, which I support given the system that we have, is that the first preference goes to the grammar school. Then there is a good chance that you might not get the second preference. The outcome of this is that many parents feel that they are following the least worst option when they put their number one preference, which really distorts the whole matter of choice. I think most of you are going to be against forms of selection anyway but it

occurred to me you could get a similar problem if you had your four non-selective schools in a town and the one oversubscribed one has a lottery for the places. Would there not then be an instinctive reaction to go for a safety place rather than choosing what people want? Could I have some comments?

Dr Hunter: There is a debate running in many areas of the country about first preference, first systems against equal preference systems. I will not go into the complexities of all that but there are two ways of doing it. A number of local education authorities and admission fora are debating that actively all the time. Some heads passionately favour one and others passionately favour the other. For example, in Calderdale where this came up recently, what we were faced with there was a bunch of school heads saying they wanted equal preference and a bunch of other heads saying they wanted first preference first. Both of them were arguing that that is what the parents of Calderdale wanted. They had no evidence at all about what the parents of Calderdale really wanted. I said, "Before you come back to me with this question again, I want to see some evidence. Commission some research from somebody or other who can tell us what the parents of Calderdale really want." I think we need to see more research about what parents want in terms of the system for allocating school places and in terms of the information they may need.

Professor Brighouse: The school district in Monclere, New Jersey, has a public choice system so they are all state schools and people choose among them. My understanding is that when they set it all up they surveyed the parents about what kinds of schools they wanted. I do not know how they went about doing this. They reinvented the whole school district and they set up the school district in such a way that if 10% of parents said they wanted a French immersion school, for example, you had a school with roughly 10% of places which was a French immersion school. In the initial set up you design the schools to meet the initial wanting and then you do the lottery and choice. People choose what they want. How it evolved over time I do not know. It would be interesting to look at the study of how it worked because that would tell you something at least about where you had control over what to do about this and how you could implement something anew. There are no perfect ways of allocating children to schools. You will not find some way that everybody is happy with. In my life and maybe some of you in your lives make the second best choice because you know you will get it. That is not so bad. That is not a terrible thing. It is terrible to choose the worst thing because you know you will get it. If everybody were doing that, that would be awful but if lots of people are making second best choices because they want the security of it, that may not be so terrible.

Q246 Chairman: It is not a bad world really.

Professor Brighouse: No.

Q247 Chairman: That is a philosophy for life, is it not?

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Professor Brighouse: It is.

Q248 Annette Brooke: It does not fit in with this model when we are told we must have more choice, when the reality out there is people are not necessarily making their first choices.

Dr Hunter: "Choice" is a qualitative word. If you are a Roman Catholic, you want to see your children in a Roman Catholic school. That is pretty basic and you want that pretty badly, or you are supposed to. If you are a Roman Catholic and you have two Roman Catholic schools within travelling distance, you may well have a preference for one of those schools but it is a different degree of choice. I told the Education and Skills Select Committee in the autumn that, when my wife and I were going through this business for our children, we were allocated a school for our eldest child. We decided we did not want it, appealed and were successful in getting another school, by which time we had changed our minds. Parents are like that. The people who are dealing with them have to understand that.

Chairman: Are you sure you are equipped to be the chief schools adjudicator?

Q249 Mr Prentice: We know what you think about parents. You think they are gullible and are taken in by logos and swanky names. I want to ask about specialist schools because two thirds of schools in England now are specialist schools, dance, drama, engineering and so on. Do parents feel this has enhanced choice in any meaningful way?

Mr Ward: I would say not.

Q250 Mr Prentice: Is there any research on this?

Mr Ward: No. That is why I hesitated because I do not have anything very definite to go on, other than what school leaders report to me, so this is all anecdote and *ad hoc*. The majority of secondary schools now are specialist schools. Many of my members therefore have chosen to go down that route. The great majority of them have done so because it has given their school some extra status or some extra money, rather than because they had any particular burning desire to emphasise their modern language work or their sports work, or whatever it might be. That is not all of them. To be fair, some of them did want to do those things and have said, "We really want to be a sports college. We see the advantage of doing that and it is going to improve the education that we offer our children in very explicit ways across the board." Most of them have not gone down that route. One would say that most parents who are choosing a school nominally because of its specialist nature are choosing it because they think it is, in some more general sense, better. They are again playing the admissions system.

Q251 Mr Prentice: Who decides what the specialism should be? Is it the school? Are there instances when the school decides to canvass the views of parents? Should we be a dance and drama specialist school or a language specialist school? Does that happen?

Mr Ward: I do not know to what extent schools have canvassed parents. They will certainly have consulted parents to some degree, if only via the governing body which has parent representatives on it. The school will generally have chosen a specialism in order to have the best chance of getting—

Q252 Mr Prentice: The parents are cut out of all this. It is just something that the education establishment decides. If there is extra money for specialist status, there is not a dance and drama specialist school within 20 miles. Let us go for dance and drama. It is just as mechanistic as that and parents are completely cut out of it?

Mr Ward: I would not say that parents were completely cut out of it and I certainly would not say that in all instances. I would be in trouble with some of my members if I do, who will immediately send me an e-mail, I am sure, to say, "Here at such and such a school we did not do any such thing." There will be instances where schools have gone to great lengths to check with the parents.

Q253 Mr Prentice: Does it make any practical difference or is it just the illusion of choice that we have academies, leading edge partnerships and leading beacon schools? We have a multiplicity of different schools that this government has brought in. Does it really make any difference at all?

Mr Ward: It does make some differences but probably not in the way that the labels would suggest. I go back to a phrase I have used several times already. We would prefer there to be more diversity within each school and less diversity between one school and another, which on the whole is presenting an illusion of choice. Yes, I would agree with you.

Q254 Chairman: I want to come back to something that has been behind a lot of the conversation we have had where I think there is a difference of approach between some of you which I would like to bring out. Most of the specialists focus on what we do about people who cannot exercise a lot of choice in life because they are poor, they live in areas which are disadvantaged and they go to schools which reflect that. What can we do about those kinds of schools and those kinds of people? It seems to me that, Professor Brighouse, you are saying to us that there are things that we can do. You are quite keen on what you call progressive vouchers, which is a way of trying to get people out of schools that they do not want to go to and into schools they might want to go to, using the state to engineer that through a progressive or loaded voucher system. Philip's position is that the task is to sort out the schools that are not doing very well and it seems to me there are different approaches to this. They are both social engineering but they are different approaches and I would like to have a brief exchange as to which one we ought to be guided towards.

Professor Brighouse: The advantage of a loaded voucher type of approach has two features to it. One is that lots of people are perfectly satisfied with their schools. They will not move their kids. It is the ones

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who are not satisfied who will use the option. It does two things. It gives them the ability to get out in the worst case but it also gives them the ability to exercise some power over the school. It may be that you end up not taking your kid out because you get what you want or you change the situation for your kid. Doing the kind of thing for your kid that educated, middle class parents are used to doing and often do within the schools they have their children in they are partly enabled to do because they have the option of access. The reason I think it is important to have a progressive or loaded voucher is that if an outcome of the choice process is that you get a concentration of poor kids into one school, a concentration of kids who are harder to educate, they are bringing with them the resources that are needed to educate them. It is a progressive feature of the voucher. The voucher itself is a way of enabling people to get out of bad situations. The progressive feature of the voucher is a way of enabling the government to target resources well to kids. I like choice with spare capacity which enables schools to be closed, effectively. When schools are not chosen, they disappear. I am not wildly optimistic about the long term ability of governments to turn schools around. I used to be very sceptical of the ability of governments to do that. There have been some successes in the way that it has been done in the last few years so I am a little less sceptical than I used to be.

Q255 Chairman: People would be able to cash their vouchers in wherever, would they not?

Professor Brighouse: I am very sceptical of using private schools for this.

Q256 Chairman: If they sought to cash their voucher at a school which was over-subscribed, it would not help them very much.

Professor Brighouse: That is right. That is why you need the spare capacity. If they do not win in the lottery, their kid does not get into that school, but at least the kid takes a lot of money with them to whatever school they go to.

Q257 Chairman: What about the argument which Philip may give us, which is that, by building the exit option in the way that you are describing it, it makes life more difficult for the school whose problems we want to attack?

Dr Hunter: I will not argue that.

Q258 Chairman: Argue what you want to argue.

Dr Hunter: I think we have a progressive voucher system. That is what delegation and the formula for schools have done. I would argue that we should make that work as well as we can through the choices we have, but there are going to be, as a result of that, a small number of schools that are in grave difficulties because they have a concentration of children that are difficult to teach. Once you get over 25 or 30% of difficult kids who are really difficult to teach, that school is in trouble. Then you have to make a decision. You need to have local authorities with powers and the facilities and expertise to make

those decisions. You have to shut the thing or create an academy and spend £30 million on it and really try to make it go. What you cannot do is to muddle along and hope things will sort themselves out. I am very much in favour of shutting a number of schools. I did it in Stoke-on-Trent, where it was pretty obvious that the school was not going to succeed. It was in the days before we had academies and large amounts of money to throw at them. Nowadays, you have a choice. You either shut it or you spend a lot of money on it.

Q259 Chairman: Voucherising some children to leave that institution?

Dr Hunter: We have that now. That is what they do. If a child wants to go to another school, they can go and take the money with them. That is what the budget system does for them.

Q260 Chairman: In a sense, the system takes the money with them?

Dr Hunter: Yes.

Q261 Chairman: They do not take the money with them?

Dr Hunter: They do. If a child does not turn up at that school but turns up at that one instead, they take the unit of resource.

Mr Ward: Having a voucher as such would not make any difference in that sense. The funding already does follow the child. The problem is that the funding methodology is not sufficiently loaded, so there are not schools crying out to take on the more difficult children, in general. On the whole, the schools are, if you like, competing for the more able and more easily taught children. Those that seem in the local areas to be successful are able to select their children and because they are selecting in a sort of under the counter way that may be damaging. If the funding methodology were further loaded so that the child who is very difficult to teach had a sum of money coming with him or her which enabled that teaching to be fully supported, we might have fewer problems.

Q262 Chairman: Would your members support Professor Brighouse's suggestion that there should be a 300% payment per pupil for low income children? That is a kind of voucher.

Mr Ward: Yes, it is. I do not know the details.

Q263 Chairman: That is to give a huge premium of that kind to schools that take low income children.

Mr Ward: There should be a premium, not to schools that take low income children but attached to the head of the child who is a problem to teach. That may be too simplistic a way of doing it and that premium may or may not be the right value, but the notion is there and is already in our system. Children who are difficult to teach do accrue extra funds for the school but probably not enough to reflect the difficulty that the school has.

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Q264 Mr Hopkins: Some parents are wise in the choices they make for their children. The ones who would acquiesce are often the ones at the bottom. It is the aspirers who would choose. Those at the bottom would create mono-cultural schools with all the difficulties. Is it not really that society has to intervene and say, "Parents, you may think that just because Johnny cannot read it does not matter. Society does think it matters and we are going to make a difference"?"

Professor Brighouse: I have read a lot of studies of the way that people choose schools. I am quite struck by how sensibly people make choices given the situation and the circumstances. A lot of the studies claim to show that there is a real cleavage between what educated and uneducated or middle class and working class parents choose but lots of the criteria that working class or less well educated parents use are, in the circumstances of the choice situations that they are in, perfectly good and sensible. We have to be very confident that the state is really going to be doing a better job than the parents. For some parents, that must be true. I am a much more enthusiastic believer in the competence of the British state in this regard than the competence of the American state, but still I do not think it is as bad as you are saying.

Q265 Chairman: Although we have been talking about choice all the time, we are interested in voice as well. Are there any thoughts you have on the extent to which we can do better if we want to on the voice side of education? It strikes me, again as a consumer of the system over the years, that we have had the revolution of school government with parent governors coming along, questions about how effective that is, many governors feeling that they have a role which is difficult and it is difficult to recruit governors; but more than that. My sense is that schools are not terribly good at asking the people who use them what they think about them and seeking to make the users count for far more in the way that many other institutions try to these days. I wondered if you had any thoughts at all on this?

Dr Hunter: I have a paper which I will hand over if it is any help but local government now has become so fragmented with different agencies, different groups and what have you that there is no accountability any longer at local level and it needs to be reformed. That is one way, through improving local democracy, of increasing the voice of parents.

Q266 Chairman: We would like to see the paper. Any other thoughts?

Mr Ward: The children too. We ought to allow for the fact that it is not just parents who are involved in this but the young people themselves. This is something that needs to be phased in during an education process. The view of a five year old is perhaps less significant and less to be taken into

account than the view of a 15 year old, but even with small children it is only sensible to take account of their view as well. It is something that we have not traditionally been very good at in the education service. My organisation has written in support of school councils and we have a publication about that which we recommend to school leaders. You may well have seen the launch of the English Secondary Schools' Association, I think it is called, which is a sort of student union for secondary school pupils which took place earlier this week or last week, which we were happy to support. Within each individual school, we can do a lot more to listen to the student voice than traditionally teachers have done. The same as everybody else, one goes along doing the job. It is possible to survey pupils and ask them whether they are content with their education. To move on from asking them about the dinners and the state of the toilets to asking them about the lessons and the education process is a step that we are beginning to take now and we are beginning to see things like student governors and students involved in the appointment of teachers, for example. Why not? Who knows better what it is like than the people who have to listen to the blighters? I speak as one myself. I was speaking to one of my colleagues just yesterday, a school leader, about the appeal panel for the EMA system, (you will know about EMA, which supports pupils aged 16–17 who need it to continue with their education, and has an arrangement where if you do not attend you do not get the money which seems reasonable enough). There is a need for appeal in circumstances like this—"I did not attend because I was sick" and so forth—and they put students onto the appeal panel that makes that sort of judgement. We can do a lot more to have very, very local democracy that is at the level of the individual school or college.

Professor Brighouse: My view is that Philip's localism counts for a lot here. What will work in one place may be very different from what works in another. You need to encourage experimentation and provide resources for it. My sense is that head teachers who are the people who should be doing this have a lot of work. They are increasingly seen as a manager of a school rather than as the head teacher. That very idea of being a manager inclines against going out, talking to people and listening to people or whatever. I would try and encourage experimentation and provide resources for it and try to monitor what has been successful in certain places and what has not, through either local authorities or through schools locally.

Chairman: I am sorry we did not do justice to that last section. We particularly liked, Professor Brighouse, what you began by saying at the very beginning about adapting as opposed to adopting. It is interesting for us as we reflect on examples given to us from various places. We have had a very interesting discussion and I am very grateful to all of you for coming along and for the papers you have given us. Thank you very much indeed.

Tuesday 18 January 2005

Members present:

Tony Wright, in the Chair

Mrs Anne Campbell
Mr David Heyes

Mr Kelvin Hopkins
Mr Gordon Prentice

Witnesses: Mr Vic Smith, Tenant Representative, Ms Helen Marson, Head of Procurement for Housing, Ms Carolyn Palmer-Fagan and Ms Revinder Johal, Housing Officers, Birmingham City Council, examined.

Q267 Chairman: We have had some informal sessions this morning, looking at a school in the city and the primary care trust in south Birmingham, and we are very delighted to be in Birmingham looking at public services as part of our inquiry into what we call “Choice and Voice”. We are grateful to the City for its hospitality. If we can move into our afternoon session, we would like to take more formal evidence on aspects of city council services. We are going to start with the housing service in Birmingham. We wanted to explore some of the issues with you. We have had some background papers, so we know something about what has been going on, but would you like to kick off by giving us a bit of scene-setting?

Ms Marson: Birmingham City Council is landlord to council housing stock of currently around 72,500 properties, so we have a considerable tenant population that obviously receives the council housing service. We have an investment gap of around £165 million to achieve the Government’s decent home standard, which is a target set by the Government that we should improve all our housing stock to the decent home standard by 2010. We are saying that on the resources available to the City Council we are about £165 million short of achieving that. You may be aware that the Government has required local authorities in the Communities Plan 2003 to carry out an option appraisal, to explore how, through other routes the Council could achieve the decent home standard by that target date. Essentially, that involves an exploration of three options: arm’s length management organisations, private finance initiatives, or transfer of stock to a new or existing RSL. The background papers you have are about the approach that Birmingham is proposing to take to completing the option appraisal process. We have developed an over-arching strategy, which we are discussing with the government office for West Midlands and the Office of the Deputy Prime Minister to finalise, and we propose to complete five of our appraisals by July 2005, and the remaining six by July 2006. The reason for that number, 11, is that we are doing them on the basis of the 11 constituencies of Birmingham. They are the geographical boundaries we are working to.

Q268 Chairman: Thank you for that. The Committee has had evidence in the past from people involved in housing who have talked to us about choice-based letting systems, and we have had discussions about the notion of choice around stock transfers, and I suspect these are the kinds of issues we would want to explore with you. Can I start by

getting to the heart of this stock transfer issue. We are not going to explore the substance of these issues, but want to test the arguments about giving people a say in what happens to them. We had some evidence from the Director of Housing in Newham, who said to us that he thought it was a mistake to try to do balloting on this issue; that if the Government wanted to finance social housing in a different way, as it clearly does want to do, it should do it as a public policy measure. These are not his words, but the argument is that there is something bogus about this notion of choice. Has the balloting business in Birmingham caused all kinds of difficulties, and now you have to go off in different directions to find a different route around it? Would it have been simpler to have forgotten about choice in all this and say, “if there is a public policy position that we move housing in a different direction, we should simply do it”?

Ms Marson: I would be expressing a personal opinion rather than one of the City Council, but I do not think that we should take choice out of it as a consideration personally. I think we do have to have regard to tenants’ views. There are two separate issues for me then: what is the policy on choice, and to what extent should tenants have a say in the outcome of the service provider and the landlord? If there is a pre-determined decision to change financing of local authority housing, and what we keep doing is forcing authorities to go through processes until we get the right outcome, then that could cost quite a lot of money, and properly the decision should just be made at the outset, and we should say “regardless of choice this is the way we want to do things”. It is about clarity. Why are we doing it, and does choice take precedence over some other pre-determined outcome that is being sought?

Q269 Chairman: Do you feel in Birmingham that you have found your way through this, doing it through this neighbourhood solution?

Ms Marson: The approach that we are taking is that this is not a ballot, it is an expression of interest, an expression of preference from tenants. At the point at which we will have completed option appraisal, tenants in each of our 11 districts will have expressed a preference. If the preference in some of the districts is for partial transfer to an RSL, then there will be a legal requirement for us to carry out a ballot. There is always a risk that the expression of preference gave us an indication that there was tenant support for transfer, and that subsequently, as we develop an offer document setting out the detail of what will

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happen, when it gets to ballot tenants vote against it. That will remain a risk. If that is what happens, the tab for that will be picked up by the City Council; there is no funding available to us for that process. On some of the other options, which are about arm's length management organisations and private finance, because they do not involve a change of ownership of stock, they only involve a change of service provider, then there is no legal requirement for a ballot. The City Council could take a policy decision that it would like to conduct a ballot, but it would not be that it was a legal requirement to do so. We anticipate that the outcome of this exercise will be that in the 11 districts we will get a mixture of solutions. That might be that at a whole district level—so we might get a district deciding wholly on partial transfer or private finance, or within each district they might identify a number of preferences, because the districts are of considerable geographical size and vary in property numbers from 2,000 to over 15,000, so within that there is the potential for them to identify a number of solutions for that area.

Q270 Chairman: How do you seek to involve your tenants more generally in the housing service? Maybe Vic would like to have a word about this. How does the Council seek to involve its tenants and give them more of a say in the housing service? Traditionally we think, rightly or wrongly, about housing services being top-down—the old stuff about not choosing the colour of your door. How much progress have we made, leaving aside the stock transfer issue for the moment, in involving tenants far more in housing service issues?

Mr Smith: If you start from where the stock transfer was, we have been involved more since stock transfer than we ever were before. I am going back 10 years. We are involved now more with housing than we have ever been involved. The tenants have the chance to come and say what they want. That is the only thing you can say. You have the City HLB, area HLBs, CBHO steering group and all sorts of centres where the tenants can come and have their say and tell us what they want from their housing service. We are involved in everything, for example contracts. There is that much it is hard to pick out a few.

Q271 Chairman: Let me pick up what you have said and put it back to the housing managers. That is quite an interesting statement, that it was the prospect of exit, that is the stock moving, that has had the effect of involving tenants far more than was the case before. Someone might ask why it took that to produce what we have now.

Ms Palmer-Fagan: I know why Vic says he is going back 10 years because that is when I came into the organisation, to work specifically on engaging tenants in our service provision. As the years have gathered momentum, as Vic quite rightly said, tenants sit down in this room once a month with senior people of the department and politicians to make decisions on how the housing service is delivered. There are local consultation fora. Vic is quite right that they are involved in selecting

contracts, big and significant contracts for the City and housing service, like cleaning contracts. They are involved in recruiting senior staff, the director, and senior managers. They are involved in that process. They have picked up that experience along the road. What happened in 2000 was that they had more informed choice about the service and knew what they wanted and did not want; hence we had the result we did in 2000–01. Now, and since then, we are more able to build upon consultation fora around stock options appraisals, and now because tenants have more choice and are well informed we embrace their involvement. As a district housing manager, I would not like to make any decisions in my district about changing that service without engaging and involving the people who I provide those services for. Quite rightly over the years, we have been building up and training them, and supporting them, genuinely involving the tenants in those processes, which has enabled them to make more choice. We have not had an easy road with it, because when you give people choice and transparency it is not about your job being made easier; it is about meeting those challenges—and challenges, quite rightly, have come to our front door for us to resolve.

Ms Marson: The whole stock transfer issue told us that it was not, in Birmingham anyway, going to be the case that we would get one solution for the housing service. Since then we have put a lot more effort into developing local structures so that there are fora locally to determine the outcome of the future of the housing service and the option appraisal for their area, because we would not want to assume that something that had been done centrally and producing one solution for the whole city would work.

Q272 Chairman: There was something about the stock transfer process that produced such a level of engagement and involvement that, presumably, you could not go back to running the service in a different way, having got tenants so actively involved in thinking about their service.

Ms Marson: We set out, after the ballot results, to develop what we call community-based housing organisations, which is a generic term and could be anything from a resident forum for consultation purposes through to tenants taking management responsibility for the housing stock through developing a tenant management organisation. We proactively engaged in a process establishing these community-based housing organisations, and we did that in two pathfinders initially, one of which is Hodge Hill, which is where Vic and the other managers are from.

Q273 Mr Hopkins: Given that the tenants voted, by a very substantial majority, against these options and to stay with the Council, why has the issue been re-opened even on a partial basis? Has that initiative come from the tenants or has it come from the Council, driven by Government?

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Ms Marson: It has come from the Government. It is a legal requirement that we complete an option appraisal by July 2005.

Q274 Mr Hopkins: So the Government is breathing down your neck to get this position changed and to try to get the tenants in line.

Ms Marson: The Government requirement is that each authority identifies how it can achieve the Government's decent home standard, and because we are saying that Birmingham City Council cannot achieve that standard with its own resources, it is a requirement that we explore the other options that are available.

Q275 Mr Hopkins: There has been a lot of debate at our own party conference about the fourth option, which is giving the money to local authorities to do the repairs and whatever is needed to bring the housing standards up. The Government presumably has not given the extra money you require to do that, despite the massive vote by the tenants to stay with the Council.

Ms Marson: No. The resources that are available to the Council—the £165 million gap that I referred to—are based on current housing finance policy, and there is no indication of any proposals to change that.

Q276 Mr Hopkins: Given the strong involvement of tenants in governing the whole of the council housing in Birmingham now, and given you have democratic control of council housing and democratic accountability—and I would think a good record of housing management; if you had the money, that would solve all the problems, and indeed it might be cheaper in the long run. Is that not the case?

Ms Marson: I do not think we would have a situation where that would mean we have to consult with tenants about the future of the service because there is still work to do on the way that the service is provided and local preferences. But in terms of investment requirements, obviously different financial arrangements might mean—tenants would be deciding, through our option appraisal process on different options in the full knowledge that the Council cannot deliver the improvements that they want. That would be different if, obviously, the Council were—

Q277 Mr Hopkins: The Government will give the money to the other providers, but not to you.

Ms Marson: Yes. The additional funding is available through the other three options but not through this retention of housing stock.

Q278 Mr Hopkins: You have obviously got to consult with the tenants about the future and it is absolutely right that they have involvement and express preferences; but their one strong preference was that they want to stay with the local authority and not be transferred to any other organisation.

Ms Marson: Yes, they balloted against transfer to an RSL in 2002.

Q279 Mr Hopkins: Do you think it makes a nonsense of choice in democracy if, once a decision has been made in such an overwhelming fashion, the whole question is re-opened, and you say “go back and do it again”, even if it is done by degrees and on a partial basis?

Ms Marson: To be fair and balanced on that, I would have to say that the only thing that the tenants voted against last time was the proposal that was specifically put to them, and that was for a total transfer of the housing stock to one new organisation. What the options are that tenants are exploring with us this time is a partial transfer to either an existing RSL or a newly-formed one, and there are other options as well—arm's length management, private finance, or retention of the Council. In principle, stock transfer will have been rejected by the majority of tenants, but what we do not know and need to look at in this process is whether, on a neighbourhood basis, there may be strong support for that in some communities as a solution for their area only. It would not necessarily be something we suggested happened to the whole stock.

Q280 Mr Hopkins: I am trying not to ask you political questions, but the whole thing is so political it is a bit difficult to get away from it. Everything you say to me and everything that has happened suggests that there is a political drive from central government to get public assets into the semi-private or eventually the private sector, either by transferring to social landlords that are not local authority and not essentially in the public sector, or—and we are coming up to that now—selling off those houses and getting them into private ownership. It is a continuation of a political approach that has been with us for the last thirty years or so—a drive to privatise.

Ms Marson: All of the other options offer tenants the opportunity to access other funding. The option that does not currently is the retention by the Council.

Q281 Mr Hopkins: In my own local authority area the housing associations' rents are higher, the management is poorer, and it is more difficult to get repairs done. However, it does not get the same public attention as a democratically accountable local authority. Is that pattern similar in Birmingham, where you have housing associations?

Ms Marson: I do not think I could answer that. I am not aware that any of our associations are considered to be really poor providers.

Ms Palmer-Fagan: I work with a number of different providers out on the district because it is a housing market renewal area, and a lot of other social housing providers are housing associations or registered social landlords. From experience, I do not have the impression that they are poor providers. You are right that the rent is higher but you get what you pay for in the sense that if they have improved stock, heating, windows, and they have met “decent homes”, that cost has to be paid for somewhere along the line, so I would assume that is taken into account with the rents. I am not aware

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that any of the associations I work with are poor performers. Some of them are quite good and very, very good performers.

Q282 Mr Hopkins: So you keep the rents lower in the local authority, so you cannot afford to do the—

Ms Palmer-Fagan: No, we do not.

Q283 Mr Hopkins: But the lower rents mean you do not get things done so easily. It suggests that privatisation means higher rents.

Ms Marson: The issue about rents for the local authority is that we are obviously subject to rent policy, and the issues around rent convergence, and subsidy levels would be affected if we made decisions to increase levels more than the formula rate; so it would not end up being beneficial to the authority to try and increase rents above the guidelines, so rents are controlled in effect. There is not an opportunity to just hike them to invest more.

Q284 Mrs Campbell: Vic, did you vote in the ballot? Would you tell us how you voted and why? Did you vote against stock transfer?

Mr Smith: Yes.

Q285 Mrs Campbell: Why did you do that?

Mr Smith: Because the tenants made it quite plain they did not want to leave the City Council, because if they had gone for stock transfer it would have meant a complete transfer out of the City Council.

Q286 Mrs Campbell: But you would have had a rather higher standard of homes.

Mr Smith: They did not care. The Council said, “you will get this; you will get that; you will get new bathrooms and new roofs” and they still voted against it. They made it quite plain to everyone, even the press and even the Government, that they did not want to move. They will not leave the Council; the Council is their umbrella and they will not leave it. If these options come up now, and say one of them was “you have to leave the Council”, they would just tell them, “there is the door”. I am not joking about it.

Q287 Mrs Campbell: No, but that was why you voted, was it?

Mr Smith: No, that is why they voted.

Q288 Mrs Campbell: Why did you vote against it?

Mr Smith: Because I represent the tenants, and what they tell me to do I do.

Q289 Mrs Campbell: So you were not voting for yourself; you were voting as a representative.

Mr Smith: Yes. I was their representative. I belong to the City umbrella. What do they call them? Stock transfer. I belong to the main panel in the City. If I had a question or a question was put to me, I did not answer that question; I went back to the tenant and asked them what they thought about it.

Q290 Mrs Campbell: If the tenants had said to you that they wanted you to vote for stock transfer, you would have done it.

Mr Smith: If they had said “for”, I would have said “for” because it is not my choice. If I was talking for myself I would make my own choice, but it is not my choice; it is their choice; it is the people out there that count.

Q291 Mrs Campbell: But you did have a personal vote as well, did you not?

Mr Smith: Yes.

Q292 Mrs Campbell: Everybody else had a vote and you had a personal vote, and you are saying that you did not want to leave the Council.

Mr Smith: No, I did not want to leave the Council.

Ms Marson: That is the issue. For tenants it is not just the prospect of what the improvements might be—kitchen, bathroom refurbishment, re-roofing and central-heating. That is not the sole basis on which they will make a decision. Many tenants have been with the City Council as their landlord for 30, 40 or 50 years. There is an element of trust there, and of course they have issues over time about service, but there is underneath that a level of trust of the City Council as a service provider that they maybe do not have, especially some of the more elderly tenants, when perhaps in their youth private sector landlords had such a reputation. To them, those things all matter, and it is not just on the improvements that they will make a decision.

Q293 Mrs Campbell: You have used the word “trust”. Would you use the word “security” as well?

Ms Marson: Yes.

Ms Palmer-Fagan: That is what I was about to say. For a lot of people—and I have had an opportunity over the years I have worked here to meet a lot of tenant residents throughout the city—it is about security and safety. Helen is quite right that for a lot of the remaining tenants it has a lot to do with affluence, stability, and so forth. Many of them have been tenants for a long time. People who have the ability to go out there and buy their homes or rent privately and so forth do, but what we have in the main remaining are the tenants that need that safety net and the security or umbrella, as Vic defined, at the Council. It is not only about bricks and mortar for them; it is about the other added issues and added value that goes with being a council tenant.

Q294 Mrs Campbell: What proportion of the electorate voted in the ballot?

Ms Marson: The turnout was about 75%.

Q295 Mrs Campbell: And the percentage for and against?

Ms Marson: It was two to one against, so two-thirds against.

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Q296 Mr Prentice: The report that the independent commission published in December 2002 talked about 80,000 council houses; and you told us a few moments ago that there are now 72,500 in the two years. What happened to all these other houses?

Ms Marson: It is the rate of stock loss through two issues, the right to buy and our own clearance and redevelopment programme.

Q297 Mr Prentice: That is a huge reduction in two years, is it not?

Ms Marson: I was actually reading a report written in 2000 myself last night, and the stock then was 88,000, and that was only four years ago.

Q298 Mr Prentice: Carolyn, you told us that in your area you are part of a housing market renewal area. Have there been many demolitions?

Ms Palmer-Fagan: Yes, there have. We have issues around defective properties, which are houses that are quite a loss to us because obviously the aspirations of many of our tenants is houses for their homes, and also undesirable stock like high-rise. We have just demolished recently an 18-storey block within an estate that was unpopular, and it would have cost us a significant amount to re-invest. When we are in Hodge Hill particularly there is quite a lot of clearance in the five-year programme, and also a lot of land awaiting redevelopment of various different sorts.

Q299 Mr Prentice: So you are going to lose a lot of properties over the next two or three years.

Ms Palmer-Fagan: Yes. Also, when tenants are approached about making a choice on whether to have retention or to move elsewhere, for some reason it just generates people going out and purchasing their homes. It is something around when you go out there and consult around their home, people think, “if I have got the opportunity, let me grab it and secure it for myself” because of the vulnerability of where they will ultimately end up.

Q300 Mr Prentice: I want to come on to the question about how much choice tenants have about where they can move to, but sticking with the ballot for the moment, we know the numbers and percentages, and two-to-one and all that: did you do any geographical breakdown of how people were voting in particular areas, because again, just looking at the independent commission, it talks about some areas having very poor-quality stock, very unpopular, high turnover of occupants, and even goes on to talk about diverse ethnic communities being in danger of becoming concentrated in distinct areas. I just wondered whether you got that result from the ballot and you had analysed it to see if people in the worst areas were voting in a particular way.

Ms Marson: We did do some analysis of the results. I do not have that detail in front of me, you will appreciate, but what I do know about the areas where the vote was highest is that they do not correlate with those areas that you are referring to.

Q301 Mr Prentice: Not the worst.

Ms Marson: No, in general terms the highest vote for stock transfer was in the north of the City, where that would not be the case.

Q302 Mr Prentice: That is interesting.

Ms Marson: That is at a district level. I have not got information about how it rolls out on smaller neighbourhoods—but, no, I do not believe that that is the case.

Q303 Mr Prentice: You told us that perhaps the likely outcome would be partial transfer in this district or community-based scheme that you were talking about earlier. Is a partial transfer not the worst of all worlds, because you would still have the housing department here at Birmingham City Council; things would be duplicated. Would it not be more expensive to go down that road?

Ms Marson: What I was saying was that I expect the outcome to be a mixture of solutions. I think there will be some neighbourhoods where they may well express a preference for partial transfer, but equally there will be some that suggest ALMO or retention with the Council. I am just saying that I think it will be a mixed outcome across the City. If it is a partial transfer, there will not be duplication because the housing ownership and management will transfer to a new service provider.

Q304 Mr Prentice: If you transfer lock stock and barrel, then you do not need a housing department or a director of housing, because the whole shooting match would go over to another provider; but with this partial transfer, you still have to have the infrastructure here in the City Council to manage the remaining properties. It just seems likely that this would be costly.

Ms Marson: If there were a total transfer, as indeed was proposed back in 2002, then we would not have kept the housing department to do anything other than do the strategic housing function. The landlord service, the service of collecting the rent and providing the repairs and maintenance services would have transferred with the stock. The staff may have transferred, and the contractors that provide our maintenance services—their contracts would have transferred to the new organisation as well. There would not have been duplication; it is just that the services and the staff would have followed the stock.

Q305 Mr Prentice: Under the present set-up how easy is it for a tenant to transfer from the south of the City to a better area in the north of the City, for example?

Ms Marson: There are no restrictions on tenants expressing a choice as to where they move to. The factors that will determine whether they are successful in achieving that are an assessment of their housing need—because we operate a needs-based allocation procedure and assess those with the highest need—and availability; so it is supply and demand.

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Q306 Mr Prentice: It is just the old point basis.

Ms Marson: It is like a points system, yes.

Q307 Mr Prentice: Have you looked at some of the alternative systems put forward by the London Borough of Newham for example? We had the housing people in front of us a few months ago, and they operate this choice-based system. Have you had a look at that, and does that have any merit?

Ms Marson: Yes, it does have merit. We have two pilot choice-based letting schemes in Birmingham.

Ms Palmer-Fagan: We have been exploring choice-based lettings.

Q308 Mr Prentice: You had a little pilot system.

Ms Palmer-Fagan: Yes. Vic is quite right; it is on hold at the moment because our priority is obviously inspection, and we have obviously got our homes option appraisal to do. We are trying to do so many things at the same time with all of these priorities, and obviously some things had to go before other things, so when we get through, obviously in the next stages of inspection in our homes options appraisal we will look at the other things that get placed behind that.

Q309 Mr Prentice: I should imagine that with all this, the ballot and everything else, that the tenants in Birmingham are pretty clued-up about options. Is there any pressure from tenants' organisations to go a little bit further than mere pilots and to take on board choice-based letting systems?

Ms Palmer-Fagan: I think there is a pressure from tenants to take on a variety of things that can be demonstrated up and down the country in various different organisations that happened to be good practice that works well and so forth. Again, it is about the balance of resources and whether or not this one size or that size will fit into Birmingham's model and way of doing things. If you use our district as an example in talking about choice and where it will go, we have quite a large geographical area, and at the moment there are echoes because there are two steering groups for CBHOs in our district, and at the moment they are indicating that they want to go in different directions. Some do want the transfer, some want partial transfer; some want to retain; some want to try in little neighbourhoods tenant management organisations and so forth. At the moment the murmurings are that there could potentially be quite a lot of outcomes.

Q310 Mr Prentice: Did you give them a steer at all, because you are a housing professional; or is your role purely reactive, and you just watch and listen to what the tenants have to say to you?

Ms Palmer-Fagan: At the very onset it would be a slight steer. What comes after that—as you rightly said, tenants are getting more and more clued-up. They know about choice and they know what they want and what they want their homes to be and who to be running their homes; and then obviously it is what comes after that.

Ms Marson: Our role is to provide them with the facts on the options and what each of them involve. We have to look, particularly around positive retention of the Council, the best ways to use the investment made available for council housing by the Council. It is about giving people an informed choice, but also—

Q311 Mr Prentice: These are quite difficult issues to get your mind around—private finance initiative and so on—arm's length organisations. Goodness me, you could run seminars on that.

Ms Johal: I am the CBHO development officer of a community-based housing organisation, and I specifically work in the Hodge Hill district, which was chosen as one of the pathfinder areas. You are right, that these initiatives are a mouthful just saying them, let alone explaining them to tenants and people like Vic. In Hodge Hill we were chosen as a pathfinder area very early on in the process and we have been working with tenants now for 12–18 months, looking at various options with them around how to choose to go forward. We have had monthly meetings. We have two steering groups in the area, concentrated around the Shard End area and also the Hodge Hill area. It is through those monthly meetings and the information that we give to tenants that we have managed to dissect what an ALMO is, what the stages are—and through newsletters and various mechanisms.

Q312 Mr Prentice: Who are the people who get involved in this?

Ms Johal: It is people like Vic. Within the district we have a number of housing liaison boards, and they are groups that have been up and running for about 10 years. When Hodge Hill was announced as a pathfinder area, we set up two CBHO groups, and it was mainly those people from the HLBs who were already active tenants who came forward to sit on those steering groups. As a part of that, a further consultation has drawn in other people who would not necessarily have been involved in consultations previously.

Q313 Mr Prentice: This is fascinating stuff. Are these people flexing their muscles now? Carolyn told us that they help select cleaning contracts, and they help to select senior staff. Are they making decisions that perhaps freak you out a bit?

Ms Palmer-Fagan: No. For me it is not difficult because I came from being a tenant, and I made a decision that if you are going to make real decisions and make an organisation move, you need to get inside and be a catalyst in order to bring people on board to make important decisions. They are quite happy that whoever they have got there, whoever is the contractor that is delivering their estate cleaning service, they have a contribution in the end result. If they have a director for housing that is leading housing down whatever path or journey, they had an input into that and a say in the outcome as to who that person is. If we are going to embrace real democracy, this is what democracy is about. Whatever world we reap behind that, it is because we

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wanted to do that. We find the solutions and problem-solving to anything that comes behind that, but first and foremost I am quite happy and would never make a move without knowing that tenants are genuinely part of the decision-making process.

Q314 Mr Prentice: I understand that, but have the activists you have told us about been co-opted into the system so that if the City Council talks about constraints—"we would like to put in new kitchens and bathrooms, but the City Council has financial difficulties"—do they go along with that or do they say "no, the City Council will just have to go back and find some more money" and make demands?

Ms Marson: Different tenants have different opinions, and it is very much down to individuals. I think it would be wrong to generalise in that sort of way because some tenants will have ideologies around local authority service provision, in the same way as politicians or officers might; but other tenants are open to other suggestions.

Q315 Mr Prentice: Are many of the activists (my shorthand) in Defend Council Housing, which is a campaign organisation?

Ms Marson: I could not possibly quantify it. There are obviously people.

Ms Palmer-Fagan: Yes, and using Shard End as an example, this week I could be at a meeting that has been very difficult because it is on the side of Defend Council Housing. At the meeting last night they were saying, "after meeting Keith Hill and the Minister there is only one road we have got to go down at the moment if we want all these aspirational things." People are made aware of what Defend Council Housing is about and can make an informed choice to be there. It can change day by day. It is just like how any other human-being will think day-by-day. One day they will like something and the next day they might not like something. That is the reality of working with tenants on the district. We have to be flexible enough to move with that while still seeing the task ahead.

Q316 Chairman: In relation to involvement in contracts, do they see all the contract specifications and the figures?

Ms Marson: Generally speaking the approach is that—we have recently done some maintenance contracts that tenants have been involved in, and the process there was, for example, that we agree an evaluation model to begin with, which might be 50% price and 50% quality, so the price makes up 50% of the scores. Officers see the prices and evaluate them. Then on the quality element there is normally, particularly where it is a technical specification like a gas contract, if we delegate that to tenants we would have to have our appropriate technical officers who do an evaluation of the proportion of the quality element and then there is a proportion that is for tenants to score. Normally, that is based on the tenant interface of the service, so the quality of customer service, an interview and presentation to the tenants' panel. They are part of an overall evaluation process.

Q317 Chairman: So it is not possible for tenants to say, "I want this contractor; it may cost more but the quality will be higher" because you have in a sense scored that in before you start.

Ms Marson: No, because the result is the outcome of the overall evaluation. It would be possible, for example, for a contractor to win the award of the contract, even though they were not the cheapest, if for example their price was higher but so was their quality markedly higher than others.

Ms Palmer-Fagan: An example of that is that before I came to this job, there was a cleaning contract for the district. The tenants did not want one provider and in the end they went for three providers, and one was not necessarily the cheapest either but they felt that the provider was right for their area because the specification that was provided met the needs.

Q318 Mr Heyes: I want to focus on the impact of this process on the staff, the housing professionals and all those who support them. You have lived through a very long period of uncertainty. You have showed that you are doing a good job to get your star rating up, which is absolutely essential. It is not at all clear where you are going to go, but you have to make decisions quickly and resolve issues, and it seems to me that it is a recipe for making it almost impossible to lead and motivate the staff, and keep people delivering a good job. You have got to show that you are doing a good job in almost impossible circumstances, so talk to us about that aspect.

Ms Marson: Your assessment is absolutely correct, that going back even to the early 1990s and what was then competitive tendering for services, effectively staff bidding for their own work, and then into proposals for stock transfer, and now into option appraisal—it is constantly a climate of change. I guess that is probably true in all organisations, be they commercial or public sector these days. That does pose its challenges to try and keep the morale of staff absolutely focused on service delivery and high quality, when there are inbuilt in that uncertainties and insecurities. That does pose us some difficulties.

Ms Palmer-Fagan: Some of the things we have been doing in the district recently has been about keeping them on board, and the positive aspects of this, because ultimately, whatever comes out of it, if we have a satisfied tenant and resident at the end of the day, that is part of our job done, because we are dealing with a happier customer. It is about keeping them briefed and on board, telling them why we do things, and it is about transparency. Unfortunately, the team I have is not a huge team but it is quite sizable, being 160 staff. It is about getting out there and living and breathing and taking on board their issues and concerns, and trying to resolve them as well as keeping the focus on getting that one star, as you have quite rightly said, and what it means when we do get it. That is an aspiration target for us as well, and an achievable one; and I think people can see that if we can get that, that is the next rung up the ladder. It is those sorts of things that keep us going.

Mr Smith: I want to say how well the staff are doing. I would not say how happy they are!

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Q319 Chairman: Go on!

Ms Palmer-Fagan: We are happy.

Mr Smith: They are a lot better and a lot happier than they were this time last year. In our area they seem to have settled down to their work very well. In fact, I have a report here, the end of year report. Unfortunately I have not brought last year's with me but they have done very well and they have done what the steering group asked them to do. In some places they have passed what the steering group asked them to do quite early in the year. It just shows you the two sets of people, although they are on opposite sides of the wall, can work together if the job is put to them properly and people are ready to explain everything. They can get together and work together.

Q320 Mr Heyes: Vic has almost anticipated my question. I wondered whether, if it is true that managing things like motivation and morale and planning for the future were an issue for you, that fed back into the tenants' view, which, as Vic articulated earlier, is "we want the Council at all costs to carry on managing our housing because we trust them"? Is it beginning to undermine that trust? Is it becoming a self-fulfilling prophesy? "Why should we stay with the Council when they are not doing a very good job for us?" Is there any of that going on?

Ms Marson: I would say that in general the staff does a good job in difficult circumstances for all sorts of reasons—difficult for all sorts of reasons. What did come back through the stock transfer issue was that there was quite a lot of support from tenants for the housing service and the staff that provided that service. Again, it is only one factor in the overall ballot result, and maybe that is part of the issue about why tenants feel that it is not just about bricks and mortar but about who is their landlord—people they know, it is part of the Council. It is that trust and security issue again.

Ms Palmer-Fagan: We cannot forget that the City Council is the biggest employer, employing 50,000 staff, proportionate in the tenants as well.

Mr Smith: When they were going through the stock transfer the tenants who were on the shadow boards and whatever kept asking, "why aren't there any members of the housing staff?" They could not see why—not why they should be at the meeting they knew why they should be there, but why there should not be any members of the housing staff going through the same procedure and knowing the same facts and knowing what the tenants were saying at the meeting—because there was some contradiction between what the staff were being told and what the tenants were actually saying.

Q321 Chairman: Can I just bring you back to the question I asked right at the beginning because in a way I cannot understand why you are not crosser about choice, particularly as housing professionals,

because whatever view we all might take about who should run council housing and who should run social housing in general, the fact that the decision was to be made through this mechanism called "choice" was a problem from the start because it was not a genuine choice, was it? If it was a choice that said "it is the government's policy—not just this Government but the previous government—to have stock transfer; if you do not do it, you will not have the money for 'decent homes'."

Ms Marson: Perhaps what I was trying to say earlier and maybe did not do very well was that it was not choice that I would be cross about. I would say that choice is absolutely the right thing but on a level playing-field. I would be cross about the fact that the finances do not work in a way that makes it a level playing-field. If tenants were expressing choice amongst options on a level playing-field, that to me would be fine because that is about choice.

Chairman: That is what I was really asking you.

Mr Hopkins: Does it not make their decision even more significant that on a non level playing-field, with things stacked against them, they still voted to stay with the Council? Seeing you here today it is quite understandable why they would want to do so.

Q322 Chairman: Or did they score an own goal?

Ms Marson: They are going to be expressing their choice again over the next 18 months all across the City. It is not really possible to anticipate the outcome of that, so we will see.

Q323 Chairman: We have had a very interesting session with you. I know that we have only scratched the surface, but we have got a lot of out of it. We are particularly interested in what you are doing on the tenant involvement side, which we shall certainly pick up on. If there is anything on that which you would like to let us see, we would particularly like to see it to reflect it in what we say about the ways in which local authorities are trying to give people more say over services. You are doing some very interesting and innovative things here.

Ms Palmer-Fagan: If we look at some of our other organisations, they are following public services like local authorities where patients are involved in health, and a variety of things. It is the only way really if you want to deliver a proper and a true service.

Chairman: Democracy works! We had an interesting moment this morning when we went to a school. They have a school council and we asked how they found people to go on the school council. They said: "Oh, well, we used to elect people, but then the pupils asked us to change that because it was only the popular people who were being elected and they were not suitable enough, so we asked the teachers to do it instead." You have given us a clarion call for democracy which has cheered us up again after that. Thank you very much indeed.

Witnesses: **Mr Chris Palmer**, Senior Policy Officer, **Mr Tony Howell**, Strategic Director of Learning and Culture, Birmingham City, and **Mr Tim Boyes**, Head Teacher, Queensbridge School, examined.

Q324 Chairman: We are delighted to have Tim Boyes with us, who we saw informally this morning at his school, Queensbridge. We enjoyed the visit hugely, and have been talking about it ever since. Thank you for coming along this afternoon. Until Tony Howell arrives, we have Chris Palmer, Senior Policy Officer. We would like to continue the discussion that we began informally this morning; then formalise it and think about some of the overarching issues that were involved. What we are trying to get our heads around is this. Everyone now seems to be signed up to the proposition that more choice is a good thing, that it gives more power to people inside public services; that the more we personalise services and the more we can allow people to choose for themselves what they want the better. We would like to explore what that means for a major school system like Birmingham because in our informal discussions this morning we were hearing that this is not without its problems. It might be easier and fairer to start with Chris because we have had a go at the school level already. Can you understand why a head teacher like Tim—and I am not putting words in his mouth—might find choice a bit problematic?

Mr Palmer: I can do indeed. If you are talking about which schools children go to, then in most respects parents and children themselves do not actually have a choice. I do not believe you can simply choose one school over another, in the same way that you choose, say, one mobile phone supplier over another mobile phone provider. That is not the way that it works. They cannot simply choose a grammar school because they want a grammar school, or a Catholic school, or even say a specialist language college just because they want that. That is not the way that the system works. What has been created is a system in which there is a variety of schools, what the Government might call “diversity”, but having a variety of schools does not equate with parents having a choice. When it comes to which school you go to, choice is an illusion rather than reality.

Q325 Chairman: Is it not the case that if you have lots of different kinds of schools, therefore the menu of choice is expanded?

Mr Palmer: You can have lots of different types of schools, but those schools have a particular intake. Sometimes they will make selection by ability, as in the case of a grammar school; at other times they will be accepting pupils because of their geographical proximity to the school—where they live. If, for example, you wanted your child particularly to go to a specialist language college, that may well not be possible because the school is so far away and you simply do not, as a parent, stand a chance of getting your child into that school, even if they are prepared to make a long journey across the city.

Q326 Chairman: In Birmingham is it not something like 85% of parents who do get their first choice?

Mr Palmer: It is 95.59% of parents who can get a school of their choice but it is only about 65% who get their first choice.

Q327 Chairman: The national figure was 85, but Birmingham is lower than that.

Mr Boyes: But when they are making their choices, they have some realism about what is possible, and know that if they make stupid choices they are wasting a valuable strategic choice which is not really a choice.

Q328 Chairman: So in a sense this is not a real expression of choice; it is an expression of condition of choice.

Mr Boyes: Yes.

Q329 Chairman: Even so, the figures are substantial enough to make us think that most people are getting reasonably satisfied. Just this week we had Professor Harry Brighouse, Tim Brighouse’s son, who is a leading educational expert, telling us that he thought a life built around second choices was pretty good, and if people were getting their second choices, that was not a bad thing to get in life. We should not be too sniffy about this, should we?

Mr Palmer: The only point I am trying to make is that when I came to “choose” a school for my son, my choices in practice were very limited, and geographical proximity is a much stronger determinant than most other things.

Q330 Chairman: I am sorry to press you, and I think we are getting into an argument now, but in a city like Birmingham, as in any other big urban area, where you have loads and loads of schools now, of increasingly different types, and people are used now to travelling across the city for all kinds of purposes—leisure and sport—and movement around the city is quite usual, the idea of looking at what is on the menu for secondary schools—potentially people have quite a large range if they can get in. So we have a pattern of distribution that reflects as far as possible what people think they want from a school. That produces consequences: some schools benefit and some schools suffer. Some schools are in high demand and therefore get all the benefits of that; and schools in lower demand get all the disbenefits of that. That, surely, is just what this system does for us? Unless we can think of another system, this is what we are stuck with, is it not?

Mr Palmer: I would like to turn that argument around slightly. I would say that a major strategic task is to make all schools a good choice, to make all schools a good school to go to, so that we do not end up in the situation that David Milliband described before he left the DfES, where the poorest parents in most deprived areas have the worst schools. That is no kind of choice at all. If choice is to be in any sense meaningful, and if the variety of schools is to be in any sense meaningful, it has to be based on all schools delivering good basic education across the board. That is the basis for any kind of choice.

Q331 Chairman: I think everyone would sign up to the proposition that we want every school to be a good school, but that does not help us, does it?

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Mr Palmer: Sometimes the expansion of so-called successful schools and allowing them to grow ever bigger actually works against other schools maintaining high standards. It actually works against other schools doing well.

Q332 Chairman: There is evidence, though, which we have seen, that says the possibility of exit in fact does improve standards in the school that could be exited from.

Mr Palmer: I am not aware of that evidence myself, but I am not doubting it.

Q333 Chairman: But it is not implausible, is it?

Mr Palmer: It is not implausible that you could find a school feeling under pressure and therefore needing to make changes in order to maintain its position in a market place, but it would be my contention that the most successful schools in expanding would also end up taking probably the most able pupils and have the broadest distribution of different types of pupils, ending up with the other schools perceived as less successful, and perceived as less desirable schools to go to, ending up with pupils that other schools did not particularly want.

Q334 Chairman: Looking at Birmingham—and Tim this morning gave us a nice map showing his school and the whole cluster of the city around it, plotting the other schools, which brought all this sharply home—if you could reconfigure the way in which school choice operates in Birmingham to produce consequences that you think might be more desirable than the ones we have now, how do you want to do it?

Mr Palmer: The other point I would want to go on and make—and in this sense it has taken the issue away from the debate about choosing a particular school—is that it is possible to go a lot further towards establishing choice within schools and through the collaboration of a partnership of schools working together. We are reaching a situation where one individual school or college for that matter cannot, in and of itself, meet the full level of demand that real choice in the education system would demand, which implies that schools, colleges and other providers work together collaboratively. In other words, we would lead away from an education system that is driven primarily by supply. I remember that when my child went on to Key Stage 4, he could “choose” his options so-called, but in actual fact he could only choose particular things that a particular school could offer and balance out in school staffing. What we are talking about is creating a system that is led by a demand side rather than by the supply side, because in that way you can begin to develop real choice. What that effectively moves away from is that notion of one child just going to one school, but one child getting an educational offer that is delivered by one, two, three schools, a college and other providers working in partnership. That is the way we have to head if we are going to start achieving real choice in education.

Q335 Chairman: This is the cross-over moment.

Mr Howell: Excuse me.

Q336 Chairman: While you are getting your breath, can I ask Tim if he wants to come in on this point.

Mr Boyes: Chris has very usefully and moderately stated some of what we were talking about this morning. I have to inject a little bit of anger at the assumption that choice is here and choice is a good thing, and what we do to tinker with and cope with the realities of choice, because choice itself perpetuates or exacerbates inequality if there are not checks and measures in a system where people do not have equal power in the choosing. To quote the folk from housing, it is about an unequal playing-field. Because we are working with an unequal playing-field, because the resources of my school do not match the resources of the grammar schools because of the inequality of inputs and history, if you have unbridled choice you are going not only to perpetuate but exacerbate inequality. That means that in Birmingham there are more than 30 schools that have over 76% of their pupils—and I know because I am no.30—in the poorest quintile of society—in that one school put together, with between 30 and 50% of our kids on the Special Needs Register. Schools cannot function like that.

Q337 Chairman: Mr Howell, you understand what we are talking about.

Mr Howell: I do understand.

Q338 Chairman: Let me try this one more time, and then I will bring other colleagues in. Schools live by catchment areas, do they not? That is a curious concept because we have just come from talking to the primary care trust in south Birmingham, and there it is all about how they are going to liberate people from their local suppliers. They are going to have the choice of four or five different providers all over the shop. Is one of the problems that we are attached to this catchment area issue, particularly in urban areas where people travel quite freely? We know that in a sense this is selection by estate agents, and we know that people say there is a 30% cost premium around certain school areas, so you segregate just by social geographical patterns. One way of loosening up the system would be to allow anybody to go anywhere potentially. Would this be a better way of doing it?

Mr Howell: I have had conversations with other civil servants and politicians about this very issue because the reality is that some schools live by catchment areas, particularly primary schools and some secondary schools. People often said to me when I first came to Birmingham, “Why are you going to Birmingham? They have got grammar schools there!” I said: “They have got more than grammar schools; they have faith schools, single-sex schools, comprehensive schools and now specialist schools.” The reality is that the catchment area is only one of the driving forces around choice of school. If you are a Roman Catholic, then the faith criterion takes precedence over others. If you apply and pass the test to go to a grammar school, that takes

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precedence. In fact, we have lots of children travelling significant distances across the city, similar to the London situation, but we do not have separate boroughs. Children do travel for secondary school. That then interacts with the whole issue around catchment areas, because there are also some community schools which are very popular, and it is absolutely right that house-price premium is effective there, to the extent that there are local children that cannot get into a local school. They have to travel, but they are travelling to schools that their parents never expressed a preference for. There are relatively few of those in Birmingham, but there are some. There I think there is a myth about choice because the interaction both with explicit selection for certain schools, and the whole issue about getting into popular schools, which skews the demography of the pupils going to other schools and actually mixes this up in a rather unfair way. We are trying to deal with that by getting schools to work together in collaborations, partly because young people, particularly at secondary age, will have access to a broader range of curricula than they have in any single school; and Mike Tomlinson has acknowledged that no single school can meet all the individual needs of all its children. It is also one of the ways in which we improve schools because people will be happier to go to a local school if the school is good. One of the ways we improve schools in Birmingham is by getting them to collaborate with other schools, and to share staff. The King Edward's Foundation operates some very highly rated schools and I asked them this: "Within our collegiates within collaborative arrangements with our secondary schools, what is to stop six very bright mathematical students in a community school accessing the very high-quality courses in your schools in the King Edward's Foundation?" They said: "Absolutely nothing." Choice is not about the choice of school, it is the choice of courses for the young people, and we are a little bit more fluid about that, because that is what true personalisation entails.

Q339 Mr Prentice: Can boys travel to girls' schools to access those courses?

Mr Howell: Boys can travel to girls' schools once that door has been opened up. For example, one of our very successful girls' schools, which is a community school and a specialist school, now also has boys in the sixth form.

Q340 Mr Prentice: How many single-sex girls' schools open their doors to boys?

Mr Howell: They tend to open their doors to boys only for the sixth form and only when they are offering courses that are appropriate to the boys applying. They do not open their sixth forms up to boys simply to get boys or to keep up numbers, because their views are that they can fill their sixth forms with girls. I was in one last week, and they have done exactly that. There are some boys accessing courses in their sixth form but they do not usually do it in a lot of schools, but that is for a different reason; it is because Muslim parents want their girls to be educated separately.

Q341 Mrs Campbell: I do not detect any great enthusiasm for choice amongst any of you. Tony asked you a question that I would like to ask you in a slightly different way. What effect does choice have on standards overall in the City?

Mr Howell: The way in which choice is operated is skewed because there is not freedom of choice; there is choice for some people. You are familiar with the concept that it is schools that choose pupils or schools that choose parents and not the other way round. That has the effect that successful and popular schools are over-subscribed and continue to perform well, and the result of that is exactly what Tim has been talking about; we end up with some schools with such a skewed population, with children travelling such a distance to get there, that actually for them to recover on their own is quite challenging. Part of the challenge of making all schools good schools is affected by having some idea of choice, because we will always end up with some schools creaming off the highest performing children from primary schools.

Q342 Mrs Campbell: Can I turn that question on its head and ask this: if you were to reduce the ability of some schools to choose their pupils—because we agree that it is schools choosing parents rather than parents choosing schools—what effect would that have on choice? What effect would that have on standards?

Mr Howell: Clearly, it could have the effect on standards that some of the commentaries around the social engineering position of schooling can have on society; that you are controlling the mix of different populations. I do not think we will ever move to a situation where there is no choice, but we have set up a spurious debate about the choice being the choice of school. The choice has to be—and particularly secondary age pupils, 14–19 year olds—about the choice of the right courses. We have some children whose parents successfully choose for them to get into a school, where they become demotivated by the age of 13 and they drop out of school; then they are found a place in a college where they are on a vocational course, and they attend every day and they get vocational qualifications. That is not a result of successful choice of school; that is the result of inappropriate choice of course, and we have to look at the range of offers for young people and work together to provide the range of needs of young people, which are not all exactly the same.

Mr Boyes: Can I offer a little example, which is not one we talked about this morning. In the schools that I have spent my teaching career in, I can think of three schools where we have moved away from the idea of choice for 13/14 year olds because we are using what we know about pupils much more shrewdly to prescribe what is best for those pupils. If we can recognise that that drives up standards, then as a principle it is a useful starting point. We are saying that we have better information on pupils and where they are coming from than ever, and our hearts' desires for those pupils is that we maximise the chances of success for them across the board. We recognise very clearly that pupils that have not got

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anything approaching the national average levels of literacy at Key Stage 3 are not going to do very well in history GCSE.

Q343 Mrs Campbell: Clearly, there are different kinds of choice. There may be choices that drive up standards more effectively than the current system of choices, but again, as Tony suggested, the system we saw in the States amongst the charter schools was that any school that was over-subscribed could not choose its pupils but the decision about which pupils to admit was decided by a lottery. Have you considered that, and do you think that it would be an appropriate method to use in Birmingham?

Mr Howell: We have certainly considered whether there are other ways to get a better distribution of students into a range of schools. I have discussed these issues both with the Prime Minister's delivery unit and with the DfES. Of course, the overriding principles at the moment are school autonomy, so that schools determine their own future; and the other is parental choice. Those two issues mean that there would have to be a radical acceptance that getting a mix of students in schools is good for the school and good for all the students, which it could be; but also there has to be an acknowledgment that different schools do play to different strengths of pupils, and that pupils need different things. Having the collaborations, and the way in which students can have experience, or receive teachers coming into their own school, because that is what some of our collaboratives do—teachers are shared by the group of schools—enable schools to provide a specialist set of courses that otherwise the students would not get. The whole idea that simply moving down the charter school route and still believing that one school can meet all the needs of its pupils would create some difficulties, unless we are willing to redefine the expectations of the National Curriculum for certain age groups, much in the way that Tim has described. Actually, we are dealing with the key skills that young people need for the 21st century rather than a content-driven National Curriculum, which is not necessarily what employers are saying they are wanting and it is not necessarily what the MPs have said they want.

Q344 Mrs Campbell: There are federations of schools within Birmingham. Do you not see any danger that that federation, which may be one super-head controlling a whole lot of other schools, will become much more of a target school, which will affect other schools in the area rather negatively? Do you see that as a possibility?

Mr Howell: That would only be a possibility if we had some federations of schools and some schools which were simply operating on their own.

Q345 Mrs Campbell: Is that not the case?

Mr Howell: The view at the moment is that all schools are in a collaborative network. They are in different stages of development. The schools that

have a harder level of federation, or where we have linked a poorly performing school with a high performing school that has the capacity to help a poorly performing school to improve—that is for a different purpose. The schools that are joined together for collaborative purposes in order to develop curriculum and offer a range of things to students have a very different kind of collaborative function to the ones where you have an executive head teacher who in effect is pulling a school by building on the capacity that is already there in a successful school. One of the characteristics of those federations is that it is much easier to attract teachers, whereas it was very difficult to attract teachers to failing schools. It is very easy to attract teachers to a federation that has a high profile. Then it is very easy to be able to share the expertise across the group of schools to ensure that the areas that need attacking are dealt with, because what Ofsted has noted is that there is very rarely a school that is failing in totality, but it fails in certain parts. That is what federations can do.

Mr Boyes: I mentioned this morning that there are different kinds of collaborations going on, which is interesting. I currently receive an advanced skills teacher from a grammar school; I am working with a Catholic school in the City. I have to say that I differ a little bit from Tony's description, because wherever you in any way create a school that becomes disproportionately powerful in the market place, without checks and balances—and I say this because my catchment is beginning to be affected by the super-head in the federation—then you are skewing the system. My problem is competing in a market place with teachers, and the scarce resources that I have to bid for increasingly. If I do not have the capacity to bid for resources and if I cannot attract those quality teachers, then the 600 young people I am responsible for will suffer because they will end up in a lesser place. That is what I am angry about. I am utterly convinced that the answer is collaboration and that schools which are stronger should help the weaker schools; but we have to have a system which says that a weaker school will not remain a weaker school. Then you have to ask hard questions about how you are going to break through ceilings and equalise things, because as long as I cannot recruit teachers of a quality that are in that school which is offering all those additional opportunities for its staff—I do not want my best six mathematicians to go to the grammar school; I want excellent education and learning happening in my school.

Q346 Mrs Campbell: Can you suggest a way in which you could level the playing-field?

Mr Boyes: Anything that ensures that outstanding teachers are encouraged to work in the most challenging schools. A member of my staff made that point today—"you will see fantastic learning in the most challenging and needy school in the City". That was absolutely spot-on, but they need to be outstanding teachers, and that is a resource question. There needs to be a system. If you are going to give me a school body, with 30%, as I have,

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with special needs, with 76% of my kids coming from very, very deprived families, then I have got to have the resources to give them excellence. That is justice.

Q347 Chairman: It seems to me that we are still trying to deflect the central point here. We have a choice of school system here that is now well established. We can seek to make the consequences of that better by saying we have to have more flexibility and attend to individual learning needs, we have to set up collaborations and do partnerships—but you are not very keen on some of these partnerships if it means taking some of your bright kids out and putting them somewhere else—you would not like to do it. None of that really seems to me to get to the heart of the question, which is that these are all wrestling with the consequences of a choice-based school system. I do not see that we are going to move from that, whether it is desirable or not. That is what we do. What is the obsessive talk amongst virtually every parental household? It is about “where my kid is going to go to school”. It is such a part of the culture, but the idea that somehow we are going to depart from it—this is all valuable stuff, but is it not just all dealing with the by-products of a system that is like it is, and will continue to be like it is?

Mr Howell: For me, it is dealing with the outcomes of a system that is complex. It is not simply the skewing of parents choosing popular schools, it is then overlaid with selective schools and with faith schools, which change the population demographics for a locality as well.

Mr Boyes: And semi-selective foundation schools.

Mr Howell: The whole issue about whether some schools are selecting on aptitude or not again starts to interfere with the system. The reality is that unless there was an absolutely radical shift to saying that we will only have community schools and every child in the country will go to their local school, which would mean there would be more chance of getting a better socio-economic mix in schools, not dissimilar to some of the policies the Americans have tried—bussing by race, bussing by wealth—then maybe we would change that. I do not believe that that will happen. We have to deal with the outcomes of a system where, for historical reasons and through reasons of the historical placement of schools—the reality is that we are looking at building schools for the future across the City. We would not build all the schools where they are right now—they have just grown there, but that is the legacy that we live with. We do have some chances to re-jig building schools for the future, but we do not have the reality of saying “let us wipe everything away and start again”. We are dealing with what we are dealing with, and in that case we are looking for the best possible solution for all our young people. Tim and I have a slight disagreement on this issue because Tim wants the very best for his school and I want the very best for all the young people in Birmingham.

Q348 Mr Heyes: I guess from what you are saying that the LEA plays a real role in making sure that these collaborative networks are in place and

working as successfully as you can make them work—policing, nurturing, supporting and those kinds of things. Say something about how it works.

Mr Howell: It has grown through several different externally funded initiatives, so Excellence in Cities gave some kind of structure to build on the communications network that was already there. Then Leadership Incentive Grants came along, and again because they were universal schemes so that all of our secondary schools were going to be involved, they have become major ways of re-thinking the relationships between schools. It was actually development of the collegiate academies which moved beyond those previous purposes, because those other collaboratives were for a very limited set of purposes. The collegiate academies were to deliver a range of curriculum offers to young people, in line with some of the current developments that are not signalled in the DfES 5-year strategy. It builds on the fact that schools in Birmingham have a history of both valuing the local authority—the comments by head teachers to the Secretary of State were “we like the role our local authority plays; they know what their place is and their role, and we know what ours is, and we get on and make that work”—and nurturing the way of working with each other and supporting each other. People can see mutual benefit in terms of the costs to your own school if you have failing schools on your doorstep—because there are costs in society and in difficulties between schools—but also the professional pride that is taken in supporting schools to do well. A number of our head teachers are not particularly keen on their schools expanding, and they are saying “this is the scale at which we can deliver a service and we do not want to expand, particularly because it will be at the expense of a school in another neighbourhood”. One of the commitments that head teachers have within the city is providing schools where people live.

Q349 Mr Heyes: Does it look like that from the head teachers’ point of view?

Mr Boyes: It does because there is a lot of collaboration and support, and through the energy that is created by Excellence in Cities funding and Leadership Incentive Grants, generally people come together and a lot of muttering from some heads when the grammar schools got the same funding through LIG as other people got; but it did mean they were brought into the collective forum, which has been very helpful. The key for me is that people have to have some shared ownership. One of the most positive things for me, as a deputy, was being part of a collegiate that included a grammar school, where our focus was a geographical area, and we were going to take responsibility for the young people in that area. The more at Key Stage 4, you can create courses, which means I am not losing my six priceless kids to the grammar school, but there is genuine collaboration which means that some of my staff are going to teach some more rewarding, brighter youngsters, which means that there is some *quid pro quo* that is sustainable and will benefit our school community. That makes sense. I spoke to the head teacher of a grammar school from Bury a little

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while ago who told me about some very bright excluded pupils from the community schools ended up doing two weeks in the grammar school and flourished. Sadly, it went nowhere. The issue there is that we do not want crumbs that fall from somebody's table; we want to make sure that those who have more than their share of the cake in terms of social capital as well as financial backing or history, will be brought into equitable partnerships with us.

Q350 Mr Heyes: In this context, you can see the LEA playing that role, but it is a counterweight to the risk of aggressive competition among schools.

Mr Boyes: Yes.

Q351 Mr Heyes: I have some anxiety about the future of LEAs, and I guess you have as well.

Mr Howell: It has been going on for some time.

Q352 Mr Heyes: If you could be increasingly disembowelled—some would say towards extinction. Talk to me about that. It must be in your mind.

Mr Howell: We have spoken about the whole threat to LEAs for some time, and it is interesting that the 5-year strategy makes clear that there is a role for LEAs not least with regard to children's services, and that the local authority should become the champion of young people and families, which we would welcome. I am absolutely sure, having raised it with a few head teachers last week, that they would welcome that too because the collaborative commitment that exists within the schools, significantly in the secondary schools but also within our primary schools, is now self-sustaining; it is the schools that now drive that agenda forward. We help broker new arrangements. We are going through some interesting somersaults at the moment about the LSCs' entry into the collaborative arrangement because the colleges have a critical part to play for certain kinds of course. We help smooth out some of those difficulties. Unless the schools sustain those networks for exactly the right reasons that Tim has raised, which is the range of courses offered to young people, and the opportunities offered to teachers—it gives teachers who might otherwise only be in an 11-16 school the chance to teach post-16 students—and they are committed to that for that whole broader range of reasons—if that means that the local authority can then take a smaller position on some of these things, because our focus is now on every child mattering and the services and the bits where the gap analysis is saying there is not enough support to children with emotional/mental health difficulties, there is not enough clear focus on children looked after by the local authority, then that gives us the capacity to do that. The schools can manage this business. The workforce remodelling agenda in relation to the collaborative groups of schools is that we want to put as much of the workforce that interacts with schools into those collaborative networks. They should be the places where the school improvement service, special needs

services and the behaviour support service are located for the benefit of all people in that neighbourhood, not with me.

Mr Boyes: It does mean that wherever you have a system where somebody can go direct to the DfES and by-pass the LEA, it can skew the whole thing. I have come straight from a meeting from an independent charitable trust, of people who run a school that has applied independently, without the LEA's backing, for academy status.

Q353 Mr Heyes: That is an argument for a statutory basis for the LEA rather than—well, that is probably drifting away from our brief. I just want to raise a different topic with Tim. When we spoke informally this morning you gave us your views on the distorting effects of faith schools in this, but I want the opportunity for you to put that on record because you said some fairly interesting things to us about it.

Mr Boyes: I do not think that we can justify having faith schools for some faith communities and not for others; but faith schools are a huge extra layer of distortion. I spoke as a parent, because I have a child in year 6 who wants to go to a local community—ideally—but local mixed ability co-educational school, and he has a choice between my own school or an over-subscribed Catholic school, which, because of its success, has become predominantly white. In a city like Birmingham, where we desperately need racial harmony and to achieve the difficult process of people really growing up together and understanding one another, we cannot afford to have schools that feed segregation and give us Burnley and Leeds and the horrors of a few summers ago.

Q354 Mr Heyes: My home town is Oldham, and I could not agree more strongly with you. We have, within about 250 yards of each other in the town centre of Oldham an almost entirely white faith school, and an almost entirely Bangladeshi Muslim school—and this is four years after we had riots on the street, in some way derived from that segregation.

Mr Boyes: Absolutely.

Q355 Mr Prentice: On this point, it is difficult to square the circle, is it not; that Muslims have exactly the same rights as separate religious education in all the other faiths, then, two seconds later bemoaning the consequences of this. If I were a Muslim parent and I had read in the paper last week that a single-sex Muslim secondary school in Bradford had the greatest added value of any secondary school in the country, I think I would be arguing for single-sex Muslim schools here in Birmingham. Should we have more single-sex Muslim schools in Birmingham?

Mr Howell: I am lobbied on a regular basis by a whole range of faith groups which use the historical example that we have Roman Catholic schools and indeed we have one Church of England secondary school, a number of Church of England primary

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schools; so therefore why can we not have faith schools for other groups? It is not just Muslims and Sikhs.

Q356 Mr Prentice: No, but we have to grasp the nettle.

Mr Howell: We have to grasp the nettle within one of the other statutory functions of a local authority in making advice to the school organisation committee about the whole system, because one of the issues is that you could create additional faith schools. I am personally not in favour of moving to a totally faith school-based system but the question that I then have to ask is, which schools should we close in order to create faith schools, because at the moment we do not need additional school places. Any developments about further developments of schools have to be planned as a whole system not as a single solution.

Q357 Mr Prentice: We were talking about building schools for the future a few moments ago, and in the old days I remember reading countless articles about removing surplus capacity, and yet we found out this morning in Tim's school that there are 550 pupils there and it has a capacity of about 700. What are you doing about removing surplus capacity?

Mr Howell: We are removing surplus capacity and adding capacity where the demographics say we should do that, because we are not expecting everybody to have to travel across the City to get into a school. We manage the individual school changes on an annual basis, and we are planning over the 12-year strategy of building schools for the future exactly this issue, where part of the discussion we are having with the DfES and head teachers is: what is the optimum size of school; how many schools should we have? This is a chance to re-define our school system, not simply to replace old schools with new schools, which are in the same place and of the same size.

Q358 Mr Prentice: Should good schools be able to expand at the expense of other schools?

Mr Howell: In my view, no.

Q359 Mr Prentice: There should be a cap.

Mr Howell: There should be a strategic plan agreed by a school organisation committee which does not allow the removal of a school from a neighbourhood simply because another school was allowed to grow in an unplanned way, because the additional value that schools bring to communities both through the whole nature of extended schools but actually by being local and providing a local service without insisting on travel arrangements, means that—

Q360 Mr Prentice: So this academy that Tim was telling us about that may draw young people from his catchment area and perhaps take the number of pupils at Queensbridge down from 550 to 450—would you live with that or would you seek to do something about it.

Mr Howell: I am not sure of the details of this arrangement, but when we have heard of developments which that kind of effect on schools, we have opposed them in the public consultation.

Mr Boyes: In response to the point about the success in value-added terms of the Bradford single faith school, if it is a school for Muslim girls, then you have to ask the question alongside what is happening to the boys in that community, and let us look at special needs numbers. I do not know of very many faith-based schools, or Muslim schools in this community, which have outstanding provision for special needs. What you are in danger of doing there is simply creating another version of a system whereby a particular group of people with a particular commitment and a particular cohesion can get what they want for their group, and it is who is left on the outside of that. That is the issue wherever you go. If you look at the successful Catholic school that I work with, it has outstanding practice all the way through it, and their special needs numbers have gone from about 22% down to 5.7%. That is what happens when a school gets successful. I made the point this morning: I feel passionately about the value of drawing on faith-based communities in terms of what the resources and values of those communities can bring into our schools, but it needs to be in a system that does not leave 10 or 15% of kids with acute special needs or behaviour problems, or difficult boys, or families that are not together enough to get their kids into the Muslim school. There is a huge difference between Muslim families who value education so much that they will find the money to pay because they are very often fee-paying, or make that extra commitment to fight for their child to be in this secure community, and the families that are more dysfunctional with children who end up in the poorest neighbourhood community school.

Q361 Mr Prentice: You are quoted in the local paper today talking about educational apartheid in Birmingham, so all this stuff that we have been hearing from you about federations and teachers moving at the end does not make any difference, does it; otherwise you would not use such a phrase, "educational apartheid".

Mr Boyes: Because we are still living in a system that is so significantly distorted by unbridled choice. You asked the question this morning about the significance of the grammar schools. Yes, it is only 8–9% of the secondary population; but half a dozen middle-class, committed, educated families in one year group in my school makes the world of difference.

Q362 Mr Hopkins: I agree so strongly with what has been said by Tim. The problem is that you are dealing with a situation not of your making. The genies were let out of the bottles a long time ago and you are dealing with the consequences. Do you not have a role in explaining to government, and particularly Downing Street, the problems that they are going to create if they continue to promote what they are promoting now, which is a diversity of

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provision, a fragmentation of the system into a whole range of different types of schools, which will produce just what you have got in Birmingham. I may say that there is a spectrum, and in Luton, where I live, which has a similar kind of population to yours, we do not have that. We have state provision and a lot of very similar 11–16 high schools, a sixth form college and a further education college. There are little distortions here and there, but by and large our pattern of provision is as I describe. We do of course have social class differences, and we do have ethnic minority divisions to a certain extent between our schools, but it is nothing like you describe in Birmingham. If you could say to government, “do not do what we have done because it is a mistake”, that would be very helpful to society and to Britain in general.

Mr Howell: I was invited to meet some of the advisors to the Prime Minister’s delivery unit on the topic of choice in education and said exactly the things that we have said here to them on that occasion. We say it on every occasion. Exactly the same message is taken, both by politicians of any party and by the officers who speak to DfES and to Downing Street, which is that we would like not to be where we are, but this is where we are. There are some pragmatic solutions that can make where we

are better. Trying to reverse the clock and go back to a solution that is based on high-quality community schools would take a major shift in Government thinking.

Q363 Chairman: We could go on for a long time, and I would like to—but we cannot. We have identified some territory. Speaking as someone whose children went to a Church of England primary school in England, I remember after doing a whole term of work around the theme of Easter, one night the boys had got a great big folder all about Easter, and I said to him, “Look, Tim, what was Easter all about then?” He said: “Oh, that is when Jesus was cross.” You do wonder about faith schools sometimes! Thank you very much for all that. It was really very valuable. Thank you, Tim, particularly for a really very stimulating session at Queensbridge this morning. We came away bowled over by the school and by the children we met. We were not unimpressed by the head teacher either! Thank you very much.

Mr Howell: I am not at all surprised by your comment about Tim’s school. We have some excellent secondary schools in this City and we have some tremendous head teachers, and Tim is one of them.

Witnesses: **Mr Peter Hay**, Strategic Director, Social Care and Health Directorate, Birmingham City Council, **Mr Graham Urwin**, Chief Executive, **Ms Chris Fearn**, Director of Modernisation & Primary Care, and **Ms Doreen Harrison**, Director, Nursing Therapies & Elderly Service, South Birmingham Primary Care Trust, examined.

Q364 Chairman: We are delighted that you could join us this afternoon. We had an informal discussion this morning about some of the health issues around choice and related matters, and it would be nice to extend that into the social care field. Can you briefly say what you think the increasing emphasis on choice has come to mean in the social care field, and flag up one or two of the areas where this kicks in?

Mr Hay: Thank you, Chairman. I have tried to give you in the paper some very practical examples of the range of choices that we are working with at any point. I will leave the paper with you and will not talk you through it. At the end I outline the outcomes that face people who use social care services. It is different from education and the NHS; it is not a universal service and is one designed to provide specific support for people on the edge of communities, to keep them in our communities. Choice, in terms of people with mental illness—we know that only a quarter of them get employment. We know that there are poor outcomes for children that are looked after in educational attainment, and we know of the difficulties about child poverty facing families with disability. Those are the outcome bits where we have to bring choice to bear on some of those outcomes that we are delivering for some of those people. At the opposite end of the spectrum is the importance of choice in people’s daily lives and how fundamental that can be. One of the biggest

rows as Director of Social Care that I have ever walked into was the one that became known as the “dippy egg” row, with older people in residential care making a very serious stance about the council’s stance in catering terms of “dippy egg” and beef. As a Council catering service, we had applied rules which applied to schools, ie, children, who did not have choice in that sense, to old people’s establishments. People in their late eighties in frail condition were not being allowed soft eggs and they were not being allowed to eat beef. That raises the big question that sometimes it is the choice in daily routine that is really important, and particularly in the case of residential care, when food is really, really important. One of the big issues we are facing now is the right of older people to run a hot bath at any time of day or night when they are in care, and what that means in terms of regulation. At night it is an issue of staffing levels, which is where the regulator comes in; but there is also people’s right to be independent. The whole issue particularly around adults is, “whose risk is it anyway, and who is taking the choice about risk?” We have a community with growing numbers of older people, and clearly growing areas of challenge around that such as dementia, so the issue of risk and how much risk is tolerable to take in making decisions about one’s life are critical. That is one that we struggle with on a day-to-day basis, and clearly there are bigger implications around that whole issue, as I have

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outlined. Choice is linked to the whole concept of trying to empower people to be part of our society and to be part of social inclusion. There is the work we have done with carers, aligning all our expenditure around their wishes and needs and choices about how that money is used, as well as the work we have done with young people in care, where they have designed and run a service about bullying, because they have identified that as a big issue. People's choices in running and designing services are quite critical. I have talked a little bit about choice in the shape and provision of services, with direct payments being obviously a major issue. We have moved significant numbers of people into direct payments this year, which we are very proud of, and we are also very proud of the way in which we have tried to ensure equality of access to that from all communities. It is not just one way of working. Finally, the take on choice for us is how we fit it around new ways of thinking about choice. I know that the adult green paper is still eagerly awaited, and I have put a reference in to a scheme that we are working on at the moment which sees the value of a care package in cost terms being shared with carers, and giving some choice about the services that are deployed. Those are very extensive issues. All of that fits with the tensions between individual choice, and—a bit like schools but slightly different—where individual choice begins and ends, and what that means. If direct payments mean that ten people withdraw from a service aimed for 40, what does that mean for the remaining 30? Does it affect economic viability of running a particular service? Those are the kinds of things we wrestle with in how we plan and shape services. That said, our experience is that people know also the limits of choice. We have been doing some work today with parents of children with disability, and one of the things they are immensely responsive to is if we say, “the limit of the resources we have is X; we can do what we like within X”. That works quite well. Sometimes we are frightened to put parameters on the table, but when we do we find how amazingly keen people are to work within those parameters and to help make the choices. That is a different way of working than perhaps traditional approaches in local government and planning.

Q365 Chairman: In our discussions we have been tossing around an idea as to whether choice is a means or an end; that is to say, is it a value in itself because people should have choice over their lives, or is it just a useful tool to produce improvements in services? Do you see choice as something that is so important to people that they ought to exercise it? We asked this of the PCT this morning, and they said people are that not much fussed about choice; all they want is to know that the services or any other public body provides are good services whether or not choice is an ingredient. Is it a bit of your toolkit that enables you to lever up quality, or do you think it is important in itself so that you have to deliver it, irrespective of the consequences it might have?

Mr Hay: Experience would suggest that choice is meaningful when it is about levering up quality. A choice between two things of poor quality is not really a choice. It is about how it fits with driving quality. Our general experience is that people are not that fussed on who the provider is. The choice of provider is not as important as the choice of fit to that person.

Q366 Chairman: We have heard a quite different story, talking about council housing.

Mr Hay: Absolutely.

Q367 Chairman: They told us that the reason the council tenants voted to stay with the Council, irrespective of the fact that it was not in their housing interests to do so was because it did matter to them who the provider was, so I am not sure that we are entirely persuaded of that.

Mr Hay: No, and perhaps it ranges from different sectors, but it is the quality of the service being offered, and particularly in social care where it is not that universal fit. It is something you come into contact with at a particular stage in your life. It is what we provide and what you think about that service as you get it. Clearly for us a big issue is anticipating what choice might be. A big issue in this city is the future of our residential care for older people, where the clear message to us is that that is not a choice people will want to be taking in the kind of numbers that they are now and would want to exercise the choice to live at home for longer. Part of our work is to have a range of services that will enable people to make, or be in line with choices people will make, at the point they get there, because to some extent we are anticipating that now. We will move the shape of services to be in line with a generation of older people that are going to be more consumer orientated than people who are in our care at present.

Q368 Mr Prentice: I just wonder how many elderly people want to run a bath in the middle of the night.

Mr Hay: Believe it or not it has come up as an issue with the regulator. It was about somebody who was feeling discomfort and ran a bath for comfort, and it was about their ability to do that and whether they should be allowed to do it.

Q369 Mr Prentice: I ask the question because in your paper you say “social care is a rationed service” and choice requires spare capacity and additional resources. The fascinating thing you said is that people are prepared to work within parameters. If you tell them the choice will be constrained, amazingly they accept that.

Mr Hay: I put that in there because essentially we are set up by legislation to accept the criteria for assessment linked to resources. Clearly, we are resource constrained. Ultimately, the Council puts a sum of money aside and that is what we have to work to. There is a level of need in the community, which at some levels you could almost say is infinite, and where you draw the line is a choice element made in local government but increasingly in consultation

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with local people in a whole range of ways, as well as about the electoral mechanisms. Then, working within those choices where we recognise the resource constraints, we decide how to use it best. For example, in relation to parents with children with disabilities, we have at the moment six units that provide residential care. Perhaps that is the wrong balance of resources; perhaps we could use slightly less and use more in communities. Would that provide a stronger range of support or a weaker range of support?

Q370 Mr Prentice: To what extent do people engage positively in those kinds of debates? When you tell us people are prepared to work within the parameters, and there are resource constraints, are the parents of a severely disabled young person prepared to go along with what you consider to be the appropriate level of resources?

Mr Hay: Not always, and clearly they can take that into a political dimension as well. Clarity in discussions about what we have and what we can work within and—

Q371 Mr Prentice: It is just that there are cynics out there who say choice is only meaningful if it can be exercised, and just to have a discussion about possibilities without anything happening on the ground could leave people feeling cynical.

Mr Hay: That is absolutely right. In setting up those arrangements, as an authority you have to be clear that you are going to follow that through. That is why I mentioned service design with people because you have to follow through, otherwise it is a talking shop, and that in itself creates frustration and anger.

Q372 Mr Prentice: What about people who are confused about the choices? You mention in your paper the mentally ill and we heard this morning about that. To what extent is choice meaningful or does it confuse mentally ill people?

Mr Hay: A clear part of the remit on social care is dealing with people who have no choice, whether that is mental illness or people who have complete mental incapacity and guardianship. The issues in those areas are how you demonstrate what you have done to best effect, and where you have taken choice away and how you have done that. It is also back to being clear on an individual basis what elements of choice you are removing and what elements you are giving back, because we also want people to re-integrate into the community at some point in the future. Clearly, that is an individual tool, but there are significant challenges for us within that and that will pose a whole range of other risks and dimensions alongside that, which are increasingly difficult for us to manage.

Q373 Mrs Campbell: Can I come back to our friends from the PCT. You call yourselves the “listening PCT”, and this Committee is inquiring into choice and voice in public services. Can you tell us the ways in which the health voice networks operate have made a difference to the care you provide?

Ms Harrison: Do you mean the way we consult with users?

Q374 Mrs Campbell: No, I mean what practical difference has consultation made to what you provide.

Ms Harrison: It has made a significant difference, I would say. We consult regularly with service users and the wider public, and that then influences the way we develop our strategic thinking and commissioning of services. In terms of service provision, we do very regular satisfaction surveys, focus groups and patient forums with our service users, and we have made quite a lot of significant improvements in the services as a direct result of people saying “we would like things to be done this way, rather than this way”. I feel we could demonstrate quite clearly in many areas where we have had significant change.

Q375 Mrs Campbell: Do you want to give us one or two practical examples?

Ms Harrison: In terms of satisfaction surveys, if you think about people, and older people’s services, they make choices about times of meals and the kind of meals they want to eat, the times they want to go to bed and get up. As a result of that, we have introduced a protective mealtimes policy so that doctors and other people cannot go in and say “we want to examine you now” in the middle of their dinner. That may seem quite trivial, but that is about exercising choice in your daily life. On things like, “are your spiritual and psychological needs being met?”—“no, we spend long, boring days waiting for the physiotherapist to come”. We have set up activity programmes that are meaningful and age-appropriate for those people so that the time passes more quickly. That is a small way we have changed things. Graham has just whispered to me about a programme we are doing. We are looking at different ways in which different groups can be empowered, and one of the areas we are looking at is people with particular conditions being given some—using the expertise they have developed over the years, because if you have a long-term condition you develop expertise on how you handle that. It is about sharing that with other sufferers with the same illness in order that they may be able to manage their disease process better and have a better quality of life. A good example of that which I can give you is the Breathe Easy Group, for people with chronic chest conditions. It is a self-help group. They go through an exercise programme because people with chronic breathing difficulties tend to sit around because they are frightened because they get short of breath on the slightest exertion. If we can gradually increase their level of exercise, that gives a significant improvement to the quality of life. That means that somebody who sat at home and could not do anything can start to go out for a period and do things to improve the quality of life.

Mr Urwin: I think that reflects on some of our more focused initiatives. We described a process to you this morning where we engage in a whole range of activities, where we invite people to meet with us,

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which gives us an opportunity to do a number of things. We can ask them their views on very specific subjects but we can also engage with them more generally. At all of those sessions where we have invited people to come and talk to us, we have had a range of other activities going on as well. We have a range of services that puts health back into individuals' hands and gives them choice. The first choice people should have is choice about their lifestyle. All the choices we offer about the way our services are run and delivered become secondary to empowering people in the first instance to make a choice about their lifestyle.

Q376 Mrs Campbell: Can I ask you about two groups that are often quite difficult to consult, elderly people who are at home who find it difficult to come to consultation meetings, and ethnic minority groups where there might be a language barrier. Do you make any special efforts to reach out to those people?

Mr Urwin: Every document that we produce inside its cover has a very short statement in all the major languages that we know to be used within Birmingham. We do not produce all of our documents in a number of languages, but effectively we have a message there which invites people to contact us, and we will arrange a document to be produced in an appropriate language or for a specific interpretation service. It is also important to say that four PCTs in Birmingham jointly fund a project called the Birmingham Integrated Language Translation Service, which means that if anybody presents for interaction with the Health Service—and this is at a point when somebody is diagnosed, or they suspect something is wrong—we will arrange for an interpreter to be available within that service so that we can make sure the message is appropriately communicated. In some regards we know that it is not appropriate to have a family member interpret, especially where we have communities of Bangladeshi Muslim women where the translation is done by a child or a male family member, so it is very important that we offer those services in a range of ways. I would be the first to say, though, that when we described to you this morning the public consultation events, these are events where the invitations went out with local free newspapers through the front door of every home within our patch, but we are the first to acknowledge that the people who become engaged with us are those who at that point in time want to become engaged with us. We have to do an awful lot more to engage prospectively with people who we do not engage with at present. Once people start to access the services, we are very, very good at breaking down the barriers for them, to make sure that there are interpreting services and culturally appropriate services. What we sometimes do not do is reach out to those communities in a prospective way, and that is something that will be a big challenge to us over the coming years. When you talked about those hard-to-reach groups and choice, I thought you were going to ask me something different, so I would quite like to answer the question I thought you might have

been going to ask! I told you this morning that we provide learning disability services across the city, and we have 1,000 staff working in those areas. We are continually working on the Valuing People Programme that effectively allows them to make more choices about the circumstances they are in. Maybe they do not have a choice about where they live for example, but increasingly we are involving users and carers in the interviews of the staff we employ. Indeed, we do not employ staff now to work in residential care homes, for people with learning disability or nursing homes for learning disability, unless we have engaged the patients or the service users in that process. That enables them to have choices over their lives which may be constrained choices but nevertheless they are being valued as individuals and giving them more say in how their lives are managed and run.

Q377 Mr Hopkins: Can I return to long-term care and choices in care because I am very dubious about the genuineness of this apparent choice. In my own local authority some seven years ago, the local authority chose to close a care home. I took up this issue with the local councils—against the then Labour council. Some of the local councillors were passionate about keeping this care home open and wanted it to stay as a local authority home and not become a private care home. The arguments the local authority came back with were that people wanted to stay in their own homes. Fine, care in the community and all that—and secondly they wanted if possible to move into sheltered housing. That again is fine, but we are talking about people for whom sheltered housing was not really possible and families who might be uncomfortable about the possibility of looking after an elderly and frail relative. I had a long discussion with the assistant director of social services in private and we went through all the arguments. In the end he said to me, “it is about money”. I said: “Ah, so you are restricting choice because of money” and he said: “It is obvious, isn't it? Private care homes are non trade union; they work longer hours, they have shorter holidays and all this saves us money, whereas if we employ properly trained staff in our care homes with proper holidays and pay, with trade union membership, it costs more.” I said: “Ah, that is what it is all about!” The officer was moving jobs and left about two weeks later, so you could say that he did not care any more and he was burning his boats locally. What he was doing was restricting choice in care. That process has continued. Another restriction on care is that the Government refuses to provide free personal care for people in long-term care unless they are extreme cases, and they are provided then with medical care not personal care. Families are having to sell granny's home, lose what little equity there is in the family, to pay for long-term personal care. That means perhaps that these families try their best to keep granny at home as long as possible to avoid having to put them into a home, as they would see it, and losing the equity in the house. It is never said—it is unspoken—but these factors restrict choice. Do you not think that the

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Government, if it were really serious about choice, should provide local authority homes, if that is what people choose, or free personal care, so that there is no constraint on them living in the residence of their choice, and particularly involving the families? That is a long question, but that is the reality, certainly where I live.

Mr Hay: I will take that in two halves, the first point being around closure of residential homes. That is an issue that has quite a history here in this city, as we have 29 of our own homes still, and we have spent 13 years in various guises dealing with what we are going to do about them. There is quite a salutary issue in relation to choice about that. It is a matter of public record that some of our 29 are in extremely bad condition and are very close to not meeting regulatory standards. I have taken it upon myself, as part of my duties, to see what it is like at the front end, and we went into one that is particularly poor. The quality of care was fine. The building reflects years of under-investment. What was quite interesting was that the overwhelming voice of the people in the service was, "if you had lived in what I lived in in the 1930s this does not really shake on it." The physical condition of the building was not an issue for them. In 20 years' time, physical conditions for the next generation will be a very different issue, and some of our choice is to keep up the standards and expectations. I thought it was an interesting question back because often we hear that one of the reasons for closures is the quality of the building, and one of the big voices back was that that was not an issue for them. There is of course—and it is an important issue particularly for current generations—a kind of psychological contract about local authorities and standards. There is an issue about trust in private sector care, and we have to be honest and identify that. There is something about the welfare contract, if you like, that is there particularly for older people and for a whole range of vulnerable people. It is an issue as much for the older parents of a young adult with learning disabilities who know they are facing death at some point and want to know who will pick up the care of this young adult as it is for older people. It is an important issue. In the closure debate, not only are there issues about the cost of running homes but there is also obviously the difference in benefit, which means that even without the cost differential it is £100 per week more being a local authority home than a private home, and if you factor in the costs of labour and all the rest of it you can see the difference. So if we are talking about running a rationed service, there are clearly issues of efficiency that affect that, and it has not always been transparent in relation to those issues. The position that we have reached is that we have to honour where we are with current people and build an alternative alongside that. We have moved from the debate that closure is the only option, which has not been deliverable because of that level of protest and concern, to building something up and then moving in to that arrangement. That is how we have handled the care home issue because it is still a live issue for us. It is a complex position to be in, but it is slightly different to the "all or nothing" bust closure.

Mr Urwin: There seemed to be a presumption in the question that the alternative to local authority provision was for-profit provision, when actually we have a very viable mixed economy here where a number of housing associations, which have roots in their local communities and are in some instances faith-specific, expand their remit; and they offer a range of services where they also offer care homes and staff recruitment. I would not want us to feel that the only alternative to local authority provision is provision by the for-profit sector. There are a number of other statutory not-for-profit providers in this market and we have a very diverse mixed economy in operation.

Q378 Mr Hopkins: People are fearful of losing that little bit of equity. For working-class families, granny and granddad bought their little terraced house after years of struggle. It is the only bit of equity in the family, and now that is threatened by looking after granny because the government will not provide free long-term care. It is free in Scotland but not in England.

Mr Hay: Again, that is a policy choice, and we work within policy choices. Those with equity of course increasingly now are extremely well advised and we also find that those for whom that policy has been devised, ie, those with great resources, tend to have taken tax advantages some years ago and that money is untouchable, so it is building in an equity, and it is the whole issue of choice and equity that comes back consistently around that. Equally, it has created a degree of reticence on the part of older people, particularly where money is such an issue as you have referred to, about coming forward at an early stage for preventative type services. There is a fear element that is not always helpful, and it is how you can get over some of those issues and create more care at home. That is partly what is driving the issue about people wanting to stay at home for longer. It also comes down to the choice society makes about where to put the resources. At the moment the cost of care in the community, particularly for older people, is borne by the individuals and the families.

Q379 Mr Prentice: Chris, you told us earlier today that fortunately there are open lists in South Birmingham, or open practice lists. On the key question of patient choice in relation to the GP, what does that mean in practice? How much choice does the patient have?

Ms Fearn: Until the new GP contract came in last April, people could go to the door of a GP practice and for no very good reason be turned away on the grounds that that practice could not take anybody else on its list that day, but the next day it might decide differently on the basis of a number of issues. I would like to think that that was not happening wholesale, but there were elements of that. The new contract states that you cannot do that any more. The rules have changed and you have to categorically declare publicly that you are either open or closed, and if you are closed the PCT has to approve that closure, and it has to have approved it

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for very good reasons, which are detailed in the contract guidance. At the moment we have a small number of practices that are without doubt under pressure for a variety of reasons and will no doubt be coming forward at some point to discuss closure with us, possibly on a temporary basis. We will look at those cases individually. It the main, all are open at the moment, so if a patient applies to a practice and that practice turns them down, they are within their right to come to us and complain, and we will have to follow that up, and we will follow that up immediately on the grounds that that is not legitimate, without good reason. The doctor has to give good reason, and that guidance is detailed in the contract.

Q380 Mr Prentice: In this era, where choice is the new mantra and patients are becoming empowered, how are the GPs responding to this, if patients say “I would like to take you through alternative courses of treatment” and demanding of the GP that they give time to discuss this with the patient? Is this happening on the ground?

Ms Fearn: To be honest with you, it is early days. There are some concerns amongst general practice that their own ability to flex their opening lists around workload, loss of staff, particular crises in the practice, has now gone, and they are now beholden to us to approve decisions with them, which they think is overly bureaucratic. In the main, so far, we have not seen that.

Q381 Mr Prentice: They are not making unreasonable demands of GPs because the PCT has these health voice networks we have heard about earlier, and patients may be waking up to the fact that they expect more from the GP than a prescription.

Ms Fearn: There is an increasingly empowered patient in South Birmingham, without a doubt, but it is very early days. It is difficult for us to measure that at the moment, if I am honest. We see that in the feedback we get within these small health voice networks where we have a set of people who come from the local community and who we hope will be able to work with us on a long-term basis to reflect back some of their concerns. In discussions we had today, the fact that GPs are now required to provide a ten-minute consultation—

Q382 Mr Prentice: That is what I give my constituents!

Ms Fearn: It might not seem very much but a two-minute consultation is fairly challenging in terms of patients being able to get a lot out of the system, and the promotion of a ten-minute consultation, and that being a contractual obligation, is an empowering thing. As Graham said, we have to make sure that patients understand and are able to articulate that in practices. We have teams now working with each locality of about 16 practices on some of these particularly challenging elements of the contract.

Q383 Mr Prentice: I asked the question because we have the BMA submission, and the BMA seems timid about a lot of the choice agenda. I wanted to ask about the involvement of the private sector. The BMA told us that choice and capacity must be considered hand-in-hand, and at present increasing capacity seems to be synonymous with commissioning private sector involvement. The BMA wishes to see investment to create additional capacity being concentrated on the NHS. To what extent are you being forced to involve the private sector as part of this choice agenda that the Government is asking you to embrace?

Mr Urwin: It is Department of Health policy, and the Prime Minister I believe has made recent statements on this. By 2008–09 we are expected to commission about 8% of our planned work from the private sector. That does a number of things. It introduces some innovation, and some of the levers that are associated with choice, and then perhaps go on to the levers for quality and efficiency and value for money in the future. To deliver that level of entry to the markets, there has to be some protection to allow the private sector providers to enter that market place in the first instance. We cannot realistically ask them to set up a new facility, and patients might or might not come; and that is a particular challenge for us. When you look at the impact of this on different parts of the NHS it is quite interesting. In South Birmingham we are already achieving far better than the NHS current standards for access to services, so nationally people are expected to have their planned operations within nine months but if you live in South Birmingham you get them within six months. Nationally, people would expect to see a specialist for an out-patient consultation within 17 weeks but in Birmingham you get that within 13 weeks. We have not introduced in the past private sector capacity to enable us to deliver Government targets, so we now feel, because this is Department of Health policy, that we have a challenge in catching up. There is not sufficient growth money in the system for us to purchase this private sector capacity from new monies that come into the system, so we will have no choice but to look at opportunities for substitution, to look at work that is currently carried out within the NHS being placed within the private sector.

Q384 Mr Prentice: This is perverse, is it not?

Mr Urwin: The observations I made to you about market entry and protection for market entry in the first instance—ultimately patient choice will determine this because ultimately for all common conditions we need to give patients, from next year, starting with cataracts and orthopaedics, which will eventually build up for all common conditions, choice of up to four or five different providers where they can receive their treatment. One of those will be a private sector provider.

Q385 Mr Prentice: This contract will be for a given period, say five years.

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Mr Urwin: What we know is that the contracts for the first wave of independent sector treatment centres, of which we do not have any in Birmingham, were let for five years, and they were let on the basis of a guaranteed income flow. The procurement exercise is not concluded for this next round yet.

Q386 Mr Prentice: But you could be guaranteeing the income of these private sector providers, even although you are not sending patients to them for treatment.

Mr Urwin: That could happen in the short term.

Q387 Chairman: I would like to pick up on a couple of things with you. We have been trying during the inquiry to get a sense of concrete examples where choice mechanisms work, and one of them that is always cited is direct payments. We have taken no direct evidence in fact from anybody on direct payments along the way. Can you quickly tell us exactly how the direct payment system is working? I know the principle of it which is that you give them the money and they buy the service, rather than you simply providing the service, and that is choice. Is it like that? Has it changed the terms of trade? Are there problems associated with it? Just give us a snapshot.

Mr Hay: A good case example is people, particularly with physical disability, instead of receiving a service where we send in our own carers to get them out of bed and get them on their way to work, roughly at a point in the morning between seven and nine, by direct payments they take on the employment of their own home carer. They appoint, select and then recruit who they want to do it. I remember very clearly the person I have in mind saying to us, "if you are going to wipe my bottom, I am going to choose who you are". Previously they took who came in through the door at the time. They can say, "I will not be there at such and such a time because I want to be away at half eight." They can guarantee the time, as part of the contractual terms, as opposed to being at the mercy of the local authority and the priorities facing the service that morning. Equally, they can say, "I want something far more imaginative, and I want to go and use the swimming pool, and I want someone to take me to the swimming pool, rather than having another hour here", so adding in to the package. There are problems with it. The bulk of what we have done is with third-party assistance, so we use an independent voluntary sector agency to do all the pay and rations work, because most people do not want to take on payroll and VAT, and it can be done through a third party. There are still some bumps in the carpet that we are ironing out, and if you buy back home care from the local authority, then you buy it back at more than I paid for it. We have some ironing out of things like that still on hand. There is still a debate about improving that. That said, the concept of being more in charge—I am not sure it is necessarily choice, but certainly control is the important bit. Most users talk about being more in

control of the arrangements in their lives than making a choice, because most of them would choose not to be in that situation.

Q388 Chairman: That is very helpful. Related to that, in your paper and also in what you said to us in your presentation this morning, you added in this notion of supporting people to make choices. That is quite important it seems to me for the direct payment system, and you have explained how it works. The evidence coming out of choice systems is that they work better if people have people to help them make the choices. How are you thinking about the whole business of supporting people to make choices—the advocacy role—and how integral that is to your choice agenda generally.

Mr Urwin: It is all very well having this wonderful concept that says whilst you are sitting with your GP you have described what is wrong with you, and the GP says "you need to go and see a specialist" and he turns his computer screen round and you look at it together and book your appointment with the specialist there and then; but it is pretty unrealistic. If I am told I have to go and see the specialist, I might want to go home and discuss it with my family before I choose where and when I want to go. It is also unrealistic to say that it would be the best use of a GP's time to carry out that function. We envisage a range of what we could call clinical assessment centres, where effectively a GP has made a decision and he will then say to the individual, "phone this number tomorrow and they can take you through it in more detail and help you make their choice and book your appointment for you; or go to this clinical assessment centre and we can do a further diagnosis; and when we have that we can move on and make that choice together." Then we will talk about using a range of advocacy and nursing and other healthcare skills to assess the patient; so we do not focus all of this around the scarce resource of the GP.

Mr Hay: You are absolutely right to bring it back to the basic advocacy. All people in our inner city homes have an individual advocate, and it is part of the debate in talking about their future. That is an important issue in being able to make a choice and in being well guided in doing that. Equally, in direct payments, one of the reasons for the growth is that we have put a lot of work into what we call a direct payment forum where you can talk to us directly in question and answer style about direct payments, you hear from other people using them—the good, the bad and the ugly. That means that people make a well-informed and rounded choice, and they also feel they have a place to come back to if they choose to put their toe in the water. I tried to make the point in the paper that we must not forget the importance of good, basic information, from the very point at which you contact services like ours all the way through, and part of making the choice is knowing the full range of what is available and what that means. Historically we do not put good resources into information because we see it as froth and

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bubble, whereas diversion of resources—and that is a really important issue about getting the basics right on which you build informed choice.

Q389 Chairman: People still trust professionals, do they not? They trust them more than they trust people like us—I do not mean you!

Mr Hay: We could not possibly comment!

Q390 Chairman: This raises all kinds of issues, does it not? If I get on to a bus, I do not say to the bus driver, “where should I go?” because I just want to go somewhere on the bus. I am quite likely to say to a doctor, “tell me what to do; what do you think?” He has his list of clinicians and places I might go. I am more than likely to say, “what would you do?”

Mr Urwin: The important point I made is that I described it as a clinical assessment centre; I am talking about a facility that will be staffed by professional clinicians. It will not always be with your family GP that perhaps you make a difference because there is the practicality of delivering that, but there will be GPs, nurses and advanced nurse practitioners and other specialists.

Mr Hay: At points in your life, you do not want to be confronted with an overwhelming choice. Sometimes we are dealing with people in extreme crisis. We went to a house of a young man in his early thirties who had become disabled as the result of a very serious car accident. He did not want to make any choices. He said, “when it came to designing my new house, I did not want to play”. He grudgingly went with it and was discharged from the regional centre to that house. The house has actually been a major part of him rebuilding his life, and he is now at university, because it was designed in a way that did not stigmatise him. There was the classic story of the postman knocking on the door having been delivering there for about three months, and he answered the door in his wheelchair, and the postman said, “I did not know somebody with a

disability lived here.” That is what we set out to achieve, but at the time of making the choice he was in a crisis and did not want to make some of those choices. Some of it is trust, and sometimes you have to carry people through those, but building up to the point where they assume that full control.

Ms Fearn: Some of it is also about the sort of issues that people are being asked to make choices about. If you were diagnosed with cancer, or you need a very minor procedure done in a local hospital, the issues around how you might want to make deliberations about choices available to you are different. A lot of the early work on choice is done around heart surgery. We learnt a lot from people willing to travel internationally or anywhere across this country to get care done quickly because they thought they were going to die. The issue with cancer is that people want to feel they are with the best surgeon who provides the best possible chance of survival. Choices are also about the particular impact on your life at that point.

Chairman: Sure, and it brings out the relationships that are needed between service users, professional managers and professional clinicians in this case. It requires them to have skills and relational skills that many of them have not had to have. All parties have to learn new ways of doing this, have they not, once we stop providing services in a traditional top-down, provider-knows-best, way? It is a challenge for all of us. We will have to stop now. I cannot thank you enough for your time this afternoon. I thank the PCT people because you have had two lots today, which is more than you should be expected to put up with. We are very, very grateful for seeing us this morning and coming back and talking to us more formally this afternoon. We have learnt a lot from it. Certainly today in Birmingham has been hugely valuable to us in matching some of the things we have been thinking about, through talking directly to providers on the ground. Thank you very much indeed, and we thank Birmingham generally for its hospitality.

Thursday 20 January 2005

Members present:

Tony Wright, in the Chair

Mr David Heyes
Mr Kelvin Hopkins

Mr Ian Liddell-Grainger
Mr Gordon Prentice

Joint memorandum from Minister of State (Health) at the Department of Health; Minister of State for Local and Regional Government; and Minister of State for School Standards (CVP 24)

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

EXECUTIVE SUMMARY

1. The joint memorandum gives current examples of the application of user choice in public services, and provides an argument and supporting evidence for giving more choice to users.

Conclusion

2. User choice is an effective instrument for promoting quality, responsiveness, efficiency and equity in public services. It is in many cases more effective than alternatives, such as voice mechanisms. However, it should not be assumed that extending user choice is an option for all public services, or that it is the principal determinant of reform.

3. There are also some reasonably stringent conditions that have to be met if choice is to achieve the aims of government policy. Good policy design is the key to extending user choice; undertaking such design is a key task of the current Government.

The case for user choice

4. The different dimensions of choice include choice of provider, professional, service, timing and access channel. Often the arguments centre around choice of provider but it is important to remember that choice can be offered to the user through any or a combination of these dimensions.

5. Extending user choice can be justified on four grounds:

(i) It's what users want

There is substantial evidence that users of public services in the UK desire increased choice. And contrary to popular argument, there is emerging evidence that lower socio-economic groups show the strongest support for choice.

(ii) It provides incentives for quality, responsiveness and efficiency

For providers or services which are not chosen, there is a strong incentive to raise the quality of the service, to increase responsiveness to users needs, and to use resources more efficiently. Where choice is not available, users are reliant upon a combination of the goodwill of provider, voice mechanisms such as complaints and public consultations, and centrally driven performance management. None of these is reliable in ensuring high standards and customer focus throughout public services. It is not sufficient to put faith solely in the public service ethos in professionals, which although present, is not universal or overriding. Voice mechanisms are often difficult to mobilise, underused and ineffective.

At the same time, it must be noted that choice of provider is not always practical, and other types of choice and voice mechanisms will continue to play an important role in improving services.

(iii) It promotes equity

It is not clear that choice will disadvantage the poor and unconfident any more than non-choice of voice systems. The evidence from the UK and abroad does not suggest that extending choice to poorer service users results in 'bad' choices. However, it is important to ensure that alongside the offer of choice, help is extended in areas such as transport, information and advice.

The problem of cream-skimming (selecting the best or lowest cost users) is likely to be significant, particularly in education. To some extent, inequity in choice is caused by restrictions in supply eg parents' choice of schools. There are a variety of options for addressing cream-skimming including forms of insurance, restrictions on admissions, freedoms of providers, weighted funding formulae and improving the responsiveness of capacity in popular providers.

(iv) It facilitates personalisation

It is difficult to see how we can have public services which are more personalised and responsive to the needs of the user without having choice. The question as to what type of choice and who makes it may vary—but in every case some form of choice is integral to the concept of personalisation.

6. Conditions for effectiveness

The following conditions must be met for choice to be an effective mechanism for improving services:

- *Information:* Users must be provided with the information and advice to enable them to make their choice. Well-informed people making active choices will be more satisfied and confident about service quality.
- *Consequences:* Choice provides powerful feedback on the quality of services, and in some cases this will be incentive enough to change and improve services. A more radical option is for money to follow the choice; so that providers or services not chosen lose resources.
- *Alternatives:* For choice of provider to be an effective mechanism, alternative providers must be available. It is often argued that such choice is illusory, apart from in London. However, evidence does not bear this out. The high level of urbanisation of the population (90%) means that choice is usually available eg 92% of the population has two or more acute trusts within 60 minutes travel time by car. The problem for rural areas remains and here other policies for ensuring quality will have to be developed.
- *Entrance and exit:* there need to be ways of dealing with failing providers and encouraging new providers to emerge. One option is to provide time limited subsidies to new entrants. The most effective “exit” is likely to be special measures to turn the institution round.

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

“People should not forget the current system is a two-tier system where those who can afford it go private, or those who can move house get better schools . . . Choice mechanisms enhance equity by exerting pressure on low-quality or incompetent providers. Competitive pressures and incentives drive up quality, efficiency and responsiveness in the public sector. Choice leads to higher standards . . . The overriding principle is clear. We should give poorer patients . . . the same range of choices the rich have always enjoyed. In a heterogeneous society where there is enormous variation in needs and preferences, public services must be equipped to respond”. Tony Blair, South Camden Community College, 23 January 2003.

“Many on the Centre Left argue that, whilst services should be responsive and user-friendly, the language and values of choice have no place in public provision. I reject that dichotomy. It would be foolish and politically suicidal, in my view, to reject the concept of choice, and the importance of tailoring services to individual needs”. David Blunkett (2003) Towards a Civil Society. IPPR p.9.

“These choices will be there for everybody . . . Not just for a few that know their way around the system. Not just for those who know some-one ‘in the loop’—but for everybody with every referral. That’s why our approach to increasing choice and increasing equity go hand in hand. We can only improve equity by equalising as far as possible the information and the capacity to choose”. John Reid, 16 July 2003, Speech to the New Health Network.

“Traditionally the left turned its back on choice as the preserve of the right. In a consumer society where the consumer is king, vacating this political terrain is not a feasible strategy for progressive politics. A modern approach calls for choice to be redistributed. Today people who can afford it buy choice over health and education. Those without, do without. This is unfair and must be changed. Expanding choice, then, is about enhancing equity and opportunity not undermining it”. Alan Milburn “In public services too, make the consumer king” Wall Street Journal 17 March 2004.

“Changing the way in which public services are delivered can dramatically transform the relationship between providers and service users—from passive dependency to active participation in a process where the providers see their role as responding to customers needs and aspirations, and helping them to get the best available outcome”. Nick Raynsford (2004) Enhancing user choice; a fair and just approach, NLGN.

“... we need to set up a system that is not based on the common denominator. The central characteristic of such a new system will be personalisation—so that the system fits to the individual rather than the individual having to fit to the system . . . And the corollary of this is that the system must be both freer and more diverse—with more flexibility to help meet individual needs, and more choices between course and types of provider so that there really are different and personalised opportunities available.” Charles Clarke, Department for Education and Skills: Five Year Strategy for Children and Learners, July 2004.

“I come to this as a parent as well as a politician . . . And believing that parents and children must be at the heart of what we do and how we think. Parents helping to shape the education agenda to deliver real opportunity for their children. Parents supporting schools and supporting their children's education. Parents with rights but with responsibilities too. Rights to a top quality education for their child and to a voice in how that education is delivered . . . The prize is a real one. A system that is not only universally excellent, but universally responsive to its users too. Where parents and the community know they have a voice and that their voice will be heard.” Ruth Kelly, North of England Conference Speech, 6 January 2005.

“Where the Government is committed to public services free at the point of use and available to all on the basis of need, it is important to ensure that choice is not promoted at the expense of equity or efficiency, particularly where there are market failures and capacity constraints”. HM Treasury (2003) Public Services: Meeting the Productivity Challenge.

1. INTRODUCTION

1.1 The Government is committed to extending choice throughout public services where that is feasible and desirable. The Government welcomes the Committee's enquiry into this important area of public service reform and looks forward to hearing the Committee's views in due course. The Committee has invited the Ministers of State for Local and Regional Government, Health and School Standards to give oral evidence to the Committee. They will be happy to illustrate the way in which the general principles outlined here are being applied to the particular public services, as set out in the 5-year strategy documents and the 10-year vision document for local government published last year. Further examples from each Department are provided in annexes to this memorandum.

1.2 Both theoretical and empirical evidence points to choice serving as an important incentive for promoting quality, efficiency and equity in public services—and in many cases more effectively than relying solely or largely upon alternative mechanisms such as “voice”. Choice emerges as both a means of introducing the right incentives for improving services for users, and as a desirable outcome in and of itself: that is, it is both intrinsically and instrumentally valuable. In this sense, it is at the same time both a tactical and strategic contribution to the drive to improve services for the people who use as well as vote for them.

1.3 However, none of this is to say that extending user choice is applicable to all services. Nor is choice unproblematic even in those areas where it can be usefully applied. On the contrary, there are some reasonably stringent conditions that have to be met if choice is to achieve the aims of government policy in the reform of public services. Good policy design will be integral to its success. This paper therefore not only examines some of the more general arguments for extending user choice but tries to highlight the conditions necessary for choice to be effective, the areas where progress is being made in appropriate policy development, and the areas where more progress needs to be made.

2. THE MEANING OF CHOICE

2.1 There are a number of dimensions of choice in public services: choice of provider (where?); choice of professional (who?); choice of service (what?); choice of appointment time (when?); and choice of access channel, such as phone, web or face-to-face (how?). The principle of “choice” in public services includes decisions on all these dimensions (OPSR 2003).

2.2 These decisions are not necessarily independent. In health care, a patient may choose a particular provider because of its opening hours or shorter waiting times, or in order to see a particular professional. In education, a parent may choose a particular school for a child because of the type of curriculum (eg specialist school) or style of pedagogy (eg Montessori) it offers. However, it is useful to keep the distinctions in mind because the arguments for and against extending user choice in public services can vary according to which type of choice is being considered.

2.3 It is also important to distinguish who is doing the choosing. This could be the users themselves (such as patients in elective surgery, the direct payments scheme, choice-based lettings), relatives of the users (such as parents for schools or curricula), or collective agents choosing on behalf of users (such as local authorities awarding contracts to suppliers on behalf of users). This paper concentrates primarily on choice by users and/or their families, using examples from health, education and local government.

3. JUSTIFICATIONS FOR INCREASING USER CHOICE

3.1 *Extending user choice in public services may be justified on four grounds:*

- It's what users want.
- It provides incentives for driving up quality, responsiveness and efficiency.
- It promotes equity.
- It facilitates personalisation.

Paradoxically, with the possible exception of the last, it can also be criticised on all these grounds.

3.2 *What Users Want*

3.2.1 It is frequently asserted—often by those who have a good deal of choice in their lives already—that users of public services do not in fact want choice. This assertion of the essential irrelevance of choice is often contrasted with what is claimed to be an apparent preference for better quality, often phrased as “people don't want choice; they want a good local service”. This argument has been bolstered by the recent publication by a US academic, Barry Schwartz, *The Paradox of Choice*, arguing that where consumer goods are concerned, people frequently find excessive choice unsatisfying and de-motivating (Schwartz 2004).

3.2.2 We return to the question of the relationship between choice and “a good local service” below. In the meantime it is important to note that, whatever may be true for consumer goods such as jam or instant coffee, any assertion that users of public services do not want choice is simply wrong. In fact, there is substantial evidence that users of public services in Britain desire increased choice. There is also evidence that this support for choice is not confined to the middle classes. A recent survey on local government services found that it is the lower socio-economic groups who show the strongest support for increased choice (Audit Commission, 2004).

3.2.3 The direct payments schemes are initiatives in which local authorities make cash payments to individuals to purchase their own community care services. The schemes were introduced in the mid-80s in America, Canada and Scandinavia, and are now widely adopted across Europe. Research commissioned by the NLGN pointed to overwhelming evidence that direct payments are generally very welcome, making a significant difference to the lifestyle and basic rights of many people in need (Lent and Arend 2004, p 29):

“The scheme gave me flexible, adequate assistance. I became liberated, more fulfilled, and light hearted . . . I've gone from non-involvement to choice”.

“Before I went on the scheme I felt I was just existing, but now I can choose to live my own life”.

3.2.4 Giving a choice of provider is not always practical or desirable, and examples from local government demonstrate that the alternative dimensions of choice can also provide positive outcomes for users:

- Local authorities have successfully implemented choice of access channels for service users, including call centres, on-line services, one-stop shops and computerised kiosks. Residents are also offered greater choice of appointment time and home visits.
- The Supporting People Scheme provides more choice to residents with the greatest need by pooling together several housing related funding streams into one pot for allocation to vulnerable users. This removes the burden of applying for different benefits and enables a more personalised benefit package to be designed.

3.2.5 Evidence from tenants making choice-based lettings (CBLs) in social housing are equally positive. In CBLs, the decision whether or not to apply for a property is taken by the prospective tenant rather than the housing officer. Interim results of the assessment suggest that user satisfaction has been raised considerably by the schemes, and that properties that have been traditionally hard to let have become occupied much more rapidly (Lent and Arend 2004, p 31).

3.2.6 In healthcare, the choice pilots in elective surgery running from October 2002 to March 2004 had a very high take-up of choice: 67% of patients accepted choice in the London Patient Choice Project, 88% in Manchester and 50% of those involved in the Choice Initiative in Coronary Heart Disease. From April to the end of August 2004, choice at six months was rolled out across the NHS and, since April some 30,000 patients have accepted an offer of choice.

3.2.7 MORI interviewed 1,208 members of the general public in August/September 2003, asking what would best represent their feelings if a GP had decided they needed treatment and offered them a choice of hospital both in the local area and in the rest of the country. 15% said they would like to make the decision themselves, and 62% said they would like to make the decision, but would need advice and guidance to help them decide. Just 23% said the GP should make the choice. Interestingly, of this last group, most were elderly (65 or over), and more were working class and/or from ethnic minorities: a point to which we shall return.

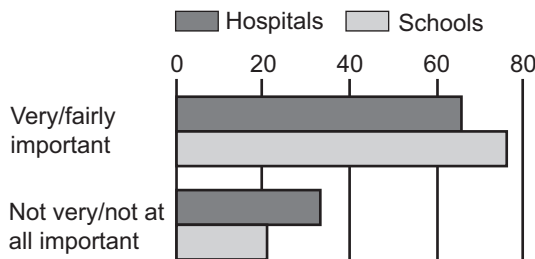
3.2.8 A poll undertaken by YouGov for the Economist on choice in both health and education is also illuminating. This sampled 2,250 voters in 2004. The study found that 76% of those with children in state schools consider it very important or fairly important that they have more choice over which schools their

children attend, while 66% considered it important that they have more choice over the hospital that treated them (see Figure 1 below). With respect to health care in particular, 50% thought that giving more control to patients was more important for the NHS than giving it more money.

Figure 1

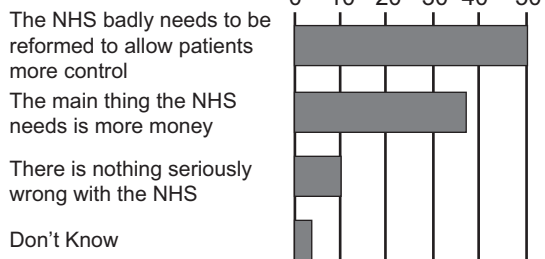
Give us a say

How important is it to you to have more choice over which hospital treats you and your family, and which state school children in your family attend? %



Source: YouGov

Which of these statements comes closest to your view about the National Health Service? %



Source: *The Economist* 7 April 2004

3.2.9 With respect to more specific services, the choice pilots in elective surgery have generated a high degree of patient satisfaction with the processes and the outcomes (Le Maistre et al 2003). Representative comments include:

"The patient choice idea is brilliant when it means that the operation is available much sooner—definitely to be recommended"

"I think the patient choice initiative scheme is an excellent one. I hope it will continue and that other people will be able to benefit from the scheme as I have done"

3.2.10 It is also clear from the research that there are a variety of reasons why people value choice. For some, it is because of the increased sense of power and control over their lives that choice gives them: 61% of the *Economist* poll felt that increasing choice in health care and education would give them some or a lot more control over their lives. Also, it seems likely that this is a major factor in the popularity of the direct payments scheme.

3.2.11 For others, it is the more mundane concern that thereby they can get a better or quicker service. In this connection, it is fair to note that some of the MORI/NCC respondents argued that choice ought to be unnecessary:

"If your local hospital is as good as it should be, why would you want the choice?"

Male carer, 35 +

3.2.12 And this brings us to the second part of the "irrelevance" argument: that, instead of choice, people want a good local service. But this dichotomy is false. Part of the justification for extending choice is that it is more likely to create a good local service—or at least a better service than a system with no choice. To this we now turn.

3.3 Incentives for Quality, Responsiveness and Efficiency

3.3.1 An important part of the reason for extending user choice, concerns the incentives it gives for changes in provider behaviour. Looking at the case of choice of provider, those providers who are not chosen have a strong incentive to raise their game. They will have to improve the quality of their service (at least in the eyes of users), to increase their responsiveness to users' expressed needs and wants, and to use their resources more efficiently so as better to attain these ends. In such cases, choice is acting as an instrument for achieving other desirable social ends.

3.3.2 However, for organisational and political reasons, choice of provider is not always a practical option, and it is important to consider other models of choice that can provide incentives for improved service delivery. Health and education provide examples where a choice of service leads to more personalised delivery and better outcomes for patients, pupils or parents. In local government, choice-based lettings show that the provision of choice by a single provider can drive up service quality and improve customer satisfaction, while at the same time allowing staff to play a more constructive and empowering role. Arrangements for allowing council tenants the opportunity to vote on future landlords under the large-scale voluntary transfer ballots have also received a positive response. Similarly, the allocation of direct payments to individuals in receipt of community care has helped them to become independent consumers who organise their own care around their own wants and needs.

3.3.3 Choice can also enable communities to get involved in the services that affect them. Community involvement in managing local amenities, for example through park trusts, gives local people ownership over the use of public space. In some areas, tenants groups have taken over the housing management system from the council with positive results. Tenant Management Organisations (TMOs) are representative and accountable tenant led bodies. They must meet strict requirements on their constitution and governance and be backed by tenants in a rigorous ballot. A 2002 evaluation shows that TMOs not only perform very well in terms of housing management but also provide a model of civil renewal and community empowerment.

3.3.4 To appreciate the force of this argument for choice as an incentive for service improvement, we must consider the alternative, where no user choice is possible. To obtain a good service users are reliant upon a combination of: (a) the goodwill of the providers concerned not to abuse their monopoly position—that is, in the metaphor of Le Grand (2003) that they are altruistic “knights” rather than self-interested “knaves”; (b) “voice” mechanisms, such as verbal persuasion, complaints procedures, public participation, user consultation or, ultimately, elections, to express their dissatisfaction and preferences; and c) centrally driven commands and controls over performance, coupled with some form of independent regulation.

3.3.5 While “knightliness” (or, more generally the public service ethos), central performance management, regulation and “voice” all have an important place in ensuring public service delivery, the public could be forgiven for feeling them to be fairly distant from their day-to-day experience or personal influence. The public service ethos undoubtedly forms part of the motivation of professionals and others working in the public service; but it is only a part, with more self-interested or knavish concerns also playing a significant role (Le Grand 2003, Ch 2). Moreover, self-interest and public spiritedness often conflict for public sector providers (as with private practice for hospital consultants), and when they do it is far from clear that public spiritedness always dominates.

3.3.6 Whatever activists’ hopes and aspirations may be, in fact far fewer people are involved in expressing their views through formal mechanisms of “voice”, than through using services. And those that do tell us that there is much more work to be done to make such mechanisms satisfying and effective.

3.3.7 More specifically, voice mechanisms can be collective—voting, or through other mechanisms of collective decision-making—or individualistic: an example would be complaints procedures. Collective voice mechanisms have the advantage that they are indeed collective: that they take account of the interests of the community. On the other hand, they are clumsy instruments for dealing with the kind of individual decisions with which we are concerned here. Parents who are dissatisfied with their local school, or patients with their local hospital, can vote for local elected representatives who are promising to provide better ones; but for their votes to be effective, a number of conditions have to be fulfilled. There has to be an election in the offing; their views have to be shared by a majority of other voters; the issues concerning the quality of schools or hospitals have to be the principal factors affecting the election; politicians promising better schools or hospitals have to be among the candidates; and, if these politicians are elected, they have to have some effective method for ensuring school or hospital improvement. It is rare that all of these conditions will be met.

3.3.8 Further, despite their collective nature, these mechanisms are often poor at dealing with under-performance. Voters are rarely faced with the costs of meeting their service requirements. When they are not faced with those costs, they can simply vote to increase or maintain services at other people’s expense. Indeed, this often happens when school or hospital closure proposals are put to a vote; the voters concerned usually do not have to bear the costs of keeping the institutions concerned open and in consequence usually vote the closure proposals down. And a majority can also vote to segregate a minority, excluding them by formal or informal means from the service concerned.

3.3.9 Individual voice mechanism such as complaints procedures also have their problems. They require energy and commitment to activate; they take a good deal of time to operate; and they create defensiveness and distress among those complained against. They favour the educated and articulate. Users who complain are not necessarily those who have the most to complain about; and adversarial relations between professionals and users, especially tied to a threat of lawsuits as they often are, can lead to expensive and inefficient defensive reactions on behalf of providers.

3.3.10 The Committee’s recent work on targets argued for greater bottom up and local demand to balance the limitations of top-down targets and centrally drive performance improvement. Choice provides such a local, bottom-up option. And though voice, regulation and inspection can play a role, we are also well aware of their limitations as far as generating timely service improvements that matter for customers.

3.4 *Conditions for effectiveness*

3.4.1 That all said, as many commentators have pointed out, it is clear that choice will only work as an effective incentive for providers if certain, reasonably stringent, conditions are met. The following discussion focuses largely on the choice of provider model, but some of these conditions are also relevant to models of choice which involve a single provider. For all models of choice, it is necessary for users to be well informed about the services available and for providers and policy-makers to be user-focused from the design of policy through to delivery.

3.4.2 *Information.* For choice to act as an effective driver of quality, it is necessary to rely upon the user's judgement about the quality and responsiveness of the service. This seems appropriate at a fundamental level, for it is that judgment which ultimately counts. Professionals and policy-makers of course make important judgements about service outcomes and performance, but quality is ultimately determined by how the service is experienced by individuals with their infinitely diverse preferences and requirements.

3.4.3 But this does require that the user be well informed. Research asking people what drives both their satisfaction and their dissatisfaction with services, consistently identifies effective information as a critical factor (OPSR, 2003a and d). Better-informed customers are more satisfied, and poorly informed ones are dissatisfied. This is where choice becomes an important incentive for users, for it is only when customers have a choice that they have reason to become informed. Without choice, why would they bother? They will get what someone else has decided they will be given, or determined that they will "need". Without any choice, they are far more like the passive recipient than the active citizen so often idealised by opponents of choice. Whilst some have suggested that becoming better informed about the range and quality of services available is a "research cost", it is one that most people could consider a legitimate investment for effective citizenship.

3.4.4 Choice also provides an incentive for service providers and policy-makers to become more user-focussed, and translate their organisational and professional preoccupations and language into information for users. Useful information sets out the nature of the service, the options available, and who might find which option most valuable in what circumstances. Designing options requires providers to think about what the service needs to be like to meet different requirements, and what they need to do to reach the right people with an appropriate response.

3.4.5 Information is an important factor in satisfying customers, whether the choice is about the provider, the professional, the type of service, the appointment time, or access channel. Well-informed people making active choices about what they need and how best to obtain it will not only be more satisfied and confident about service quality. They are also powerful drivers in making services more efficient (because services are used by people who want them) as well as more effective (because services are better targeted).

3.4.6 *Consequences of choice.* The incentive argument in favour of choice is contingent on there being consequences for the providers of being chosen or not. More specifically, there need to be benefits to those that are chosen and costs to providers who are not. Most providers of public services do intend, and will certainly claim, to provide a good service, and choice provides a powerful reality check on how far they are succeeding in doing so as far as customers are concerned. And in many cases that feedback will be sufficient incentive for the service to generate an improvement in performance.

3.4.7 A more radical way of ensuring this is for the money to follow the choice; for the providers not chosen to lose resources, while those who are chosen gain resources. Although this is a powerful kind of incentive, it has its problems if used as the sole lever for improvement and if it jeopardises the viability of a service without providing an alternative to its remaining users. However, choice can provide an effective bottom-up pressure for revealing poor quality and under-performance. Its impact on a service over time can trigger intervention to turn round the service, or to manage its closure before reaching the point where users might be put at risk.

3.4.8 In all these cases, the exercise of choice is acting as a clear signal of success or failure; a signal that is not available in non-choice or monopoly systems, which in consequence often find it difficult effectively to distinguish between good and bad performers.

3.4.9 *Alternatives.* Of course, for choice of provider to exist there must be alternative providers from whom to choose. Here it is often argued that offering choice in most public services is illusory, especially in health care and education. London is usually cited as an exception; but most of the population outside of London cannot realistically be offered a choice of schools or hospitals simply because there are not enough of them—or so the argument goes.

3.4.10 However, again the facts do not bear out this claim. Take secondary schools. Departmental data show that 32% of maintained mainstream secondary schools in England have two or more schools within one mile of them, 70% within two miles, and 80% within three miles. Since the National Travel Survey shows that the average length of the journey to school for 11-16 year-olds in England is three miles, this implies that four fifths of English schools have at least two other potential choices, attendance at which would entail little if any extra travelling. If having one other school or more in proximity is regarded as sufficient for choice, then the figures are even more impressive, with 61% of secondary schools having one school or more within one mile, 82% within two miles and 88% within three miles. In short, barely one in ten schools in England has no potential alternative within three miles.

3.4.11 Hospitals offer a similar picture—indeed in some ways an even more striking one. A recent study found that 92% of population had two or more acute NHS trusts within 60 minutes travel time by car. Further, 98% of the population have access of up to 100 available and unoccupied NHS beds and 76% to 500 (Damiani *et al* 2004). The only areas that came close to monopolistic provision were the relatively lightly populated parts of Cornwall, North Devon, Lincolnshire and Cumbria. However, the fact that many trusts offer services on more than one hospital site means that, even in these areas, patients will have a local choice over where they are treated. In addition, they will of course be free to travel further to alternative providers if they wish. In passing, it might be noted that these figures also suggest that there may be considerable under-utilised capacity in the NHS; capacity that could be utilised with a well-designed policy of user choice.

3.4.12 What the argument that choice is illusory ignores, but that is evidenced by these figures, is just how urbanized is the British population. Almost 90% of the population lives in urban areas, with over half the population resident in just 66 areas with populations of 100,000 or more (Denham and White 1998). Of course there remains the problem of rural areas where users will often need to be prepared to travel further to take up choice; and here other policies for ensuring quality will have to be developed.

3.4.13 *Entrance and Exit.* The questions of “exit”—how to deal with failing providers—and “entrance”—how to encourage new, innovative providers to emerge—present perennial difficulties for all systems of delivering public services, including those based on voice or hierarchy, as well as those based on choice.

3.4.14 One effective entrance strategy is that involving the provision of explicit, time-limited, subsidies to potential new entrants. Another part of such a strategy would be to remove the barriers to entry arising from existing rules and procedures (as arguably was the case from the surplus places rule in education—now indeed abolished). The most satisfactory exit strategy for public services may not involve “exit” at all, but rather special measures types of intervention to turn the institution round.

3.4.15 Generally, further policy development is necessary here, drawing upon British and overseas experience in these areas as appropriate.

3.4.16 *Capacity and Economies of Scale.* Some argue that there are negative implications for efficiency arising from the claim that choice requires there to be excess capacity in the system. This may be true under some circumstances but the margin of extra capacity needed to permit contestability is likely to be small. Moreover, it is worth noting that the choice-based lettings schemes in social housing are operating with success in conditions of scarcity (Lent and Arend, 2004, p 32). For there to be choice, there will need to be diversity and that may prevent the exploitation of economies of scale (but is everyone getting the same service really an economy?). Overall, however, if there are efficiency losses that arise from these causes, they may have to be accepted in order to reap the gains in efficiency and other areas that arise from the positive incentive effects of choice on user and provider behaviour.

3.4.17 *Evidence.* Finally, it is worth noting that hard evidence is accumulating from both the UK and elsewhere concerning the net positive impact of choice on aspects of quality, efficiency and responsiveness in healthcare and education. For instance, the choice pilots in elective surgery have dramatically brought down waiting times in the areas in which they operate. Following the introduction of patient choice in London, average waiting times fell by a substantial 19.4% compared to 7.6% in the rest of England (Dawson *et al*, 2003).

3.4.18 There is evidence from micro-studies of school performance that choice and competition in the UK has a positive effect on both quality—as measured by exam and test results—and efficiency (Bradley *et al* 2001).

3.4.19 Internationally, there is evidence from Sweden that standards in the education system have improved faster in government-run schools that face a lot of competition from state-funded but independent schools than in those that do not. Further, there was no evidence that inequality in educational outcomes has increased, although some evidence of increasing segregation, as those who choose independent schools are likely to be more educated than those who do not. In addition, there was evidence that satisfaction with the education system has increased in areas that offer more choice (Bergstrom and Sandstrom 2002).

3.4.20 In Milwaukee, Michigan and Arizona, the effects on public schools of competition from “choice” schools has been examined. All three of those areas have experimented with allowing parents to choose schools other than their local public schools either through the mechanism of vouchers (Milwaukee) or charter schools (Michigan, Arizona). It had been widely predicted that, because of cream-skimming, public schools in the areas concerned would suffer an overall drop in performance as the better students were sucked into the choice schools. However, Hoxby (2000) found evidence of strongly improved performance by the public schools, from which she concluded that the efficiency-inducing effects of competition were more than enough to offset any potential effects of cream-skimming. She also examined the effects of competition with private schools on public schools and of competition between public schools through parents choosing place of residence. Again she found that competition had a positive impact on performance.

3.5 Choice and Equity

3.5.1 Extending user choice creates two kinds of concerns about equity. First, there is an argument that the poor and other disadvantaged groups lack the capacity to make effective choices. Several commentators (see, eg, Appleby *et al* 2003, Hattersley 2003) have voiced concerns that, however effective extending user choice may be in terms of increasing the efficiency and responsiveness of public services, it will also worsen equity: that it will privilege service utilisation by the articulate, confident middle class and disadvantage the allegedly less capable poor.

3.5.2 The second anxiety concerns cream-skimming or selection. It is argued that providers, especially if they are over-subscribed, will have the power to select the users to whom they provide services; the easiest, the cheapest, those who are most likely to boost their ratings in any league tables. User choice thus turns into provider choice—with again particularly adverse consequences for the poor and disadvantaged.

3.5.3 *Incapacity and the poor.* It is far from clear that choice will disadvantage the poor and unconfident any more than non-choice or “voice” systems. The voice of the poor is generally much quieter than that of the middle class. Their ability to deal with professionals, to articulate their dissatisfactions and to utilise complaints procedures if necessary, is significantly less than that of the better-off.

3.5.4 This was substantiated in a recent review of equity in the NHS, in areas where there is currently little choice (Dixon *et al* 2003). This found substantial inequalities:

- “Affluent achievers” had 40% higher Coronary Artery Bypass Grafting and angioplasty rates than the “have-nots”, despite far higher mortality from Coronary Heart Disease in the deprived group.
- Intervention rates of CABG or angiography following heart attack (Acute Myocardial Infarction) were 30% lower in lowest SEG than the highest.
- Hip replacements were 20% lower among lower Socio Economic Groups despite roughly 30% higher need.
- Social classes IV and V had 10% fewer preventive consultations than social classes I and II after standardising for other determinants.
- A one point move down a seven point deprivation scale resulted in GPs spending 3.4% less time with time with the individual concerned.

3.5.5 It is worth noting, too, that the principal supporters and beneficiaries of opportunities to exercise education choice in the United States are minority and ethnic groups, who find that such arrangements give them much more control over the education of their children than previous non-choice systems. Their children appear to achieve higher standards of education in schools chosen by their families, than they did in schools they were previously obliged to attend. And as Nick Raynsford argues in his essay for NLGN on choice and fairness, the experience of direct payments for social care provides no evidence that the extension of choice to poorer service users results in “bad” choices which undermine the quality of service provision (Raynsford, 2004).

3.5.6 That said, it is likely that extending user choice of provider may create some problems for the exercise of choice by the less well off, including a need for help with transport costs and with information and advice. The Government is thus considering assistance policies targeted on poorer families that can be grouped under the heading of Supported Choice. This could involve assistance with transport and travel costs for users and families of users, and identifying a key worker who would act as an adviser to those users and families.

3.5.7 In health care, patient support services may include direct support for choice from the GP or referring primary care professional, support from practice staff, the Patient Advice and Liaison Service (PALS) or from voluntary sector organisations. For those few patients with the greatest needs, this might build on the highly successful Patient Care Adviser experience in the choice pilots or from voluntary sector organisations and the experience of other similar patient advocacy and support roles in the NHS. Responsibilities of this role could include monitoring care plans, offering choices of provider, discussing treatment options, identifying special needs regarding travel, disability (mobility) and language (communication), providing information and updates about the care pathway (including assessment, treatment and aftercare), booking appointments with providers, arranging transport, helping patients navigate the system, and supporting/coaching patients on self-care, self-management and behavioural change.

3.5.8 *Cream-skimming.* The second equity problem for choice, cream-skimming or selection is likely to be a significant problem for choice, especially in education.

3.5.9 The problem of “cream-skimming” is closely related to restrictions in entrance to the choice system and in the expansion of existing providers. In education the ability of a school to engage in such behaviour only arises where restrictions in capacity of some schools lead to a need for rationing of available places among applicants. For example, comprehensive schools must accept all who apply if spare capacity exists—only if there is excess demand for places can admissions criteria be applied. Another important point is that even if a school is not deliberately “cream-skimming”, the criteria applied often lead to inequitable outcomes—admissions criteria are primarily based on geographical factors (see eg West and Hind 2003) and many studies have shown how over-subscribed school places increases house prices in catchment areas as a result of this (see eg Cheshire and Williams 2000, Leech and Campos 2001), excluding the less well-off from the best schools. If school capacity was more responsive to demand for school places, there would be a resultant improvement in equity in the choices available to parents. Policy options to address this include the Expansion of Successful and Popular schools program introduced by the DfES and other mechanisms for improving supply responsiveness. Inequity in the choices available to parents is to a large extent caused by restrictions in supply.

3.5.10 There are a variety of policy options for addressing cream-skimming. These include:

- stop-loss insurance;
- restrictions on the admission freedoms of providers;
- weighting funding formulae, so as to favour the less well off; and
- improving the responsiveness of capacity in popular providers to demand from service users.

3.5.11 Stop-loss insurance is a scheme whereby providers faced with a user whose service costs lie well outside the normal range are allocated extra resources once the cost has passed a certain threshold. This has the advantage of removing the incentive to discriminate against high cost users, but carries with it the problem that the providers concerned have no incentive to economise on service once the threshold has been passed.

3.5.12 A second possibility is to restrict the amount of freedom providers have over admissions to reduce the potential for cream-skimming. In this case, a careful balance would need to be struck between local autonomy and central policy to achieve more equitable outcomes.

3.5.13 A third alternative is to risk-adjust the pricing system such that higher cost users have higher costs associated with them. Using the example of the national tariff system for health care (based on Health Related Groups or HRGs), it would, in principle, be possible to increase the sensitivity of the tariff by ensuring that the complexity or morbidity of the patients is included within the price mechanism. This could take the form of an adjustment to the price for the number or nature of the co-morbidities that a patient presents. This would still present the potential for HRG “creep” (upcoding patients to more lucrative high cost categories) but would increase the ability of the price mechanism to reflect the cost of care. A further option would be to adjust the price for deprivation. In the work being done to develop HRGs, consideration is being given to the use and ease with which it would be possible to derive groupings of conditions that take account of socio-economic and other factors.

3.5.14 A form of risk adjustment that would be rather simpler and help assuage any socioeconomic inequities arising from cream-skimming would be to deprivation-adjust the tariff or price. The tariff could be associated inversely with an area deprivation index such that treatments for users from deprived areas would carry a higher price than treatments for those from wealthier ones. This could in fact be a form of risk adjustment since it is widely believed that poor users have greater need than better-off ones.

3.5.15 The policy challenge is to identify which of these options is likely to be most effective and most consistent with other government policies.

3.6 Choice and Personalisation

3.6.1 As with choice, personalisation has many meanings. At one end of the spectrum, it can mean simply the tailoring of services to meet individual needs and wants. In that case, it comes close to what we have described above as responsiveness. At the other end, it can imply joint involvement of both user and provider in the development and implementation of the service as it is to be rolled out: what has been termed “co-production” (Leadbetter 2004).

3.6.2 In either case (and for those in between) it is difficult to see how personalisation can be implemented without choice—in this case, choice of service, and/or choice of access of service. The concept of personalising a service for an individual implies that there are alternative ways of providing the service and that one is better than the other for the individual concerned. The question as to who makes the choice may vary (the professional, the user, an interaction between the two); however, in every case some form of choice is integral to the concept.

4. CONCLUSION: CHOICE AND POLICY DESIGN

4.1 Both theoretical arguments and empirical evidence point to choice being an effective instrument for promoting quality, responsiveness, efficiency and equity in public services—and in many cases more effective than alternative methods of doing so, such as relying upon voice mechanisms. However, none of this is to say that extending user choice is applicable to all services, or that it is the principal determinant of reform. Nor is choice unproblematic. On the contrary, there are some reasonably stringent conditions that have to be met if choice is to achieve the aims of government policy in the reform of public services. Good policy design is the key to extending user choice; undertaking such design is a key task of the current Government.

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Supplementary Memorandum from the Minister of State for Department of Health to Support Joint Memorandum from Minister of State (Health) at the Department of Health, Minister of State for Local and Regional Government and Minister of State for School Standards, (CVP 24 (a))

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

1. This paper provides supplementary evidence to the joint Government memorandum, "The case for user choice in public services" submitted to the Public Administration Select Committee to inform its inquiry into choice, voice and the reform of public services. It sets out the Department of Health's policies and approach to delivering the Government's commitment to extend choice for users of public services.

REFORMING THE HEALTH SERVICE

2. This Government is committed to providing high quality health services for all patients and we have introduced unprecedented sustained investment in the NHS backed up by a ten-year programme of reform as set out in The NHS Plan and the NHS Improvement Plan.

3. By 2008 the health and social care system will be providing faster, higher quality services that deliver better health and tackle health inequalities, for example:

- no one will wait longer than 18 weeks for treatment from GP referral and those with urgent conditions will be treated much more quickly;
- patients will have access to a wider range of services in GP surgeries, pharmacies and other parts of primary care, including access to services nearer their workplace;
- people with complex long-term conditions such as diabetes, heart disease, asthma and psoriasis, will be supported locally by a new type of specialist—there will be 3,000 new community matrons; and
- there will be further progress in tackling the biggest killer diseases so that, by 2010, there will be a 40% fall in death rates from heart disease and stroke, and 20% fall in death rates from cancer for those under 75 (from 1997 figures).

4. Giving patients more choice is at the heart of this programme of reform for the NHS. Extending patient choice will respond to the public's demand for more choice and control over their healthcare and services. It will also provide new and powerful incentives for providers to improve performance, leading to better local services for all across the whole country.

PATIENTS WANT MORE CHOICE

5. Evidence shows that the public want more choice and control over their public services and, more specifically, over their health care: in response to a MORI survey conducted for the Department of Health's national choice consultation 76% people said that the main priority in healthcare is involving patients in decisions about their condition/illness and treatment. There is also increasing evidence to suggest that greater patient involvement in decisions made about their healthcare leads to improved health outcomes for patients

6. In particular, people want to be able to choose where to be treated. This was confirmed by findings from a European survey in 2003 by Coulter and Magee in response to which 80% of people surveyed in the UK thought they should have a free choice of hospital.

7. Certainly, where we have already introduced choice in the NHS and in social care, the evidence shows that it is already proving popular. In elective surgery, pilots offering patients, who would otherwise wait six months for surgery, the choice of an alternative provider for faster treatment had high take up rates: 67% of patients participating in the London Patient Choice Project and 50% of those involved in the Patient Choice Initiative in Coronary Heart Disease. Since choice at six months has been rolled out across the NHS from April last year, some 30 000 patients have accepted a choice offer. The evaluation of the Patient Choice Initiative in Coronary Heart Disease also found that 86% of patients would recommend it to a friend. In social care, direct payments have proved highly successful and very popular with recipients: in 2003–04, 17,300 adults received direct payments during the year, increasing from 9,600 in 2002–03, a rise of 80%.

PATIENT CHOICE IN THE NHS

8. The command paper, *Building on the Best*, published in December 2003 following our national choice consultation, set out our proposals to give patients more choice over when, where and how they are treated and, increasingly, over what treatment they receive. It identified a number of priority work areas where we are already extending choice for patients:

- Giving patients a choice of hospital for their treatment—already the choice of faster treatment in another hospital is being offered to eligible patients facing long waits for surgery. By December 2005, patients will be offered a choice of 4–5 hospitals when they are referred by their GP and by 2008, patients will be able to choose any healthcare provider that meets the NHS standards and can provide care within the price the NHS is prepared to pay.
- Improving access to primary care—we are giving patients greater choice in primary care by introducing new services such as NHS Direct and Walk in Centres (including at many mainline stations) giving patients faster, more convenient access to treatment. We are also introducing a wider range of services in primary care, for example those provided by practitioners with special interests, providing localised services in familiar surroundings, giving patients easier access to secondary care.

- Improving access to medicines by increasing patients' choice of where, when and how they get medicines—for example, by easing the bureaucracy around repeat prescribing, freeing up restrictions on the location of new pharmacies, expanding the range of medicines pharmacies can provide without a prescription, and increasing the range of healthcare professionals who can prescribe.
- Introducing more choice of treatment and care in maternity services and in palliative care:
 - in maternity services by giving pregnant woman more choice and control about the care provided during pregnancy, child-birth and the post-natal period; and
 - in palliative care by ensuring that all patients, irrespective of their diagnosis, have access to high quality palliative care and more choice in where they wish to live and die.
- Giving people a bigger say in how they are treated—everyone will have their own Healthspace linked to their electronic patient record enabling people to make their preferences known to the clinical team and giving them access to their own NHS Care Record over the internet.
- Finally, we recognise that providing easy access to quality information about health and healthcare services is essential to enable people to make informed choices and decisions. Again, this was confirmed by the MORI survey for our national choice consultation which found that 88% of people wanted more information to help them make informed choices about their treatment and care. That is why we recently published a national strategy, "Better information, better choices, better health", setting out a range of national and local actions to help give people equitable access to the quality information then need to make informed choices.

USER CHOICE IN SOCIAL CARE

9. Since 1997, users of social care services have been able to exercise more choice and control over the way the services they receive are delivered by taking up the offer of a direct payment, promoting independent living. Since April 2003, councils have been under a duty to make direct payments available to individuals who can consent to have them and to provide individuals with as much assistance as is available to support them to manage their direct payment.

PERSONALISATION AND RESPONSIVENESS

10. Giving patients more choice over their healthcare and services improves the individual patient experience by enabling patients to make their own choices about those services which best meet their personal needs and preferences.

11. Research conducted by Dr Foster and the University of Nottingham in March 2004 demonstrated that patients value being able to exercise choice over where they are treated. They become more involved in decision making when this is offered and want to use this opportunity to access better quality care.

12. The Dr Foster research also found that patients would be motivated by different factors when choosing a hospital for treatment: 68% would consider ease of access, 58%—the reputation of the hospital, 54%—the quality of care and 47%—waiting times. Detailed work by MORI found similar results.

13. Patient choice will also mean that providers are incentivised to develop services which are responsive to the needs of patients, resulting in more patient-centred services.

CHOICE AS AN INCENTIVE FOR PROVIDERS TO IMPROVE PERFORMANCE

14. Choice, with Payment by Results—the new financial framework for the NHS, provides both the incentive and the mechanism for driving up performance and standards across the NHS, delivering better local services for all patients.

15. Hospitals will be paid on the basis of the number of patients they treat. The number of patients attending a particular hospital will be determined by patient choice meaning that providers which prove popular will attract more referrals and hence greater resources. Poor performing hospitals will have to improve standards and responsiveness if they are to maintain the number of referrals they receive. This means that patient choice will have real implications for providers, giving them a powerful incentive to improve performance for the benefit of all patients.

16. Evidence from the choice pilots already demonstrates that choice is having a positive effect on a number of areas improving the ways services are delivered to patients, for example by driving down waiting times. Following the introduction of patient choice in London, average waiting times fell by a substantial 19.4% compared to a fall of 7.6% in the rest of England.

17. Patients also believe that choice will improve standards across the NHS: a BBC MORI poll in June 2004 supported this with 74% of respondents expecting that choice of hospital will drive up standards for all within the NHS.

18. Our use of the independent sector to supplement the expansion of the NHS will also increase choice for patients by introducing new providers for patients to choose from, for example to date 16,000 patients have already been treated by independent sector treatment centres. The innovation introduced by the independent sector will also provide further incentives to increase productivity and improve performance across the NHS.

CHOICE WILL INCREASE EQUITY

19. We know that the NHS has not always delivered equitable services. For example, a recent review of the NHS found substantial inequalities in key areas:

- “affluent achievers” had 40% higher CABG and angioplasty rates than the “have-nots”, despite far higher mortality from CHD in the deprived group;
- hip replacements were 20% lower among SEGs despite roughly 30% higher need; and
- a one point move down a seven point deprivation scale resulted in GPs spending 3.4% less time with the individual concerned.

20. Patients who are better informed may also have better access to choices about their healthcare. We believe these choices should be accessible to all; by explicitly introducing patient choice and providing the necessary information and support arrangements, these benefits will be made available to all patients. Targeted information and support may be provided by the voluntary and community sector or by Patient Care Advisors, guiding patients with the greatest need through the system and enabling them to make informed choices.

21. Again, evidence from the choice pilots demonstrates that choice is popular across all age and socio-economic groups, including those patients from black minority ethnic backgrounds, those on lower incomes and the unemployed. For example, the Picker Institute evaluation of the London Patient Choice Project found that 80.2% of patients on below average incomes would consider moving to another hospital for treatment compared to 94.3% of those on above average incomes, similarly 78.2% of unemployed respondents compared to 91.2% of employed and 83.1% of white respondents compared to 82.7% of non-white respondents.

22. There have also been concerns raised that transport will severely limit choice, however 92% of people have access to at least two or more acute NHS trusts within 60 minutes travel time by car, meaning that most patients will be able to benefit from some choice. As most NHS trusts offer services on more than one hospital site, patients will, in most cases, have even wider choice of location for their treatment. The independent sector is also introducing innovative solutions, such as mobile cataract units, to help patients in rural areas take up choice.

ROLE OF VOICE

23. “Voice” also plays an important role in developing responsive and patient-focused services, designed by individual patients and users to meet their personal needs and preferences. That is why we have dramatically modernised and improved the mechanisms to strengthen patient and the public voice. We have introduced comprehensive changes to ensure greater patient and public involvement, so that many more voices than ever before are being heard and taken into account.

VOICE IN THE HEALTH SERVICE

24. The NHS Plan set out a number of widespread reforms to give patients and the public greater support, influence over and involvement in the NHS:

- All NHS organisations are now under a legal duty to involve and consult patients and the public—not just when major changes are being made but in the planning and development of services too.
- There are now 572 patient forums, one for every NHS trust and Primary Care Trust, these are independent, statutory, patient-led bodies with significant powers of inspection and with the ability to require information from the NHS. Being patient-led, they bring to the NHS locally the views and experiences of patients and carers.
- Patient Advice and Liaison Services (PALS) have now been established in every NHS trust and Primary Care Trust to provide information and on the spot help and advice for patients, their families and carers. They are a focal point of user feedback and a powerful lever for change and improvement in the NHS.
- We are committed to improving the way complaints are handled to help improve patients’ experience of the health service and have given the Healthcare Commission responsibility for the independent review of complaints. We have also set up the Independent Complaints Advocacy Service to provide support to some of the most vulnerable members of the community, many of whom without advocacy support would have been unable to raise a complaint about the NHS.

25. NHS Foundation Trusts have introduced a new level of accountability into the NHS. They have been set up in law with a new bespoke form of public ownership as independent Public Benefit Corporations, meaning far greater local ownership and involvement of patients, the public and staff. Patients and the public make up the majority of members on the Board of Governors who elect patient/carer and public governors from amongst their membership. The Board of Governors also has a role in appointing the Board of Directors, working with them to ensure that the NHS Foundation Trust acts in a way that is consistent with its terms of authorisation giving patients and the public a direct role in its day-to-day running.

CONCLUSION

26. Greater public and patient involvement will be key to developing the high quality responsive health service we all want to see. The traditional “voice” mechanisms continue to have an important role to play in shaping the development of our health services. This is why we have reformed and strengthened these systems.

27. Patient choice introduces powerful new mechanisms for patients to express their preferences and to drive up standards of care. There are already more choices available to NHS patients. We will continue to expand these choices as we move towards a truly patient focused NHS.

January 2005

Witnesses: **Rt Hon John Hutton**, a Member of the House, Minister of State, and **Mr John Bacon**, Group Director of Health and Social Care Services Delivery, Department of Health, examined.

Chairman: Can I welcome our witness this afternoon who is John Hutton, who is the Minister of State at the Department of Health. He is accompanied by John Bacon, who is the Group Director of Health and Social Care Services Delivery in the Department. We are very grateful to you for coming along. The good news is that we are not the Health Select Committee! The bad news is we do everything, that is to say we try to look at some of these issues across government and across departments. We have invited a number of ministers, starting with yourself, to come and help us in thinking about these matters of—as we call them—choice and voice as part of the public service reform agenda. We are very grateful to have had a memorandum from the Government on these matters and a particular one on health issues relating to today’s session. I am not sure, John, whether you want to say anything by way of introduction?

Mr Hutton: No, I am very happy, Chairman, to go straight into questions.

Q391 Chairman: Let me start us off by wondering if there is not some kind of difference between the approaches inside government on these matters. I ask this because when I look at, for example, what the Prime Minister says about choice—and I quote from the Government’s paper to us—quoting his speech in January 2003, he says: “Choice mechanisms enhance equities by exerting pressure on low quality or incompetent providers. Competitive pressures and incentives drive up quality, efficiency and responsiveness in the public sector”. Then, if I look again in 2003 at the Treasury’s paper on meeting the productivity challenge it says: “It is important to ensure that choice is not promoted at the expense of equity or efficiency, particularly where there are market failures and capacity constraints.” I am not wanting to make a trivial point about are there differences here between Number 10 and the Treasury but the substantive point is, is it not the case that although

the Prime Minister seems to suggest it is an easy relationship between choice and equity and efficiency, in fact what the Treasury says is “hang on a minute, there can be real problems here in trade-offs with equity and efficiency”? I would not mind hearing you say something about that to start with.

Mr Hutton: I think that is the \$64,000 question, is it not, which goes right to the heart of this whole debate about to what extent choice can lever up quality and efficiency and equity at the same time. I think to be fair it is also the case—I know this because I have read the speeches, I am sure other colleagues have as well—the Chancellor has made very clear his support for choice in public services as well. I think the issue for us is this: unless you take the right steps and do the right things if you are going down this path, there is a danger that you can exacerbate inequities. You might not improve efficiencies and the results and the gains that you want do not materialise, of course that is so. That is why, as we have been developing the proposals in the National Health Service for greater and extended patient choice, we have been very clear all along that choice is a means to an end, it is not an end in itself. We do not want to develop and extend choice in the National Health Service at the expense of equity or efficiency or responsiveness or any of the other objectives that we are seeking to do. We have done, for example, and we continue to do, a very great deal of work with the NHS, both at Strategic Health Authority level and with local NHS organisations, to make sure that one of the key ingredients to make a success of these reforms—which is access to the right information—tells people what they need to know about different providers and so on and is available to everyone. We recognise that some people might need more help than others in making sense of that information and using it efficiently and effectively. Certainly that was one of the lessons that we learnt ourselves when we started to develop some of the choice schemes, for example, around coronary heart disease which I think have proved a huge

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success in reducing waiting times for heart operations. Right at the core of that proposal around choice in CHD was patient care advisers, people who have the time, experience and knowledge to take patients through the various options which are open to them, to explain things about the different providers which are available to them so they can make informed and proper choices. Of course there is a risk of those things happening. What you have got to do if you are going to go down this road is identify them and be clear about the values that you are determined to hold on to as you go down this road. We are not going to compromise on equity as we go down the choice road. I do not think there is a simple trade-off between the two. Of course, you can sacrifice one at the expense of the other unless you are careful, but we are going to be careful and we are going to make sure that the choices that some people in our society have always had, which are based on personal wealth, in future become based on personal health. The choices of the few literally become the choices now available to the many. I think that is perfectly possible if you set your horizons at the right place and you fly by the right instruments. If you sacrifice instruments in the process or if you do not fly by the instruments then I think you can have a problem.

Q392 Chairman: Just on the point you made about choice being simply a means, it is just a tool that we can use for certain policy objectives and it is not an end in itself. In fact, I am struck by the fact that the paper that has come to us expressing the cross-government view on this actually does say it is good in itself. Just to give you the quotation, it says: "Choice emerges as both a means of introducing the right incentives for improving services for users and as a desirable outcome in and of itself", that is it is both intrinsically and instrumentally valuable. You have a Government position which says not only is it a useful tool but it is a good in its own right. One of the things we have to think about is which of these it is.

Mr Hutton: Maybe, Chairman, I have not expressed myself clearly enough. Let me go back to the beginning of this argument. We know from the work that we have done in the National Health Service that choice makes a powerful difference to the quality and responsiveness of NHS services, and that is what we want to achieve and secure. Also, we believe that choice is a good thing in itself, of course it is, because I believe in a modern, democratic society choice is one of the defining characteristics of modern citizenship. Choice should not just be about who you elect to govern you but it should also be extended to what choices of services you decide to use. If I have expressed it to you bluntly, let me row back a little bit from that. It is the case, I think, that choice is a good thing as an aspect and future of citizenship, I am sure so, but I know also that it will have a powerful, beneficial effect on improving the responsiveness and quality of NHS services. That is my principal responsibility here as a Minister in the Department of Health, to find the right way of making sure that the NHS gives to the public the

services that it wants. I am aware, and I am sure colleagues will be aware of the argument, that patients do not really want choice, that it is just a myth, all they want is a good local hospital. Of course there is some truth in that but I think the view that you have to choose between the two is one of the fundamental myths which has helped to confuse the argument here. I think you can have both because there are bound to be plenty of reasons, for example, where you do have a good local hospital but for perfectly sensible reasons you might, as a patient, want to choose to go somewhere else, for reasons of convenience. For example if you are an older person and your family live a hundred miles away you might prefer to have your operation, particularly if you are going to be in hospital for a long period of time, closer to where your family and loved ones are. I think we have to try and balance the two things but I believe very strongly, from what I have seen and what I have heard patients say to me who have been involved in these schemes, that it has been hugely beneficial for the NHS and it is certainly what patients want because the best way to find out what patients want is to ask them, and that is precisely what we have done. In opinion poll after opinion poll they have confirmed they want choice. Yes, they want good local services but they believe, also, that choice can help them deliver that. Most importantly of all, when we have offered choice to patients, very large numbers of them have exercised their right and have exercised the opportunity to go somewhere else to have their treatment. I am rowing back a little bit on my original answer.

Q393 Chairman: You are perfectly entitled to row back a little bit. Let me get you to row back a bit further on something else which is, just as a matter of obvious fact is there not a trade-off between a choice based way of delivering services and an attention to cost-effectiveness? In a system where there is limited funding and, therefore, in that sense limited supply, at some point there will be a trade-off, will there not, between having a service driven by the notion of choice and having a service driven by the notion of cost-effectiveness?

Mr Hutton: No, I do not think so. I think if you look at—which I know you want to look at later—the payment by results mechanism which we are proposing to use as, if you like, the policy instrument to facilitate patient choice, what payment by results and all prospective payment systems do in health care systems is reward efficient providers, not reward inefficient providers. I think choice and payment by results together, and they are two parts of this very important reform, can help promote efficiency in the use of capacity in a health care system.

Q394 Chairman: Can I give you an example to make it less abstract. One of the things which I think is valued by people in some health care systems—France, Belgium, many ones cited—is that people can access specialists directly. If you have a problem you go and see a specialist directly and you get that under your insurance deal. If you want to develop a serious choice based system, and given the fact that

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is a choice many people would like to exercise, they do not want to go through a gatekeeper for many things, they want to be able to go and see someone who knows about the condition immediately, that will be extremely expensive to do. In going down the choice route, we have retained absolutely the GP gatekeeper model, have we not, and set our face against a kind of choice that would be extremely expensive to implement by people going directly to specialists?

Mr Hutton: I think the French health care system is extremely expensive and has been running at very significant deficits for a long time as a result of that. We are not proposing to do what they do in France here in England. You are quite right, we are not proposing to remove the important gatekeeping role of GPs because quite clearly we have to manage a finance budget. I think there is a way of extending very significant extra choices to the system without sacrificing the obvious objective of all governments, of whatever political persuasion, to maintain the efficiency of the use of resources. I think in a sense it comes down to this, does it not, we are talking about greater choice but we are not talking about an absolute choice, unlimited choice, because we all know in the real world that there are going to be some limitations, some driven by the requirements of efficiency, some driven by other considerations as well. For example, we are not proposing that any patients, whatever their circumstances, whatever the medical opinions might be, can demand any type of service at all. Obviously the service has to be a medically justifiable intervention and we added in, also, further requirements in relation to efficiency that the intervention can be conducted at NHS tariff prices because we save a public resource. I think the fact that you have to engineer efficiency into the system does not mean necessarily that you sacrifice all of the core components of a system of greater choice.

Q395 Chairman: No. I want to put on the record the fact that there is clearly a trade-off between moving in choice directions and issues of cost-effectiveness. The Treasury is quite right to flag that up as a consideration.

Mr Hutton: They are. I had interpreted your remarks—I am sorry—as saying that choice based systems must always be inefficient. I am trying to say the opposite, I do not believe that to be the case.

Chairman: No, I am saying there are constraints on choice insofar as we are concerned with issues of cost.

Q396 Mr Prentice: Maybe they can be inefficient, and I just want to explore that because you talked about dangers and risks in offering greater choice. GPs are the gatekeepers and yet the National Audit Office told us yesterday that about half of GPs know very little about the Government's choice agenda and 61% feel very negative or a little negative about it. Given that GPs have got this pivotal role, should the Government not have done a bit more to explain to general practitioners what its thinking is in trying to bring them round?

Mr Hutton: I am not sure whether those figures that you have quoted relate to GP awareness of the National Programme for IT or whether they relate to their opposition to the principle of patient choice. The evidence that I have is very different. There was a survey, for example, conducted by the Dr Foster organisation in April 2003 which showed 71% of GPs thought the NHS would benefit if GPs could offer patients a greater degree of choice. Our own DoH research—which we are very happy to provide to the Committee—showed 91% of GPs endorsed offering patients the choice of time and date of appointment and 82% endorsed choice of hospital. I think we need to be clear and it is very clear, also, Gordon, from the NAO report, the support of the BMA and the Royal College of GPs for the principles of patient choice.

Q397 Mr Prentice: I listened to the *Today* programme this morning and there was widespread scepticism, I think, amongst general practitioners, that GPs were spending now 14 minutes per patient consultation as opposed to a previous nine minutes. My central point is that the people who are going to manage all this are not on board. The bit that I quoted earlier goes on to say: “GPs’ concerns include practice capacity, workload, consultation lengths . . .” that is what I have just been talking about “...and fears that existing health inequalities will be exacerbated.” Now that is pretty damning, is it not, for general practitioners to tell the National Audit Office this? The NAO canvassed opinions through a survey, I believe, but that is pretty damning, is it not?

Mr Hutton: I think it would be damning if it was true.

Q398 Mr Prentice: Okay.

Mr Hutton: It is not true. It will not exacerbate health inequalities and, in fact, we know the opposite to be the case from all the choice pilots that we have done, and which we have provided evidence to the Committee of.

Q399 Mr Prentice: How does it work in practice? An ill person goes along to the general practitioner, having listened to the *Today* programme and to Government ministers like yourself talking about the choice agenda. In this—and I do not say this flippantly—brave new world will the patient be encouraged to ask the GP about the competence of the doctors who are going to treat them in the hospital; the reputation of the hospital or the department in the hospital that is going to treat them; death rates? Will they be able to ask the GP that kind of information because it seems to me that would stretch the length of the consultation quite considerably?

Mr Hutton: There is a huge amount of data available already which answers patients’ enquiries about exactly those issues. The idea that we have to prompt patients to ask, for example, is the doctor you are recommending who is going to treat me any good, we do not need to prompt them to ask that, they ask that now. You would ask that

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question, I would ask it, just about everyone wants to know if they are going to be treated that they are going to be treated by a doctor who has got some relevant experience. I think the difficulty for us, Gordon, is that it is very easy to knock holes in the argument, it is very easy to look at the immensely complicated operational task in front of the NHS—and it is a big one—of converting effectively a no choice system into a system which delivers more effective choice and to say “it just cannot be done, it is all too complicated so let us just stay with the system that we have now where there is no choice, patients are told where to go for their treatment”. Now, given that health is the most important service that any of us consume in our lives, I think the idea that the public services can only offer patients one choice, nothing else is permitted, frankly I think is a desperate poverty of ambition around the public services. I am glad to say it is for that reason that the Government has decided to embrace choice and to find a way of reflecting that mechanism, of introducing it into the NHS. I am very aware that GPs have concerns about what this means in terms of the length of their consultations, of course they are right to have those concerns, but the new GP contract that we spent two years negotiating with the GPs themselves, which they endorsed overwhelmingly, does actually remunerate GPs for longer consultations now for the first time, and I think that is a good thing. We know from some of the work around Choose and Book, the electronic booking appointment system, some of the feelings about the length of time it would take GPs to actually confirm a transaction have been exaggerated. GPs are bound to be concerned about that until they have actually got the system on their desk and they can use it because they all work under enormous amounts of pressure. What I would say about that in terms of the point that you have specifically raised about length of consultations and so on, is that we have always envisaged that most outpatient appointments eventually will be booked through Choose and Book, the IT system, but we have never said that all of those appointments will be booked in that way. Even within Choose and Book, the National Programme for the IT booking system, there will be opportunities for patients to go home and think about what service they want to access and to call in through the call centres and call booking management services to make their appointment. The GP will generate the initial inquiry and they can go away and book the appointment at their own time and convenience as well. There are workarounds around these perfectly legitimate concerns but none of them are knockdown arguments against the principle or the value of choice in the NHS.

Q400 Mr Prentice: The target is not going to slip from December 2005 for e-bookings with the kinds of exceptions and caveats that you have expressed?

Mr Hutton: Sorry?

Q401 Mr Prentice: Is there not a target of December 2005?

Mr Hutton: Yes. We want Choose and Book to be available to GPs by the end of 2005 and it certainly will be. We have never committed ourselves to making sure that every secondary care appointment is delivered through Choose and Book by the end of 2005, it will take us longer to generate that. There will be perfectly sensible areas of the NHS where patients will quite rightly choose not to use Choose and Book. In sexual health clinics, for example, those clinics operate on an instant drop-in basis and you will not need to book in advance because you can literally walk through the door and get treated.

Q402 Mr Prentice: I am interested in limits to choice. A lot of people in my constituency are not very well off and 30% of them do not have access to a car. In your submission I think you referred to the national figures. If one of my constituents went along to their GP and wanted to exercise choice and have his or her operation done in some hospital in the South West of England, would my constituent have to bear the travel costs or, as part of the choice agenda, are people going to be reimbursed for the consequences of choice that they properly exercise?

Mr Hutton: It could be. It would depend on exactly what their income is. The NHS operates a low income travel cost support scheme and if they qualify under that then they would certainly get the costs of their travelling paid for by the NHS if they exercised choice, as you say, to go to the South West of England to get their operation. It would very much depend on their own personal means. We do have a low income travel cost support scheme and I am very happy to provide the Committee with details of that, Chairman.

Q403 Mr Prentice: There are sceptics out there who would say that the Government's agenda is really privatisation by the back door and the Government is actually encouraging private sector providers to do NHS work. Do you think it is very unfair for this to be characterised as privatisation by the back door? Would it not be better to say this is privatisation by the front door?

Mr Hutton: We have not done anything by the back door, let me be quite clear about that. We have made it quite clear what it is we are trying to do. If we were trying to privatise the National Health Service, which is an absolutely ludicrous allegation, the NHS today would not be employing nearly 200,000 more people than it did in 1997 when this Government took office, so I think we can really put that particular argument on one side. It is true that we have decided as an instrument of policy, and I am sure the Committee will want to explore this, to use independent sector providers to provide more choice and capacity in the National Health Service. When we have done that we have done it in consultation with the local NHS in order

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to fill gaps that they tell us they cannot fill themselves in the timescale that is necessary for them to be filled. Remember, in the background to all of this we have the Government's waiting time targets which are increasingly reducing the length of time that people have to wait. Of course, as we know by 2008 the total wraparound time from going to see your GP to having an operation, we say the maximum length will be 18 weeks and the average length will be about 10 weeks. In order to do those things, in order to get capacity up to a point where we can deliver that target, we need substantial extra capacity in the system and in particular we need extra surgeons, operating practitioners, nurses and everyone else. The independent sector treatment centre providers are providing that personnel. In the short-term that is the only way that we can boost capacity. These treatment centres have greater significance than that. They are providing some contestability into public services for the very first time in the NHS and I think that is a very, very good thing to do because alongside choice, and this is very, very important too, there has to be rewards and incentives in the system. I believe the three key ingredients to make choice work to be extra capacity, more information for patients and the right rewards and incentives. I believe that it is in this latter category of providing the whole service with sharper incentives that reward good performance but also through a spotlight on poor performance that is the way to drive up efficiency ultimately in the long-term in the NHS. Rather like your opening question, Chairman, yes, of course there are some risks in this. If you are going to throw a spotlight on failure you have got to know how to deal with failure.

Q404 Mr Prentice: I am not a health professional. I have got a persistent cough, I think, but I come to this from an amateur perspective. It concerns me, as I said earlier, that you do not have the general practitioners on board as part of this agenda and we see from the press today and from the *Health Service Journal* today that managers in the health service are very, very sceptical of the Government's plan. John Carvel in *The Guardian* says: "John Reid is facing a groundswell of opposition from NHS trust chiefs in England about plans to contract out up to 15% of non-emergency operations and diagnostic tests". Thirty-seven per cent of the survey, and you will have seen the piece in the *Health Service Journal*, said they were being bullied by the Department of Health. Does that concern you?

Mr Hutton: I find that latter allegation totally ludicrous and ridiculous. In relation to your first point when you say that the GPs are not on board with this, I dispute that. The GPs support patient choice. We know from all of the work that the Royal College has done, the BMA and others have done, that the BMA supports patient choice, a point of referral, and so does the Royal College of

GPs. I am not at all surprised, however, that there will be some NHS managers who feel concerned about the direction of reform, of course they will.

Q405 Mr Prentice: It is not concern, it is freaked out really.

Mr Hutton: They are bound to be concerned about these reforms if we do create a new market in health care in the UK, new providers providing NHS care free at the point of use, which might well involve some transfer of activity across the service from the NHS to the independent sector. They are bound to be concerned, are they not? Their concern is with their own organisation, naturally so. What we have got to oversee at the centre is the strategic direction of this reform and I think it is absolutely essential that we maintain this new third sector, if you like, in health care in this country because the benefits of establishing this new wave of independent sector treatment centre providers has been enormous. You have been quoting from newspapers today but I would suggest there is a whole series of articles in the *Financial Times* you might like to refresh yourself with which show the extraordinary impact that the arrival of these new providers is having on the private sector, how it is lowering prices in the private sector substantially, and we are using and taking advantage of those changes for the benefit of taxpayers because we will be buying capacity at much cheaper prices than we have ever done before from the independent sector allowing us to cut waiting times much more quickly for your constituents and mine. I think that is a virtuous circle, not a problem.

Mr Prentice: A couple of days ago we were in Birmingham and we quizzed the Chief Executive of the South Birmingham PCT, which I think is one of the biggest in the country, and he was saying that what the Government is planning is utterly perverse.

Chairman: That was not the expression that he used. This is Gordon's version of what he said, lest it be recorded back that his words were "utterly perverse".

Mr Prentice: No, he did not say that.

Mr Heyes: On the contrary, I thought he was exceptionally cautious in the way he was talking and that was interesting as well.

Chairman: That is my health warning on Gordon's question. I can see a man getting into deep trouble at that point, and not you, Gordon.

Q406 Mr Prentice: He told us in a very measured way that there was some concern that by 2007–08 8% of elective work would have to be bought in by the South Birmingham PCT from private sector providers. He told us that as a way of getting the private sector up and running the contractors for the work would extend for five years and South Birmingham would have to pay private sector providers to do work that it could do perfectly competently itself and more cheaply. If I have got any of this wrong, the Chairman will correct me. That was the gist of it and that was why I said just a few moments ago that it seems utterly perverse.

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Mr Hutton: Let me just put the record straight. I think John might want to say one or two words about this because I can feel him twitching. He is the guy with the chequebook so he has to pay for all of this. The idea that we are going to make the Primary Care Trusts pay more than they would currently pay NHS providers is simply not true. They pay the NHS tariff and the Department of Health manages any additional costs from central funds, so the Primary Care Trust is left in exactly the same position it would have been whether it was purchasing that care from the independent sector or whether it was purchasing that care from the NHS, it makes no difference to the PCT at a local level at all. In relation to this idea that we are going to contract for five years, and I assume you were referring to a sort of guaranteed volume and a guaranteed price—

Q407 Mr Prentice: Yes.

Mr Hutton: We have made no such decisions yet. I am not sure on what basis you were told that was the Department's policy because that is not the Department's policy.

Q408 Mr Prentice: In order to nurture and bring on the private sector there has got to be some kind of guarantee about the volume of work and health service professionals are concerned that work that could be done within the NHS will inevitably go to the private sector because it is the Government's policy to bring in this other third force, I suppose.

Mr Hutton: Just two things very briefly. As I say, we have not made any decisions yet on how we are going to contract for the second wave of operations that the independent sector are going to provide. We have not made a decision on that yet. I agree there are some difficult issues there for us but we have not made a decision yet and we have certainly not communicated that to the NHS by the back door. The second thing I would say about this whole issue about capacity, and I know the Committee wants to get on to this, is anyone listening to that debate would assume that the NHS capacity is either going to stay frozen or it is going to go back, so we have got all of this difficult business to do of taking work out of NHS hospitals and taking it on to the independent sector. Currently we do about five and a half million operations a year. By 2008 that is going to have to rise to nearly seven million if we are going to meet the target of 18 weeks, so we are going to see significant increases in the total amount of capacity we need in the service. We have said, and the Prime Minister has said, we have already purchased about 200,000 and we are going to buy another 250,000. The total is less than half a million out of that seven million.

Q409 Mr Prentice: This is additional capacity, there is absolutely no question of transferring work that is currently being done in the NHS into the private sector, we are talking about additional capacity.

Mr Hutton: We are talking about additional capacity but as part of the eventual deal that will follow through there could be the opportunity as well to transfer some work from NHS facilities into these new treatment centres.

Mr Prentice: Mr Bacon is twitching.

Q410 Mr Hopkins: To quote from the Chief Executive of Nuffield Hospital, which is a private group, he said, along with extra capacity "with doctors we have a structured secondment arrangement with the NHS where we get doctors from trusts", so the doctors are going to be taken from the NHS to produce this so-called extra capacity in the private sector.

Mr Hutton: I think you are confusing two things there. We have got a number of agreements with the Nuffield. We have centralised bulk purchasing which the Department is overseeing where we insist on additionality in relation to staff. At a local level, NHS trusts will have local contracts with Nuffield, for example as a local private sector, to deal with waiting list objectives to make sure that they get their operations done. In relation to that latter category of contracting, yes, it is very likely, almost certain, that those consultants will be some of the same NHS consultants who are working in NHS trusts, but in relation to the bulk purchasing, the contracts that we announced last year that John Bacon helped us negotiate, there was a very strict additionality requirement in relation to extra staff.

Q411 Chairman: Having stopped Gordon let me now reinforce him because he is paraphrasing what was said by a Chief Executive of a high performing PCT who was very supportive of the choice agenda, fulfilling all their commissioned obligations, doing well in the scores, but who was flagging up the fact that they could offer the range of choice providers from within the NHS and he said "the only logic I can really make of this is if there is a long-term objective to make a market then I can understand what this is about, but in the short-term I am being asked to go and make a contract with a private sector who I do not need to make a contract with and to pay them, as it were, to be there as a potential provider even though I do not need them". You can see from the point of view of someone running a PCT this did not make a lot of sense.

Mr Hutton: It is part of a long-term objective to create this sustainable third sector in the NHS. Not an established UK private sector, not the NHS, but new independent sector providers who provide treatment for NHS patients at NHS tariff rates. To do that we need to make sure that there is a sufficient volume of activity in the service to support that new centre that we have created, which has had such a beneficial effect on waiting times and improved efficiency across the NHS. John made clear when the Secretary of State gave evidence to the Select Committee a few weeks ago that this issue about how do we plan for the precise amounts of capacity that are going to be in the new independent sector providers and how much in the

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NHS is a fiendishly complicated thing and we have asked the NHS to plan at a baseline assuming about 8% of activity will be in the independent sector. As John made very clear to the Health Select Committee, having gathered in the plans there now needs to be a set of negotiations at a local level to try to work out precisely what gaps need to be filled and who is going to fill them. John, I do not know if you want to add anything.

Mr Bacon: The Minister has set it out very well. Initially, the primary objective is to work out the total amount of capacity you need in order to deliver the objectives by 2008 from whatever source. There is a baseline plan of how much outpatient diagnostic and inpatient capacity you need. We then need to think about how we stimulate the situation where patients have real choice and I think the point I was going to add to the ones the Minister has made is that from next year, 2006, essentially the volume of activity any of these providers get is driven by patient choice, not by locking health PCTs into set volumes as we did in the early days of this initiative. We want to get enough capacity in the system to enable the plan to be delivered, we want to give patients a range of choices, and then we want to introduce a degree of contestability so that the providers, be they NHS or the private sector, have real incentive to offer very good services and very convenient services to our patients. Essentially we are moving to a patient driven system here.

Q412 Chairman: Let me just try this another way. When we were asking this PCT about their experience of talking to their client groups about choice, the PCT were talking quite positively but then we said "What about the people who are running these meetings, what do they say?" and it came out that people were not really very interested in choice, they had to concede. One of them said, "Their ears pricked up though when we talked about private providers" meaning they thought they were going to get private treatment on the NHS. If that is the bigger turn-on for people when they sit down in that GP's surgery and he says, "Look, I have got a little menu here of people you can go to and one of them is this private outfit" and someone thinks, "That is good, is it not, I get private health service without paying for it, I will have that", what if everybody starts saying "I want to go to a private hospital?"

Mr Hutton: Personally I think that is extremely unlikely to happen. It comes down to one point that John has just been trying to make. It is an area where we have still got work to do in the NHS and across the public too. We have all grown up with an NHS that is built around what has been alluded to, that organisations have a guaranteed block of business that is always going to come to them, but that is not going to be so any longer. That will be true for the independent sector providers just as it will be for the NHS providers. I think everyone has to come to terms with that and that is going to be a huge challenge. The second thing I would say to the NHS and to NHS organisations is of course

you can theorise this to the point of absolute destruction, and I know people are interested in doing that, but I think those three letters—NHS—stand for something very, very important, and I think the public overwhelmingly have confidence and trust in NHS providers. I do not think for a second that because there is one independent sector provider on a menu of, say, four or five, that you can assume that means that 80 or 90% would go down the private sector provider route. I think the NHS has a huge amount to offer in this and we know the vast majority of the public is very, very satisfied with the care that they get from NHS providers. The important thing is that in the new financial regime that will apply to the National Health Service, no provider can take anything for granted and neither should they be able to do so. They will get the business, they will get the patients on the basis of the service they provide, not on the fact that they have got a monopoly in a local market but because patients choose to go there.

Q413 Chairman: I understand that. I do not think this is theoretical stuff, it is real world, how does it work stuff. I thought the Government's broad philosophy was that it did not really matter who provided services, it was the role of the public sector to commission services and to make sure that everybody has access to them. Why on earth are we worrying about the balance between providers? Why should you jib at the idea if everybody wants to go private and they do it at rates that the NHS will pay for? Why should it matter to you?

Mr Hutton: It is a transition that we are talking about, we are going from the old NHS where there was no choice to a new NHS where there is unlimited choice by 2008, and obviously we have to plan to make that transition. Frankly, I think it is impossible to imagine any sort of realistic scenario between now and 2008 where we could put in place this equivalent amount of capacity that the NHS currently has to have it banked up on the theoretical possibility that everyone might exercise that particular choice. That is completely impossible to imagine.

Q414 Chairman: In principle as things develop, as they evolve over the long-term, there is no reason why provision should not move wholesale into the private sector if that is what people want, if that is what choice drives.

Mr Hutton: Indeed. I think it is choice that will drive this.

Q415 Mr Prentice: It is quite possible for hospitals to close then. If patients are not going to a particular hospital there is no point in keeping it open.

Mr Hutton: I think we have to be clear about a number of things in this argument, about how we deal with failure in this sense. I think we have got to have a very clear perspective on this. What we have got to ensure as an absolute and as a guarantee for NHS patients is reliable local access to accident and emergency care. We have got to be

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clear about that as our objective. Also we have to be clear, therefore, that because choice is a discipline, and it is a new discipline for the NHS and we should back patient preferences and not provider convenience here, if large numbers of patients decide in the local hospitals in your area that they do not want to go and have their dermatology at the local hospital, they want to go somewhere else, they might want it in primary care or they might want it somewhere else, that might have an implication, of course it might, for the continuance of that particular part of the service provided by that hospital.

Q416 Mr Prentice: So that department may just close down?

Mr Hutton: It might do, yes. Why should we say to patients, “You have got to go to a failing service because it is the local service”? I think that is a totally unsustainable position. A service might be providing a poor level of service and part of the work that we will do, and continue to do, is to support providers to provide a better service, and ultimately I think payment by results will provide the incentive to do that, but if having tried and failed, and failed to persuade the patients to go there, it is still the argument that we should nonetheless keep that service there with all the built-in costs—

Q417 Mr Prentice: It is all highly technical stuff, is it not? Joe Bloggs out there does not have the faintest idea about the competence or otherwise of the dermatology department at a particular hospital. He or she will be advised by other health professionals, like the GP that we started out with. The GP is going to be incredibly influential.

Mr Hutton: I think GPs will be influential too but I think patients—

Q418 Mr Prentice: They will be lobbied very hard.

Mr Hutton: Patients are perfectly capable of making up their own minds on these things. I do not think you could generalise that this is all too complicated for patients and they will never be able to make head nor tail of it, that is not true. I think patients are becoming increasingly health literate for a variety of reasons: through their own measures; through access to the Internet and so on. There is no doubt that the levels of health literacy are rising. At the end of the day, you are quite right, GPs are influential and it will be part and parcel of a combination of pressures. If the GPs have lost confidence in that service, and that happens from time to time, and patients say “We do not want to go there”, then why should we, as taxpayers, keep continuing to pay all of the costs associated with a service that no-one wants to use?

Q419 Mr Prentice: This is fascinating stuff. In the future when we have patient groups being organised on the Internet it would be a really good thing for health provision in the United Kingdom to be driven by what patient groups, brought together on the Internet suffering from a particular

condition, decide. It is already happening to a limited extent but over the next 5, 10 or 15 years this is going to mushroom, is it not?

Mr Hutton: I think patients will gravitate towards the best providers and that is a good thing, not a bad thing, and we should encourage that.

Q420 Chairman: These groups will produce their lists of the top six centres for this condition and when they go to their GP they will pull this thing off from the Internet and say, “Look, these are the places I want to go to for my condition” and the GP will say, “Unfortunately everyone is saying that. It shows on my screen they have got these terribly long waiting lists so you will not be able to go unless you want to wait a long time for it”.

Mr Hutton: This is fundamental to the whole argument, is it not? When we say that we want choice, of course we want choice, but not every sick child can be treated at Great Ormond Street Hospital for Sick Children because we know it has a finite capacity. There are other ways to solve that particular problem. For example, Great Ormond Street are looking at, as it were, branding or franchising their product in other parts of the NHS to run local Great Ormond Street Hospitals for Sick Children. There are ways round that. You are quite right, by definition not everyone can be crammed into the same building at the same time, so the choice menu will have to be predicated on a number of assumptions, will it not? One is about capacity and availability and that if you really want to insist on a particular provider you will have to wait and there might be other perfectly good providers who can provide the service with a shorter waiting time that patients might decide to use. There will be a variety of sources of information and some of it will come from organised patient groups, as it does now. You can talk to any number of groups and they do exactly that now and will continue to do that. That is a good thing, patients should have the power to drive improvements in patient quality. Patients will rely on a variety of other forms of information, some of it will come from GPs, some of it will come from other patients who have experienced or been to that hospital, and the reputation of the hospital is very important, the speed of access and their clinical quality. If you guys have not ever been on the NHS Net have a look at it, a lot of that information is available now. It is not some sort of futuristic scenario we are talking about, it is used now. I am sure that the Department will provide for the Committee some information about how many patients actually access that information on a daily basis now. I think you would be quite surprised.

Q421 Chairman: To get back to where we started, and you hear this said often, what a patient wants is not to have to wait very long to get their condition sorted. They want a guarantee that the hospital they are sent to can do the business properly. They might say that is an obligation on the state to make sure those conditions are met and, indeed, the Government is going a long way to

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make sure that these conditions are being met. To go further and to say, "Ah well, you have now got to start shopping around amongst the different providers and we are going to give you this little list", the question is, is it what they want? That is the first thing. The second thing is would they ever be in a position to have the kind of information sources that would enable them to do it? If I could just finish this by mentioning the NAO report that came out yesterday which was critical in a number of respects, and we may come back to some of them. On the information point it talks about the imperfect state of information sustaining the choice agenda at the moment and it says: "Informed by the experience of choice pilots and Dr Foster's research, the Department's view is that it would prefer to roll choice out with the existing limited set of information". The NAO says: "While this is reasonable, it does fall some way short of patients' expressed preferences as noted in *Building on the Best* for information on outcomes and quality to make choices". The choice scheme that is coming in now is not yet underpinned by the kind of clinical outcome information that a genuine choice making system would need, is it?

Mr Hutton: John will want to come in on this but let me just say one or two things. That is right, there is more information that needs to be made available to the public. Gordon is right as well, I think some of the data that patients need and want to have access to is not available currently in the format that you have just described. I would just say this to the Committee: this is an area where we have to be extremely careful in how information is presented because there is a real danger that a completely unfair and inaccurate presentation can be made. When we are talking about the outcomes of individual surgeons, for example, we need to distinguish between the fact that some surgeons deliberately will take on more complicated cases and, therefore, by definition the success rate may be not as high as a surgeon who does not take on that particular case mix. We have to find an effective way of communicating that, the fact that some doctors do particularly complicated and dangerous procedures, without making it look like that doctor is a dangerous doctor because that would be totally unfair. We are working very, very hard, the officials and also the medical organisations, to find the right way that we can present that information in a sensible and meaningful way. I am hoping in the next couple of years we will be able to do that but currently I think there is a very significant volume of information out there on which patients can make perfectly sensible and informed choices. John might want to add to that.

Mr Bacon: Just to add to a point you were making, Chairman. We have developed, and are continuing to develop, quality and standards frameworks that are the minimum quality that must be offered in any hospital that offers NHS treatment, be that NHS or private sector. So there is a guarantee in that that you can expect that level of quality and standards if you are going to an NHS kite-marked

institution, as it were. Those quality and standards are subject to inspection by the Health Care Commission, so there is an independent inspection service which will ensure that those hospitals are reaching that level of quality and standards and their reports will be public and will be available to the public in informing their choice. There is a mechanism in place to ensure that that level is both agreed at the outset and is maintained.

Q422 Chairman: So if I say to my GP, "Who is the best doctor?", then what happens?

Mr Hutton: Who is the best doctor locally?

Chairman: If he says, "You have got this condition, I am very sorry"—

Mr Prentice: It is a big complaint.

Q423 Chairman: "I can give you four or five choices where you might go" and I am taken aback by the news I have got this condition, so I say "Who is the best doctor then?", then what happens?

Mr Hutton: If you were to ask your GP now, if he said, "Mr Wright, you need to go into hospital. You have got a rash and we need to look at it", he would know from his experience of that hospital which consultant he would prefer you to be seen by. That is true now but obviously in the menu of four or five providers, that GP's experience of those particular providers may be less strong. In that case, the GP, rather like you, will have to rely on the information that is currently available to make those choices. In a sense, the idea that this is going to be a unique set of problems when we extend choice across the NHS is a misreading of the current situation. There are reputations known within local economies between hospitals and GPs about which would be the best consultant to see for a particular complaint. That is the case now and that will certainly continue within the local knowledge networks that exist in local NHS organisations and that is regularly exchanged with patients. In relation to the wider choices that patients eventually will be able to activate, it is true, as I said earlier, that we need to continue to make sure that the widest possible range of information is available to support patient choices because immediately you widen the network of choices then by definition you are going to start standing outside those local knowledge frameworks, those reputational relationships that have been established locally over many, many years and GPs and patients will have to rely on a wider spread of information and data to support the patient choice. As I said, we are working to support meaningful presentation of that data but, as I hope the Committee will be reasonable in accepting, it is important that we get that right for the consequences of getting it wrong are very obvious: reputations could be damaged; we could misrepresent data and unfairly and improperly influence the choices that patients are making. It is a complicated area. There is a lot of work that we are doing with the medical organisations to try to get it right. I think it is true that the cardiothoracic surgeons, for example, have been working with the

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Department for some time in exactly this area to try to find the right way to present the data in a meaningful way for patients. I am sure there is a way to do that and we remain committed to finding that way.

Q424 Mr Liddell-Grainger: I am intrigued by delivering of patient's choice when a GP is referring. The NAO report says: "The Department believes that choice is affordable. Additional annual infrastructure . . . costs are estimated to be £122 million—or 1.4% of the current total expenditure" and then it goes on to say ". . . it should lead to increased efficiencies in primary and secondary care services worth an estimated £71 million, off-setting some of these costs". How do you cost choice?

Mr Hutton: That is definitely John's territory, I think.

Mr Bacon: I think that the numbers referred to by the NAO relate to the infrastructure costs of establishing the mechanisms to enable patients to exercise choice.

Q425 Mr Liddell-Grainger: Why £122 million? Why not £100 million or £130 million? Why is it £122 million?

Mr Bacon: £122 million is the NAO's view based on the information we have given them of the infrastructure costs of establishing the process. It is just a factual number how much it will cost.

Q426 Mr Liddell-Grainger: They are your figures and they are a factual number. Give us the facts. How do you come to the fact that is the figure?

Mr Bacon: That is the addition of the direct infrastructure costs of setting up the process and the training and development that goes with it.

Q427 Mr Liddell-Grainger: So choice is costing us £122 million?

Mr Bacon: The costs of establishing the mechanisms to enable patients to exercise choice is costing us £122 million.

Q428 Mr Liddell-Grainger: We are not talking about e-booking in this, are we? Is e-booking included in the £122 million?

Mr Bacon: I think it is, yes.

Q429 Mr Liddell-Grainger: I will come back to that in a minute. How do you have an estimated worth of £71 million off-setting some of these costs? What have you off-set?

Mr Bacon: Again, the off-setting costs, as I understand it from the brief opportunity I have had to read the NAO report, are the savings you make from missed appointments, et cetera, that cost the NHS considerable amounts of money. We know from the evidence that we have already that the ability to book a defined date at the time at which you exercise the choice will reduce the number of missed appointments, et cetera, and that will produce a saving and the NAO's estimate is that is £71 million.

Q430 Mr Liddell-Grainger: I think you are about to be passed something. For making up the difference on missed appointments, et cetera, you off-set the cost of £71 million, so you are saving on just efficiencies £71 million but it is costing us £122 million.

Mr Bacon: Yes.

Q431 Mr Liddell-Grainger: Not a great return, is it?

Mr Bacon: You are not building in any of the benefit of the patient's ability to choose.

Q432 Mr Liddell-Grainger: The figures are in here. They are your figures, you provided the information.

Mr Bacon: I am not disputing the figures, I have agreed those.

Q433 Mr Liddell-Grainger: I know that. I am trying to get to the bottom of why you come to these figures because there does not seem to be an awful lot of added value in choice. I am not talking about patient care wise, I am talking monetary wise.

Mr Bacon: The £122 million is set out in detail in the document, so that is where the numbers come from. As the document said, the off-setting costs are the savings that I have mentioned.

Mr Hutton: We need to keep one other thing in mind here. If we are talking about £50 million, we are talking about £50 million out of a budget this year of about £70 billion rising to £92 billion by 2008. In overall terms £50 million is £50 million, of course, but, with respect, I would say that we have got to look at the wider picture here. It is not possible to introduce different systems into the NHS that are necessary to sustain choice, and we have spent the last hour talking about some of them, on the understanding that it can be done for nothing. Obviously there is going to be a cost in relation to this and we work very hard to try to minimise those infrastructure costs because we can only spend the same pound once, we do not have a chance to spend it on patient care or anything else. The collective decision, the judgment that all of us have to make, is whether we take the view, which I understand you do, that patient choice is a good thing in the NHS and, therefore, we need to make the investment to make it happen. The wider benefits for the National Health Service, for all us as taxpayers, are very significant. I think choice, together with payment by results, will support good performance, it will certainly throw a spotlight on poor performance and I think drive inappropriate costs out of the system and fundamentally make sure that we try to get the one really difficult equation right here, which is to match capacity in the system to where people want it to be. So we minimise excess capacity standing empty and make sure that we can optimise sufficiently and use the capacity in the service. We do not always do that now and certainly we do not do it under the present commissioning of the block contracting produces that we use in the NHS. I believe that payment by results and choice, and the evidence from all of the pilots supports this, is a more efficient way of

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targeting resource to need and to making more efficient use of capacity. If it costs us £50 million to introduce this system, in the overall sweep of things that is not a disproportionate cost and it has to be set aside against the wider benefits that this policy will produce.

Q434 Mr Liddell-Grainger: One of the whole ideas of choice is to make the NHS more efficient, to streamline it and to bring in more capacity, to create more friendly end-usership. What I am trying to get to the bottom of is, you have tried to quantify a figure—and I do not know if the figure is right and I am not entirely sure we are at the bottom of the figure—but there is a cost to all of this. If you are saying—and both Gordon and Tony put it very eloquently—if a department shuts, you will have presumably redundant doctors and nurses, you are going to shift them on to another hospital to try and take up more capacity there, there must be a cost to all of this. You have given a very eloquent political answer, which is very nice, and John gave a very eloquent Department answer, but we are not getting down to the bottom of what the cost is. I come on to the e-booking system. There has been quite a bit of information in the press about this, where it was supposed to have a capacity of X and it actually hit Y, which was quite a big discrepancy. You have put an enormous amount of money into this, many billions I think ultimately, is it actually going to work? Government and computers do not always hit it off, and I am not blaming your Department, I think this is true of every department. Is it actually going to work?

Mr Hutton: It is going to work.

Q435 Mr Liddell-Grainger: When?

Mr Hutton: Well, it is working now. I had the very good fortune to be in Barnsley yesterday to meet the GP who has made I think 63 of these appointments.

Q436 Mr Liddell-Grainger: He has got a statistic!

Mr Hutton: I think there has been a fair amount of rather predictable use of that figure to attack the national programme of IT. There is only one story that anyone ever wants to write about IT programmes, and that is “Another IT screw-up”, it is the easiest story in the world to write. I would just say a couple of things about that. In relation to the 63 appointments, it is true two years ago we thought we would do 200,000 by now because what we planned to do was to test the scheme in a fairly large number of practices to see what happened. We decided last summer we would not do that but test it in a small number of practices with a smaller number of specialties to make sure we got the gremlins out of the system rather than inflict this on hundreds of practices. That is what we have done, that is what we have tried to do, and that is why the figure of 63 does not look terribly clever in comparison with the earlier figure of 200,000, and everyone can make fun of that and they did. That is life. The system works, is my answer to you. The

e-booking system works and we know because we have tested it. The other issue I would say about this is, people have confused a lot of issues and they have assumed because we have made 63 appointments, rather than the 200,000 planned two years ago, you therefore cannot deliver choice in the NHS because the system sucks. Well, the system works, as I said, and there are other ways—as, to be fair to the NAO, they acknowledged in their report—you can work around that issue and make sure you deliver choice in the system. We, for example, have said to the NHS recently, and John will have more information about this because he is overseeing this, that it is possible to complete choice at the point of referral through telephone booking services, what we call indirect booking services, where a GP alerts the hospital the patient wants an appointment, the hospital will contact the patient directly and negotiate the booking with them, probably over the phone but maybe in other ways as well. There are delays in using the booking system, I am not going to pretend otherwise, some of them are to do with technological complications, some are to do with getting the NHS geared up to accept the new software into their own patient administrative systems. Maybe a few months will help. I believe very strongly that that will not compromise the delivery of our choice objectives by the end of this year. Patients will still be offered the choice of four or five providers. I think the large majority of those appointments, maybe up to 70%, will be booked through the new IT system but the remainder will be booked through these work-around devices—indirect booking, call management services as well—so we can still deliver the choice policy but we might have to do it in a different way from the way we thought two years ago.

Q437 Mr Liddell-Grainger: You answered the question to an extent, but I was talking to a doctor who happens to be a personal friend of mine and he is very concerned about centralised booking because he lives in a rural area, his choices as to which hospitals he can go to are limited by virtue of geography, and his concern is that if he comes up with the best alternative—in his case it is Somerset—and says, “You are going to go to Exeter”, that is a hell of a long way, it is one and a half hours away. That is the concern they have. Again, it is the delivery—and you are talking about primary care—and if they have not got the choice to refer, or it is an impractical referral through the e-booking system, they may have a problem simply because of the vagaries of technology.

Mr Hutton: I do not think technology will make the booking of that appointment impossible or more difficult, in fact frankly it will make it much easier, but I do accept the wider point you are making, that in some parts of rural England, for example, patients will not have the same access as patients in London and the South East, or Greater Manchester or Birmingham, or even Lancashire, to a range of different providers.

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Q438 Mr Liddell-Grainger: Pendle is rural.

Mr Hutton: Yes, and Gordon will be able to correct me, but I would be surprised if there were not a range of providers within an hour's travelling distance of Pendle which patients could consider going to. That is the important point, these will be the choices on offer, you choose; any travel, any movement, you make is your choice, it has not been forced upon you. You cite the example of one of your constituents being forced to go to Exeter, there will be a range of different providers they can choose from. If they want to go to Exeter, they can go.

Q439 Mr Liddell-Grainger: Let us look at one of your scenarios. Tony has quite rightly pointed out that if something goes wrong with a department and the department has to close because it is just not going to work, that department has to move, in my case, to Bristol, Exeter, and you then have no choice, you have to go there. I am not saying that is going to happen but you do not know that and I do not know that, but that is the ultimate choice which is no choice.

Mr Hutton: Let us start at the beginning with this. I think the scenario where the service suddenly gets pulled away and people get no choice, is not going to happen. Moving on gradually to payment by results means that we give poorly performing organisations a chance to get their act together, and that might mean different clinical leadership or different management of the organisation. If we know that is not having the positive or desired effect on that organisation, it would be perfectly possible for a primary care trust to commission an alternative provider to run that service. What we are seeing, for example, from the independent sector providers is innovation in terms of how we deal with these problems and providing capacity in rural parts of the England. For example, I think in Mr Prentice's constituency and certainly in mine we have mobile cataract surgery units which are travelling the country and which have done about 10,000 operations, and we can take a provider to a particular location and overcome precisely the point you have just described about the fixed, established provider having difficulty with the service which no one wants to go to and, as a result, its income has been drastically reduced and they might have to take the steps you have described. There are work-rounds in all the examples you have given, where we can continue to provide choice for National Health Service patients, and that is the job of primary care trusts, and increasingly will be, to make sure patients have access to those choices. They will start to move away from the traditional role and start to be commissioners, they will decide for us what service we are going to have and buy it and commit on a block basis on those contracts. The job of the PCTs in the future will be overseeing choice.

Q440 Mr Liddell-Grainger: We went to Bristol just over a year ago and we went to the Royal Victoria. One of the things you point out is, if they cannot

make it work, we will try and get them to make it work and put in management and so on, but one of the things which came out loud and clear from down there were attempts to make people do what they could not do, and this came from senior managers in that hospital. If you cannot make it work, you are stuck, are you not? You can replace management until you are blue in the face, but if it ain't going to work, it ain't going to work. You then have a problem that if you move people to another hospital because that department is being shut down, it is not going to guarantee it will work in another hospital no matter what part of the country you are. So you could be going in a circle of inability to manage.

Mr Hutton: We will not be closing surgical units down. It will be patient choices that decide the future of these organisations. That I know is a completely different mindset for us to think about when we envisage the NHS, but it will not be the case. I can give you this assurance: I will not be making a decision to close the local ophthalmic department in your hospital because I do not think it is good enough. If that unit faces those problems it will not be because of anything I have done; it will be because the patients locally do not want to go there. As I said, there are solutions available to local commissions to try and make sure that that more local option continues to be available to your constituents and, as I said, there are a number of ways in which that can be done. Of course, with any prospective payment system like PBR, attached to choice, which it is designed to facilitate, yes, it could be that that happens. There could be circumstances where certain services fail and they fail to the point where they cannot be rescued because no-one wants to go there under any set of circumstances in a viable way. For all of us in public life—and I know this is a completely different set of disciplines; we are not used to applying this in the context of public services—I do believe very strongly that we face a pretty simple choice. If we sign up for choice, if we think our constituents should have free choice across the NHS about where they go, if we think that will help support quality and drive up efficiency, this is the down side and I do not think it serves the argument that somehow I can guarantee there will be no service failure in the new world of choice; there will be. As I said earlier, the most important thing here is to be very clear about how we preserve access to crucial emergency care, and there will be some surgical specialities, orthopaedics for example, where locally the elective side of that service, which roughly accounts for about 22% of the hospital income so a relatively small part, is where choice will operate. It will not operate in the field of emergency care for obvious reasons because patients can go anywhere they want to now anyway. No-one is going to ask you, "Who is your PCT?", when you turn up in an A&E department; they just treat you on the spot. If there was a failure in an elective orthopaedic service, for example, that could raise quite difficult and different issues from a failure, for example, in another speciality like

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dermatology which is not crucial in terms of maintaining A&E capacity. If there is a service failure in an area like trauma and orthopaedics I think it is going to be necessary for the department to have a way of intervening in those circumstances to make sure that the failure of the elective component of orthopaedics in a local hospital does not have a wash-over effect into the continued viability of the A&E department because you cannot run modern A&E services without trauma and orthopaedic surgical back-up; it is impossible. Obviously, there is payment by results in the area of emergency care as well. People will say, "Why should there be any wash-over? The patients are still coming through the door in A&E. You are getting paid on that basis". The problem could well be around the rostering and staffing arrangements because clearly there would be additional costs for that organisation if all of its orthopaedic surgeons were only rostered to work in accident and emergency as opposed to staffing elective and routine surgery as well, so the cost clearly would rise and it would rise above the tariff rate for emergency work. We would have to consider in those circumstances precisely what we did to maintain access to A&E, for example, in your constituency. I can just let you into a little secret here. In this sense, fine, I might be the minister today; I am a backbencher tomorrow. At the end of the day we are all Members of Parliament. The one thing that would get all of our goats going would be if our accident and emergency department, which is absolutely essential, had to close down because of some accounting problem. It is never going to happen. The responsibility of us in government now with this new system is to construct an effective financial mechanism for making sure that if a surgical speciality and service is affected by a downturn in elective activity and it is crucial for A&E, we find an effective tool, financial if necessary, to make sure that that failure on the elective side does not compromise A&E. To all those people who run around saying that this just means that A&E departments are going to close, I would say it is not going to happen and it has not happened in any other country where they have moved towards prospective payment systems for elective care—Australia, Canada, the United States, other European countries and Germany. What is interesting about the international experience is this, that in other countries they have used payment by results as a way of managing out of the system excess capacity. We are doing it in a totally different way. We do not have any excess capacity, so alongside introducing payment by results we are injecting more capacity into the system. I believe fundamentally that the best way to make sure we do not run the risk of having large amounts of standby capacity sitting there idle, whether it in the independent sector or in the NHS, is to persevere with the reforms on payment by results. It is the best way to make sure that the capacity that is needed is used, because you are not going to get paid for having capacity idle and therefore it is not economic for you as an NHS

organisation or an independent sector provider to have wards sitting there empty. Payment by results will not support that. We need to get this balance right between capacity and demand. It is a fiendishly complicated equation to get right but I am absolutely sure, both from the international experience and from our own testing of PBR in the UK, that payment by results is the best way to do it.

Q441 Chairman: Precisely on this, it is true the government has a fallback, has it not, on the amount of funding that is going to come by the payment by results route from April from 70% to 30%? Is this because, whatever system you set up—and we found this when we did our report on targets—you immediately get gaming, and are we not already saying that gaming is going on, if I read the reports right, which is that hospitals, foundation trusts, are taking short term people from A&E into wards because they know they are going to get extra money that way and have you not had to change the system because of this? Does this in turn mean lots more monitoring, lots more regulation, to make sure this does not happen?

Mr Hutton: You are quite right. We have deferred the full implementation of payment by results in relation to emergency work and outpatient activity. We have not deferred it in relation to what we have spent the last hour and a half talking about, which is elective care, the routine operations that your and my constituents might choose that may be necessary for them to use and they can choose from. We are going ahead with full implementation of payment by results for elective care for routine operations. It is true that we have therefore delayed bringing in full PBR in relation to emergency and outpatient activity, and we have done so for a number of reasons, partly those that you have just described. Every system that has moved to prospective payment financing for health care has faced a similar set of problems. If you are coding particular activities and applying for the first time a particular price tag to everything that is coded, of course there are likely to be irregularities. What is very important (and every other country has had to do the same thing) is to introduce it gradually so that volatility in the system is managed and, secondly, to have a clear set of rules around which you regulate precisely that sort of perverse incentive, if you like, that your financial system creates. That is what we need to do. We need longer to do that. That is a fair comment and I am not going to run away from that. We have got more work to do on that. Secondly, I would say that the NHS itself was very clear that, given the volatility, given some of the concerns about the accuracy of the data (which is crucial here in terms of fixing a price and so on), we need longer to get all of that right and it is much better, I am sure, to get it right rather than rush in and get it wrong because the consequences then would be for your constituents and mine. Hospitals could run out of money and that would be in no-one's interest, so it is perfectly sensible to take that time to get it right. Having said

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all of that, we are still introducing payment by results more quickly in England than in any other country that has attempted these financial reforms in the health care system. We need to do it around elective care because otherwise the choice agenda simply disappears in front of our faces. If you cannot have the money following the patient there is no incentive for the hospital to do the extra work. At the moment you might wait years to get funded for operations that can be done from someone else's primary care trust—hopeless. If there is going to be an incentive it has got to be a real one. I would say we have focused PBR this year on that part of the NHS where it really does need to start to influence behaviour, which is around elective care, but we have to take our time to get it right.

Q442 Mr Hopkins: A little bit of clarification first of all—my father's name was Harold but I do not think I inherited it. On Tuesday evening we saw in the *Evening Standard* a photograph on the front page of a ward in a London hospital empty with a chain round the handles because for some reason or other patients had been forced into the private sector. You were talking about providing extra capacity. This was capacity that had been closed down and deliberately transferred into the private sector, no doubt for ideological reasons, but is that not stupid and scandalous?

Mr Hutton: If the worst thing that you can say about the NHS in London is that it has now got spare capacity for the first time—guilty. I have no problem with that accusation. It is true: we have spare capacity in some parts of the NHS.

Q443 Mr Hopkins: It has only got spare capacity because we have forced people into the private sector.

Mr Hutton: No, I do not think that is an accurate reflection of what has happened, particularly at Ravenscourt Park. Ravenscourt Park takes NHS patients from a variety of PCTs in London and outside London. Every primary care trust at the moment, sensibly so, is funded to make sure that by the end of this year no patient waits more than six months. That is what they are all going to deliver. Ravenscourt Park could certainly take more patients if NHS trusts were being funded and told that the waiting times had to be four months this year rather than six months, but they are not. It is true that there is spare capacity at Ravenscourt Park, as I said, but I do not think that is a sign of crisis or turmoil, as the *Evening Standard* presented it. As evidence of excess capacity it is by no means a bad thing; it is something that many of us, and I suspect maybe you, would like to see the NHS have. It has got that capacity now for a variety of reasons. It is far too simplistic to say that the reason why there are not patients being treated in that ward at Ravenscourt Park is that those patients have been diverted into the independent sector. I think that would simply not be the case. Those patients might be treated in other NHS treatment centres or they might be treated in other

NHS hospitals that had contracts to do that work. Ravenscourt Park currently works at an occupancy rate of about 70%. It is not bad.

Q444 Mr Hopkins: Some six months ago *The Times* undertook a review of ordinary people and 71% of the interviewees said that the taxpayer should fund public services such as health, and that they should be provided by the government, not private companies, because that is the best way to ensure that everyone experiences the same standard of provision. Is that not completely at odds with what the government is doing in trying to form a market and a hierarchy of provision?

Mr Hutton: No. All of these providers, whether they are NHS or independent sector providers, are providing care according to NHS standards and principles, and they are providing care therefore free at the point of use. If you were to talk to patients who had been to these independent sector providers I think you would get a very different sense of what they felt about the care and service that they had been provided. They have been universally provided to a very high standard and have been greatly appreciated by the patients who have used them. I think there is a danger of ideology creeping into this debate and it has done so in the past to the point that, for example, Labour governments have simply not countenanced using private sector capacity for ideological reasons and that has resulted in patients waiting far longer than they need to for treatment on the NHS. That is not an acceptable state of affairs.

Q445 Mr Hopkins: Was not one of the problems with using the private sector that it is more expensive than the public sector and if the government had spent more money investing in the public sector the private sector would disappear?

Mr Hutton: That has been true historically but that is not the case today. We are finding, for example, in some of the independent sector treatment centre contracts that we have run that the independent sector is able to provide procedures at a cost that is less than that provided by the National Health Service. As I suspect we are all interested in value for money it would also be fairly stupid to turn round and say, "I am sorry. We are going to pay more for that in the National Health Service" for equally ideological reasons. I think we have to continue these reforms for one very simple reason, that if we stop now all of the value for money benefits that we are gaining would be reversed. We would recreate another monopoly on the part of the established incumbent private sector providers and that would ultimately be at a very significant cost to the NHS and to taxpayers. I understand precisely your objection to the use of the private sector under any circumstances whatsoever irrespective of any potential gain for patients. It is not a view that I share. I think it puts ideology ahead of the needs of patients and for that reason the government has decided not to pursue that particular path.

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Q446 Mr Hopkins: I assure you that if the private sector could provide good, equitable health care at a cheaper cost I would support the private sector.

Mr Hutton: That is what it is doing.

Q447 Mr Hopkins: Let us take a comparison: a country where overwhelmingly health care is provided privately and one where it is provided largely publicly—America. Is the government not setting a course en-route towards the American system? It is a piecemeal route. In America health care as a proportion of GDP costs twice as much as our health care does. It is bloated, inefficient and serves only a proportion of the population with a large number of the poor having inadequate health treatment, if any health treatment at all.

Mr Hutton: Again, with respect, I think you are confusing two totally different arguments. There is the argument about who provides and there is the argument about who pays. In the United States the patient pays and then there is a range of not-for-profit and for-profit providers that provide the service. In England we have taken the view that there will be a diversity of providers but the patient will not pay; the government will continue to fund health care free at the point of use through general taxation. You can preserve that principle while having a diversity of different providers, as in fact every other social democracy in Europe does. It is not the case, I would say as strongly as I can, that you can only have free at the point of use services if they are provided by publicly owned services. We know that is simply not true. We know it is not true in a number of different areas. If you look at private nursing homes, 83% of nursing care is provided by independent for-profit providers and three-quarters of the people who stay in those nursing homes get some or all of their care costs met by the state. It is to confuse providers with funding principles to assume that because we are now introducing independent sector providers in the UK it means that we are going to start charging people for their health care or make them take out private insurance. We are not doing that.

Q448 Mr Hopkins: If I read that in Downing Street and other circles papers on co-financing have been circulated, which suggest part-payment by patients, would it not be that if you have a competitive market and different providers (some known to be better than others) eventually you start to say, “The better providers will perhaps ration by price and we will have a little bit of a charge”, so that the middle class buy the best health care and the devil take the hindmost: the poor finish up in what will become sink hospitals? Is that not what we are looking at?

Mr Hutton: You can cut it any way you like. The government is not going to introduce charges for NHS care. We have made that absolutely clear. We made it clear in our last manifesto and I am pretty sure it will be in the next manifesto, and people can then decide how they want to proceed and how they want to cast their vote. Of course, if you wanted to introduce co-payment into the NHS you

could. You could do that even if all of the care was provided by NHS providers, but we are not introducing charges for treatment at this stage, no.

Q449 Mr Hopkins: The whole argument is built on a myth, is it not, that the NHS is actually inefficient when the NHS by international standards is actually extraordinarily efficient? The problem with the NHS is, is it not, that it has been desperately under-resourced and in terms of bang for your buck you get much more from the National Health Service than, at the other extreme, from the American Health Service. In fact, the Health Service, like the railways before privatisation, worked miracles on a pittance. The problem is that it has not been properly resourced until recently. Is that not the case?

Mr Hutton: The NHS is an extremely efficient provider of health care, of course, by any international yardstick—

Q450 Mr Hopkins: So why are we moving towards privatisation?

Mr Hutton:— and it stands head and shoulders above international comparisons in terms of value for money, but clearly it is simply not accurate or true to say that it is not possible for the NHS to be more efficient; it is. It is not true to say that we cannot make greater use of our resources; we can. It is certainly not true to say that we should not therefore be pursuing choice for NHS patients because the alternative is what? No choice? You are told where you want to go? I really do not think that that is an ambitious enough proposal or set of ideas for reform of the public services. We have got a simple choice. I believe that if we continue with a public service that says to patients, “We will decide where you go”, in stark contrast to every other service that we consume now as citizens, then I think that is going to undermine support for public services. People want choice. We know this because we have asked them and they have exercised it. The challenge for us is to make the NHS more efficient, not say that it cannot be more efficient; it can be, and to use a variety of different ways to do that. If there is going to be choice in the service, as I think there should be, for reasons that we have gone over extensively today and which you may not agree with, then we need more capacity. I think it helps the NHS to improve its efficiency to have a diversity of providers because, remember, they are all going to be paid at the NHS tariff rate. Everyone is going to be paid exactly the same by 2008 for the services they provide, whether they are an NHS trust, a foundation trust or an independent sector provider. It certainly is not the case that by introducing independent sector providers we are somehow going to make the service less efficient—absolutely not. Any organisation—and again this is my experience as a minister—needs the discipline and the reform that choice with a good set of rewards and incentives would introduce in terms of improving the quality of that service for the public. I could be wrong, of course I could. We could continue in the way I think you are suggesting,

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which is simply to give the NHS all the money it wants, and then say, "Right: we have solved every problem". I do not believe that the problems of the NHS are simply to do with resources; it is how those resources are used. If it were simply about resources, if you go back over time and look at what we are doing now, I think you could say that that is a problem solved. We know perfectly well that this extra investment on its own is not going to solve all these problems that the NHS faces.

Q451 Mr Hopkins: The independent sector, as you politely call it; I call it the private sector, is driven by profit; that is its motive, shareholders, and the NHS is driven by patient care, by the public service ethos and by democratic government. Will the private sector in health care value cash over caring and will that not lead to terrible consequences?

Mr Hutton: No, it will not do that. If it is going to prosper and survive as an NHS provider it has to be producing quality of care. If it does not produce a quality service patients are not going to go there. They are not going to be forced there; I am not going to tell them they have to go to an independent sector provider. Anyone who wants to make a sustainable, long term commitment to health care in the NHS at the moment has only one way to do that, which is to provide a quality service. If they do not they are finished.

Q452 Mr Hopkins: So you reject what 71% of the population are saying in a survey, that they want all hospitals to be guaranteed to be equal in the public sector, providing an equal public service for everyone? You want a market where there will be winners and losers, where we will have to develop a fear—you will have to engender a fear amongst patients that one hospital is worse than another and that we ought to be dreadfully fearful of our local hospital because it is not good and we should wish to choose another one. At a time when people are often in a state of injury do you really want to have them fearful about their particular local hospital?

Mr Hutton: Everything we know about patient choice confirms the fact that patients are quite happy to go to an independent sector provider. They have chosen independent sector providers; they like the choice being available to them. We are not forcing anyone to use any particular provider. It will be their choice and they can vote with their feet. If they want to go to an independent sector provider they should have the opportunity to do so. Care is free at the point of use, it is funded through general taxation; there are no losers in that sense. You can caricature this in the way that you have done. Fine, it is easy to do, but this is not about engendering fear in anyone. This is giving to patients the power to decide where and when and how they are going to be treated. What is wrong with that?

Q453 Mr Hopkins: I only wish Nye Bevan was here to put that question to him, but I think I have had more than my fair share of—

Mr Hutton: Nye Bevan was in favour of patient choice; he was not against it.

Q454 Mr Prentice: If there are all these benefits of private sector involvement why has the Secretary of State seemingly capped that involvement at 15%?

Mr Hutton: For very sensible reasons. Many people—and maybe Kelvin is one of them—would like to run around saying that the whole NHS is going to be privatised. That is one way of dealing with that argument, is it not?

Q455 Mr Prentice: So it is to do with the idealogues?

Mr Hutton: It is partly to do with that but it is also partly to set the right context for planners and policy makers in the NHS to understand what the future is going to be. The NHS is going to be the predominant provider of NHS health care for the foreseeable future; I do not think there is any question about that, because it is where 95% of all the capacity is. That is the reality. The Secretary of State was simply trying to show people exactly what the terms of this debate and the terms of this engagement will be between the public sector and the independent sector.

Q456 Mr Prentice: The only thing that concerns me is this. I talked about the GPs and their views, the NHS professionals and the articles in the Health Service journal, the BMA, which is quite critical of the government's choice agenda, and I was reminded of the Joni Mitchell song, *Big Yellow Taxi*. It goes, "You don't know what you've got till it's gone". In experimenting on this scale is there not a problem that you may fragment and completely destabilise such an important national institution as the NHS?

Mr Hutton: Joni Mitchell was before my time, so I am not going to get into that.

Q457 Mr Prentice: Oh no, she was not!

Mr Hutton: Actually, I went to see her. She was very good. We are not going to destabilise the National Health Service. It is a cherished public service; it is going to stay in that position. I know there are some people who want to make the argument that that is what we are trying to do. It is nonsense. The Chairman asked me a minute ago about the delayed introduction of some of these financial reforms. We are doing it in order to avoid precisely that danger. We are clear about how we are trying to manage this process of reform and we are determined to go down that route. In relation to this issue about the independent sector, about for-profit, because Kelvin raised it earlier, in the context of this debate it is very important that we realise the nature of the NHS as it currently is. Virtually all of our primary care in the NHS is provided by small businessmen who make a profit. They are the GPs. I do not hear anyone saying what a disgrace that is. The GPs remain the most supported part of the NHS in the service they provide, but they are small business people, rightly so. I have no problem whatsoever with people

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providing a quality public service and making a reasonable profit. I think it is a good discipline to improve the quality of care and we see the evidence for that in primary care where we have operated a for-profit principle ever since Nye Bevan established the NHS in 1948. No-one on the Labour side of the argument has said we must nationalise all the GPs. I have not heard it. It would be quite the wrong argument to make.

Q458 Mr Prentice: I know you do not have ministerial responsibility for NHS dentistry, but let me just ask you one or two questions about that—
Mr Hutton: That is one of the joys of this job.

Q459 Mr Prentice:—because we are exploring the philosophy of all this. What would you do if a person's NHS dentist decided to go private and the only NHS dentist with an open list—and this is not fanciful, as you know—was 25 miles away and that person was forced to take out private dental insurance, Denplan? Should the state be responsible for the cost of that insurance in any way, perhaps by allowing it to be offset against tax because the private dentist is a little business, just like the GP? Is there a read-across, that is what I am saying, between the general practitioner and what is happening in another bit of the NHS, NHS dentistry?

Mr Hutton: I do not think there is and we are certainly not saying that people will be charged to go and see their GP or will need to take out insurance to see their GP. I think the responsibility of government, when there are problems around accessing NHS dentistry, is to invest more in NHS dentistry, and that is precisely what we are doing. Rosie Winterton, as you know, is overseeing these reforms and is working very hard to ensure, for example, that if that were to happen that the primary care trust would be able, as it now is with the new powers that it has to commission primary care dental services, to employ salaried dentists to come in and run a service. We are doing that increasingly across the country. We are looking to employ hundreds more dentists who will work either as salaried dentists or in personal dental pilot schemes. In my own constituency (I do not know about yours) I have got a dental access centre funded by the NHS that provides emergency dental care, and very necessary too, on a drop-in basis for people who cannot see an NHS dentist.

Q460 Mr Prentice: Maybe it was unfair of me and I do not want to crank it up. I realise that in some parts of the country NHS dentistry is in a state of crisis and I am putting to you as a minister that there is a practical non-ideological answer here, which is to allow people whose NHS dentist has gone private and there is no NHS alternative to have the cost of taking out private dental insurance offset against tax.

Mr Hutton: That is, I am glad to say, well above my pay grade, so I think I will duck that one.

Q461 Chairman: A manifesto point, as we call it.
Mr Hutton: Possibly.

Q462 Chairman: Can I just wrap up that previous exchange? I think we still have not got to the bottom of it. If I can push you on this, John, and I know it is always dangerous to say what someone's real self is, but listening to you talk with the passion that you do about the choice agenda, I think you would really like to tell us that if in a generation's time the balance between public and private provision is fundamentally different in this country, you would have no worries about that at all because that would be the logic of the choice agenda if that is what people were choosing, if the NHS was being reconfigured around people's choices, that would be okay, but you feel you probably cannot say that and so we have this artificial 15% figure introduced, that we now know is the Kelvin Hopkins figure, to provide ideological reassurance. Would it not be better to say, "Who knows what it will be like in a generation's time? If that is what choice produces that is the logic of what we are doing"?

Mr Hutton: It is always a very brave politician who wants to try and predict how things will look 20–25 years from now and I do not, to be honest, really want to get into that. I think essentially what will ultimately determine the pattern of provision in the new NHS will be what patients decide to do. If Kelvin is right, that everyone wants to go to an NHS provider, then it will be NHS providers who continue to provide the bulk of care. If he is wrong it will be independent sector providers working within the value space of the wider NHS system, free at the point of use, funded through taxation. It will be those independent sector providers who are in the majority.

Q463 Chairman: In which case artificial percentage restrictions will fall away, will they not?

Mr Hutton: As I said when Gordon asked me that question, we have tried to give a straight answer to the question that we have been repeatedly put: what do we think the likely share over the medium term future of the independent sector will be in the NHS?

Q464 Chairman: But over a longer term it is bound to fall away, is it not?

Mr Hutton: As I said, that will only be the case if that is what patients decide to do.

Q465 Chairman: Can I just pick up one point out of Kelvin's questioning, which was the payment point? You were very careful to say no payment for care. If people want to choose to pay for services why should they not do so? We allow them to do it to an extent now. If I wanted to pay, for example, as I desperately did when I was in hospital recently, for a room of my own (I would have paid anything and I did not want to be a non-NHS patient but I wanted a private room; I was able to pay to have

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a television set and again I would have paid not to have a television set), payment for services surely is something that we can be relaxed about, is it not?

Mr Hutton: In relation to core health services, if that is what you are talking about, getting your knee replaced or whatever, of course people can pay if they want to now. We are not stopping people going to private health providers if they want to. That is their choice, they can do that. However, we are not going to say to patients, "We are going to charge you a new set of payments if you want to use the NHS to get those core services", absolutely not. But, of course, it has always been the case in the NHS that if you want additional services inside the hospital, the so-called hotel services, they can be provided at a price by the NHS. It has always provided those extra services, those top-up services, whether it is e-mail or IT or Sky or cable, whatever. I think the public understand that because those are more personal comfort things than fundamental health care. As long as we have got the balance in the right place I think we can avoid the obvious pitfall that we start to have a negative impact on health equalities. We should not do that. We should not impose a set of charges for health care that deter people from accessing health care when they need it. We are never going to do that. In relation to this wider argument about what should and what should not be paid for, I say very strongly that the government has made its position very clear on that. If people want to misinterpret our pursuit of diversity in terms of providers as a sort of backdoor privatisation paving the way for charges, I cannot stop them doing that. All I can do is point to what is actually happening. No-one is being charged and no-one is going to be charged, for NHS care. We do want greater efficiency and we certainly want more choice because I think they are all good things to have in the public service, not bad things. I would just say in a political sense that on the centre left it is bonkers for people to say choice is a Tory word, being Douglas for the moment. If we do that we just box ourselves into a corner.

Q466 Chairman: I am just asking you whether people are rats about paying for extra services.

Mr Hutton: They are able to now, Tony, if they want those extra services and that is fine.

Q467 Mr Heyes: The committee's inquiry is entitled Choice and Voice in Public Services. We have left the voice bit till the end and I am going to mop it up. In my view the committee has not focused strongly enough on patient voice but I think that is reflected in the Health Service equally in relation to the reports that we have heard about the levels of dissatisfaction, for example, with the complaints procedure. The complaints procedure is the one component (a very important component) of a patient's ability to express a voice. This committee has the Health Service Ombudsman reporting to it and there is no end to the very critical comments that have been made by the Ombudsman fairly recently about the way that reforms to the

complaints system are often not debated properly and contain significant flaws in her view. The question is, how are you going to rescue the system from this crisis?

Mr Hutton: Certainly the Healthcare Commission is dealing with more second-stage inquiries and referrals than it thought and we thought it would be doing and I am sure they will give this figure to the committee if they have not done so already. I think they are dealing with about 7,000 of these referrals every year; they may be running at twice the level we thought we would be dealing with. There is now a backlog of about 3,000 of these cases waiting to be progressed. The Healthcare Commission is trying to tackle this in three ways. It is recruiting more of its own staff. It is taking on about 70 more staff to try and deal with the backlog and that is a significant investment on its part. It is also, as a temporary measure, going to invite extra resources to be put in by outside facilitators, people who can get the second stage process under way. It is going to ask people to come in and support the work of the Commission in that as well as a temporary boost. It is also in a process of making some efficient reforms inside its organisation to try and get on top of this. It is obviously very important that this backlog is cleared as soon as possible. The Healthcare Commission is working very hard to do that.

Q468 Mr Heyes: The Ombudsman has told us of her anxiety about the Healthcare Commission being overwhelmed. I hear what you say about the ways you are going about addressing that. That is at the higher level, the second level of complaint. The survey work, the assessment of patient confidence in the complaint system, is really at the first level, the local level, and that is where levels of dissatisfaction are high. Only one third of people who issue a complaint are satisfied with the system. We all know as constituency MPs the frequency with which we are asked to advocate for a constituent who is dissatisfied with the complaint system or needs help to find their way through it because of its complexity and lack of responsiveness. What is being done about that? How important is it to you?

Mr Hutton: It is very important for the NHS to deal with complaints in a timely, efficient and courteous manner. It is our responsibility as a public service organisation to deal with the public's concerns in that way. We do not always achieve all of those objectives. Again, it is not my area of direct ministerial responsibility, the complaints procedure, but I understand that ministers are looking, in the light of Janet Smith's report on Harold Shipman, at taking another look at the whole complaints procedure that we operate in the NHS to make sure we have got a system that is robust and can deal properly with patient concerns.

Mr Bacon: Of course, we are also at local level developing the new PALS (Patient Advisory and Liaison Service) role. You may well say that they are internal to the hospital but they are nonetheless beginning to be effective in helping people to

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understand how they go through the process. We are in the early days of the independent Complaints Advisory Service where that also is beginning to offer very good independent advice to patients as to the way in which they can manoeuvre their way through the complaints service. These are new initiatives, as is the transfer of responsibility for stage two to the Healthcare Commission. Apart from the work that we are doing around Shipman we need to encourage these new organisations and these new processes to improve and to develop. These are early days.

Mr Hutton: There is a very strong connection, obviously, between choice and voice here, but the most powerful voice we can give patients is to give them choice. I agree it is very important that we have the complaints procedure right, the patients' forums working well, PALS and all of this stuff, but I think we will make a big mistake if we think voice is just about structures and committees and organisations. It is not. It is an important part of the NHS, I believe that absolutely, because the NHS is a public organisation. It is owned by the public. They should have a proper democratic input to it. We are trying to make sure that happens. I think the most powerful voice we can give patients is to give them new choices about what happens to them, where and when and by whom. That is the voice that they have not had in the NHS and as a result they have not always had the care and services they should have had.

Q469 Mr Heyes: Is that consistent with David Miliband's view that "choice and voice are strengthened by the presence of the other"? He obviously agrees with you on that.

Mr Hutton: I have found something to agree with another Minister on. That is fantastic.

Q470 Mr Heyes: It is "the ability to make your voice heard that provides a tool to the consumer who does not want to change shops, or political parties, every time they are unhappy"?

Mr Hutton: I agree very strongly with what David has said. I can only repeat what I said a minute ago. Fundamentally, as a health consumer, if you are not happy with the service that you are getting and you have made all the complaints, you have only got that one service to use at the moment, have you not? You cannot go anywhere else because your care is not going to be funded by any other part of the NHS. That is an utterly hopeless position to be in. That is why ultimately we must get the complaints procedure right, we must deal with the second stage processes efficiently as well. We need to do more on that. Ultimately, if we really want to be on the patient's side we have to be on the side of choices.

Q471 Mr Heyes: Those are very worthy statements of intent that none of us could fail to agree with. It is what is happening to bring about that change that I remain unconvinced about. This argument about it being early days for the new system has been running for quite a long time now. I do not

see, and I am sure colleagues do not see, any change in our daily experience of people coming to us to complain about the complaints system. There is no more level of satisfaction or confidence than there has ever been.

Mr Hutton: It is a complicated picture. I am not going to re-run the line that it is early days yet, although it is true with the new arrangements that it is literally early days. The new PALS, the new patients' forums, are less than two years old. It is complicated because it is tied up with another issue here, which is sometimes our inability to say sorry to patients when things go wrong for fear of litigation and medical negligence lawsuits and so on. Ultimately there is a bigger jigsaw that we have to get right. We have got to get right the complaints procedure as far as we can but we have also got to look very carefully, as the Chief Medical Officer is doing and we have published proposals for this, at how we can move to a "no fault" compensation system in the NHS as well, which might well facilitate the one thing that patients often want to hear and do not hear early on: "sorry".

Q472 Mr Heyes: Has the Ombudsman got it wrong then when she says that the complaint forms contain significant flaws and that the draft regulations covering the reforms are focused on process and timescales rather than outcome, leadership and staff competence? That is her view and as far as I know she holds that view today.

Mr Hutton: I do not know.

Mr Bacon: Without going into the exact detail, I think you have to look at the totality of what we are doing around these issues, particularly around, for instance, the staff competence issue where we have set up very sophisticated processes of clinical audit, we have got the Patient Safety Agency which is world-class and is developing. You could argue that making it easier for patients to complain has in itself provoked more complaints. That may not be a bad thing in a system in which we want people to be able to express their views and let us know when we have not provided a good service. If you look at the totality of what we are trying to do to improve patient experience and safety of treatment to patients, we can say that—

Q473 Mr Heyes: I think the Ombudsman would say if she were here that that is because you had included time targets which were not achievable and it was inevitable that further disappointment and dissatisfaction with the system was the result of that. To pick up a point you made earlier, she also says that you are failing to address the issue of redress for justified complaints. I agree with you entirely: mostly, when people come to us with complaints about the complaints system they say, "It is not money we want; it is an apology. It is an understanding that the system has learned from my bad experience". Sometimes financial redress is part of that but on the whole issue of redress, the Ombudsman would say if she were here that you are completely failing to address that.

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Mr Hutton: Maybe, Chairman, this is something that the department can submit some supplementary evidence on.

Q474 Chairman: That would be very good. We are almost done. Can I just ask you a couple of quick questions and then we are completely done? We have kept you longer than we thought we would, which shows that we have had an interesting discussion. On this voice thing, I think what has happened—and it is not a critical observation—is that the voice agenda has gone down and the choice agenda has gone up and the government’s memorandum to us says, “Voice mechanisms are often difficult to mobilise, underused and ineffective”, and it seems to have lost interest in the voice agenda and has developed a lot of interest in the choice agenda. That leads to the question: does this not make it a bit odd then to have done what we did when we were engaged with the voice agenda, which was to seek to set up foundation trusts with a user involvement at board level, because if we are creating a Health Service which in a sense is open to everybody, where there are going to be all these different providers floating around, where consumers can choose all over the place, it looks a bit prehistoric, does it not, to worry about who actually sits on the boards of provider units and whether we involve patients in that or not? That is inconsistent with this new world that you were describing to us.

Mr Hutton: I think this is something that the Healthcare Commission itself will probably be looking at when it reviews the operation of the first wave of NHS foundation trusts. It will be difficult for me, Tony, really at this point to say anything which might look like I am pre-empting that Healthcare Commission review. It probably would be true to say that we made that concession as the Bill progressed in Parliament because that is essentially what many of our colleagues asked us to do. They wanted to have that as part of the Bill. There was a history to that argument which I will not go into but I can understand why some people would make that observation. That is all I can say.

Q475 Chairman: That is very good. Finally, just to go to back to where we started with what the NAO was telling us about the patient choice model, when I read the NAO report it was not so much the 63

figure against the 200,000. You could see that that was going to be the headline. It was what it said about the primary care trusts which was most worrying, the fact that two-thirds of them have not yet done the necessary commissioning to get the providers in place, and even beyond that, they go and talk about how if this system is to work in the long term we need managers of choice. The PCT are to be the managers of choice. They talk about how a dynamic system, with providers coming in, providers going out, has got to be dynamically managed and they raise questions about, frankly, whether many PCTs are up to this. Is that not a very worrying point, if the people we are going to depend upon to manage themselves are not able to do it?

Mr Hutton: I agree it is a serious issue and the department has to address it seriously as well. It is absolutely our responsibility at the centre to make sure that local NHS organisations support this agenda of choice. If that is not happening then we take the necessary measures to put things right and get things back on track and we will do that. In relation to the first point, what you said about only 32% of PCTs have currently made steps in commissioning four or five providers, that work was done last September. The requirement to have a choice, a menu, if you like, of four or five providers is not till the end of this year, so I personally would not read too much into the fact that only a third of trusts have started that process yet. They will all be providing that by the end of the year. That again is our performance management job in the department to oversee; actually, it is John’s job to oversee that and I can assure you that he will be doing that.

Q476 Chairman: Thank you for that. As I said at the beginning, we are not the Health Select Committee.

Mr Hutton: Oh, it felt like it!

Q477 Chairman: We sometimes get at the edges of it. We have been trying to explore what these ideas mean for particular services and I think we have had a good go at that today in relation to the health field and we are very grateful to you and Mr Bacon for coming along and helping us with that.

Mr Hutton: My pleasure.

Chairman: Thank you very much indeed.

Supplementary Memorandum by the Minister of State for Department of Health (CVP 24 (d))

On 20 January 2005 I appeared before the Committee to give evidence to inform your inquiry into “Choice, Voice and Public Services”. During the hearing, I agreed to provide you with further written evidence on two particular issues you raised:

- (1) the number of people visiting the website nhs.uk on a daily basis; and
- (2) redress for justified complaints.

1. NUMBER OF PEOPLE VISITING THE WEBSITE NHS.UK ON A DAILY BASIS

In response to questions posed by Mr Prentice and Mr Wright on information to support patient choice, I explained that people already have access to detailed information on the NHS on the website nhs.uk. I

offered to provide the Committee with figures confirming the popularity of this website with the public, showing how many people already access this information on a daily basis:

- during January 2005, 1,018,556 people visited the website, viewing 7,142,596 pages; and
- on Monday 31 January 2005, 47,402 people visited the website viewing 322,896 pages.

We are enhancing this information to support patient choice at referral from the end of this year to provide comparative information on NHS providers, this will include information on waiting times, location and access and performance.

2. REDRESS FOR JUSTIFIED COMPLAINTS

In the context of our discussion on the NHS complaints procedure, Mr Heyes asked about appropriate redress for complaints citing comments made by the Health Service Ombudsman on this issue. I know that the issue of proper redress (including financial redress) for justified complaints has been a matter of concern for both the current Health Service Ombudsman and for her predecessor, Sir Michael Buckley. In their time, both Ombudsmen have raised this issue in their Annual Reports.

By way of background, the Committee will know that we are in the process of reforming both the way the NHS handles clinical negligence claims and, more pertinent to our discussions, the NHS complaints procedure. Ensuring proper redress for complainants is a fundamental aim of both pieces of work.

I should clarify that proper redress for a complaint will vary depending on the circumstances and may include an investigation and full explanation, an apology, agreement to further treatment if necessary and/or financial payment. The Ombudsman is particularly concerned with financial redress and, in particular, payments for inconvenience, distress or maladministration where neither pain, suffering nor financial loss may have been incurred by the complainant.

The NHS Finance Manual provides guidance for NHS bodies on such “special payments”, including ex-gratia payments. This guidance enables an NHS body to make such ex-gratia payments, generally where the complainant has incurred financial loss following the actions or omissions of the relevant NHS body. However, it also makes provision for payments where there has been no financial loss but clarifies that such payments should only be made in exceptional circumstances. Indeed, the guidance also allows for NHS bodies to make ex-gratia payments in discovered cases of maladministration where no complaint has [yet] been made. (For the Committee’s information, I have enclosed Chapter 5 of the NHS Finance Manual, which addresses financial losses and special payments).

I share the Ombudsman’s view that complainants should receive proper redress in response to their complaints, and this should include financial payments where appropriate. I believe that the guidance contained in the NHS Finance Manual is sufficient to allow such payments to be made in the appropriate circumstances.

John Hutton

February 2005

Thursday 27 January 2005

Members present:

Tony Wright, in the Chair

Mrs Anne Campbell
Mr David Heyes

Mr Kelvin Hopkins
Mr Gordon Prentice

Supplementary Memorandum by Minister of State for Local and Regional Government to Support Joint Memorandum from Minister of State (Health) at the Department of Health, Minister of State for Local and Regional Government and Minister of State for School Standards (CVP 24 (b))

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

1. Improving public services remains the Government's key second term objective. While arguments will no doubt continue about international affairs including the war in Iraq and relations with both the USA and Europe, as well as the ephemera of day to day political life, every serious commentator knows that the Government will ultimately be judged on its stewardship of the economy and the delivery of public services.

2. The two are inherently linked. A strong economy provides the wherewithal for investment in public services while quality public services underpin a successful modern economy. Everyone can see the benefits of prudent management of Britain's economy feeding through into substantially increased funding for education, the NHS, crime reduction, transport, housing, local government and many other public services. At the same time very few people are so naïve as to believe that money alone is the key to improved services.

3. But when the debate turns to this issue—how do we drive improvement and raise standards in public services—there is more scope for disagreement. Indeed, arguments rage about the importance and value of targets, of performance management systems, of inspection, of intervention and from the opposite perspective, the need for devolution, localism and flexibility.

4. This debate between advocates of “centralist” as against “localist” models is of course nothing new. The pendulum has swung one way or the other at various stages in the evolution of public services over the past two centuries. However, while greater emphasis may be placed at any one point in time on one or the other, there is an inexorable logic which points towards the needs of both centralist and localist elements. Without over riding national standards it is difficult to avoid postcode lotteries under which standards of service in some locations may fall far below what would be generally seen as acceptable. Indeed as is highlighted time and again by local scandals—for example a chronic failure of child protection—the British public look to central government to ensure the maintenance of universal standards.

5. However, there is growing recognition that devolution to the front line and discretion to innovate in response to local pressures or needs is equally critical to delivering high quality services. Large centralised bureaucracies may provide safeguards against unacceptable variations in standards from area to area, but they rarely provide the incentive for people to develop innovative new ways of doing things. Furthermore, they can all too easily stifle the energy and initiative of people who have a clear vision about how they can meet local needs more effectively.

6. So it is not surprising that a new consensus is emerging based around the need for national standards, but accompanied by devolution to the front line and flexibility for people to respond to local circumstances. These indeed are the first three of four principles set out by the Prime Minister a little over two years ago as the fundamental pillars of public service reform.

7. However, there is much less consensus about the fourth principle which the Prime Minister advanced—that is choice for the public to ensure that services are genuinely responsive to users' needs and aspirations. When it is put in these terms it is difficult to see why the extension of choice should have become such a controversial issue. But it has. Indeed few if any attempts to extend choice to the public in respect of public services have been easy to initiate let alone to implement successfully. When in 1999 I advocated the introduction of choice-based lettings schemes for council and housing association homes, the initial response was one of overwhelming suspicion and doubt. At the best, I was told I was wasting my time as it would never work. At the worst, it was seen as a threat to fairness and equality which would undermine everything that social housing was designed to offer.

8. Why is there such hostility to the concept of choice? In part it is simply suspicion of change particularly when change threatens long standing traditions. But it goes much deeper. There is a real fear that choice is not only incompatible with the principle of public services delivered on the basis of need, but also that its extension will subvert the very foundations of the welfare state.

9. It is true that choice played little part in the ethos of the welfare state as it emerged in the early to mid 20th century, other than in respect of the rather important point that the state provided an option for people who would otherwise have been left destitute. The driving motivation of those like Rowntree and Beveridge

who sought to overcome the “evils” of that era, was a concern to guarantee minimum standards which they believed could be scientifically measured so that no-one would be left living below the subsistence level, or in squalid or unsanitary conditions, or exposed to life-threatening disease or danger.

10. The underlying ethos was one of “levelling up” to a minimum acceptable standard. But there were also pressures which favoured a “levelling down” approach, reflecting the strongly egalitarian spirit which characterised left of centre politics in the mid 20th century. So it was not uncommon to hear arguments at that time in favour of state provision not as a safety net ensuring a minimum standard below which no-one could fall, but as a uniform good standard which should apply to everyone. To those who held such views choice was seen as a threat, in that it would allow those with greater means or simply more influence or persistence than others to secure for themselves or their children advantage and privilege and so undermine the principle of a uniform good standard. This was the core of the argument for the abolition of private or denominational schools, for example.

11. But, of course, the world has moved on and many of the premises which underpinned the early to mid 20th century welfare state now look very dated. Confidence in the capacity of any state to impose benign, egalitarian policies from the top down eroded as quickly as the support of the people of Eastern Europe for their communist regimes. Nearer home any panglossian faith in the ability of officials in Whitehall or the Town Hall to know best fell foul of the determination of community groups to stand in the way of unwelcome redevelopment or motorway construction schemes. We now recognise the importance of listening to local opinion and of consulting and encouraging participation rather than imposing top-down solutions.

12. Not only are people far less willing today to accept the decisions of experts and officials, they are also able to exercise far more choice in almost every aspect of their lives. Growing affluence and widening educational opportunity in the second half of the 20th century has profoundly changed the expectations as well as the options available to the majority of the British people. Whereas owning one's own home was only feasible for under 10% of the population at the start of the 20th century, by its end almost 70% of Britons were home-owners. Whereas most children a century ago had no option but to follow their parents into the single or dominant industry in their town or village, by the year 2000 the vast majority of young people rightly expected to determine their own career.

13. Such dramatic changes in the wider world inevitably impact on peoples' perceptions of public services. In a society where people take it for granted that they can exercise choice in almost every aspect of their lives—where they live, what job they do, where they go on holiday—it is counter intuitive to suggest that they should not enjoy similar choice in respect of public services.

14. So there are strong arguments for the government to be seeking to extend choice into areas of public service where it has not been the norm in the past. Equally it is right to try to make choice more meaningful in areas where it may in theory have been available, but where in practice it didn't work. For instance, rather than structuring pension entitlement on an assumption, which is far removed from today's reality, that everyone will retire at the same age, it must make more sense to allow greater flexibility and the option for those who choose to continue working longer to receive a significant lump sum in compensation. Similarly, there is an obvious logic in giving health service patients greater choice over where they can have an operation done if their local hospital cannot accommodate them within a reasonable timescale. And in the case of social housing, there is a clear cut case for giving applicants a degree of choice as to where they live rather than requiring them to wait for an allocation to be made to them.

15. Similarly providers of public services need to be thinking creatively about how the public can most easily access those services. Rather than requiring people to contact a council during working hours, new technology makes it possible for local authorities and other public service providers to offer 24 hours access via the internet or call centres. If after working late and getting home at say 10pm I find that my dustbin has not been emptied, why should I have to wait till the following morning to notify the Council? And rather than having to make separate approaches to different public services or council departments when I have more than one query, why should I not be able to enjoy a seamless service in which the public authorities are effectively joining up their delivery. The best local authorities like Sunderland are already making huge strides in this direction under an initiative which in Sunderland's case is significantly called “People First”.

16. By extending choice in these and similar ways we are not just going with the grain of 21st Century society, we are also ensuring the long-term health and vitality of public services. Public services do not occupy some parallel universe where normal patterns of behaviour are miraculously suspended. People who have the choice will walk away from services, whether public or private, if they do not believe they are being treated properly and getting value for money. This opting-out which has occurred to different degrees with different services to date, will if it continues, seriously if not fatally undermine the viability of many public services.

17. In areas where educational performance is below average and many parents feel apprehensive about sending their children to a local school, the impact of parental withdrawal can be devastating. Schools are subject to a downward spiral, losing pupil numbers and any prospect of a balanced intake as more parents who have the money, the energy or the ability to secure an alternative option do so. This may involve the choice of a private fee-paying school, or it may involve moving home to a different catchment area, but either way it will contribute to further erosion of educational opportunities in the already disadvantaged location.

18. To argue that this will only be countered by restricting choice and so forcing parents to use the local school is not just wrong, it is delusional. For, in an increasingly affluent and mobile society, more parents will find ways to secure an alternative option outside the state sector if denied choice within it. Those who argue on the basis of a romanticised view of how mid 20th century education operated, for seeking to restrict choice have no more prospect of success than King Canute. The tide cannot be halted. But it can be channelled in the interests of better educational prospects for all, and that is the overwhelming argument for seeking both to increase choice and to make it more meaningful by intervening positively to turn around schools which are for whatever reason failing to attract a reasonably balanced intake of pupils.

19. I have seen at first hand the impact of impact of such an approach in my constituency of Greenwich and Woolwich, where continuing improvements in the performance of most of our local schools, supported by an effective and interventionist local education authority, have begun to reverse a long term trend whereby better off parents with aspirations for their children tended to move themselves or seek schools for their children in the outer suburban areas or surrounding counties. Indeed one of the most encouraging recent signs has been the success of a newly opened sixth form college in Greenwich attracting a significant intake of pupils from adjacent boroughs. This whole process is vital to ensuring a balanced intake of pupils in our area.

20. The issue of balance is crucial. Where services become solely the preserve of the poorest and most disadvantaged it is difficult to avoid the consequent stigmatisation and social division. That is not to say that all public services should seek to be universally available, and used by almost everyone as is the NHS. By definition social housing is only going to cater for around 20–25% of the population, and in future this percentage will probably fall even lower. But so long as the housing is not physically separated—as sadly was the pattern when the fashion was mono-tenure council estates—there is no reason why social housing should become synonymous with social exclusion. On the contrary well integrated mixed developments comprising some housing for sale and some for rent, and perhaps some shared-ownership housing bridging the tenure gap, can and do provide balanced communities and extend choice. It is of course absurd to suggest that people must always fit into one economic category. Today's tenant can and should be able to become tomorrow's owner-occupier and mixed communities provide easier options for people to move between tenures as their needs or aspirations change. Indeed it should be a two-way process making it easier for example for elderly home-owners to trade in some of the equity in their home to benefit from services such as repairs, maintenance, gardening or support which will make their lives safer and more comfortable, and which can more easily be provided in a mixed tenure community with an effective estate management framework.

21. So while it is essential to avoid social polarisation and the ghettoisation of public services, this doesn't point, as some would argue, to an alternative based on universal provision. As long as public services are of sufficient quality to attract a range of users and are not segregated from alternative types of provision it is possible for public and private services to co-exist and for a variety of different public, private or not-for-profit models to operate side-by-side. Indeed in some instances the availability of a range of different providers—housing associations, housing co-operatives and council housing for example—can act as a spur to improve standards.

22. The key issue is for the service to be driven by a user not a provider perspective.

23. This was the motive which led many organisations working with disabled people to campaign for greater choice in the support services they receive. The outcome in the form of direct payments to enable the users to choose and pay for the care service they want has been a very significant development for two reasons. In the first place it has clearly improved the satisfaction of users with community care service in those areas where direct payments have been piloted. But even more significant has been the demonstration that extending choice to poor or ill-informed service users does not inevitably result in “bad” choices undermining the provision of quality services. On the contrary, it has been rightly recognised that service users who have no previous experience in choosing a provider do need expert advice on how to assess the options available, but where such advice is available, there is no evidence that users have made poor or inappropriate choices of care providers. Indeed, the availability of choice is likely to drive improvements in standards as existing providers can no longer assume that they will get the contract as of right.

24. There is a great deal of evidence supporting the thesis that the absence of choice in many public services has made it much easier for these services to be “captured” by provider interests. Indeed, in a framework where there is a single monopoly model of service delivery, it is far harder to challenge accepted ways of doing things and to promote innovation and change which may appear to threaten the interests of the providers. Yet it is precisely the absence of innovation and change which has contributed to the ossification of some public services. At a time when prospective home-buyers are presented with attractive and accessible information on the range of houses available for them to buy, it is absurd that many councils continue to inform applications for rented housing that their needs will be assessed according to an opaque points formula and only then, if they are lucky, they will be allocated a home considered suitable for their needs. It is hardly surprising if people form a negative view if the council shows so little interest in their own aspirations and allows them no opportunity to exercise any say in the process. Indeed such a process engenders the worst form of dependency culture where people are discouraged from trying to improve their prospects, but are left powerless while an anonymous bureaucracy determines the outcome that will profoundly affect their lives.

25. Of course it doesn't have to be like this. The more progressive local authorities and registered social landlords are developing choice-based lettings systems which do engage applicants positively and enable them to make informed choices. Visiting the Housing Advice Centre in Camden or the property shop in Sheffield and seeing attractive images of the properties which are available to rent as well as details of the qualifications which applicants are likely to need to bid for such a property, is a revelation. It is a wholly different experience to that in other areas where the "don't call us; we'll call you if your name comes to the top of the waiting list" culture still reigns. In Camden and Sheffield specialist help and support is provided to help applicants including the most vulnerable, identify and bid for options likely to be suitable for their needs. This recognition of the importance of advice and assistance to help a system of choice work well, particularly on behalf of the most disadvantaged, is very significant.

26. Changing the way in which public services are delivered can dramatically transform the relationship between the providers and the service users—from passive dependency to active participation in a process where the providers see their role as responding to their customer's needs and aspirations, and helping them to get the best available outcome.

27. There is still a great deal of hostility to the use of the word "customer" in relation to public services, as though the application of a similar ethos to that which applies in a commercial transaction is somehow demeaning. On the contrary, the discipline of knowing that a dissatisfied customer does not have to put up with what is offered without any alternative option is a powerful incentive to improve the standard of service. Raising standards is the main objective and choice is a powerful mechanism to achieve this. It is a means to an end, not an end in itself.

28. This is of course an important distinction between the different approaches of the political parties. To many Conservative ideologues, choice is seen as an end in itself, thus leading to various "voucher" schemes which either proved unworkable or else fell foul, as did the Major's government's nursery vouchers schemes, of unacceptably high transactional costs.

29. Extending choice should be all about raising standards and extending opportunities to those who in the past have not had the benefit of what is taken for granted in middle class families.

30. So we should neither be apologetic nor hesitant in advocating an extension of choice whenever practicable to public services. But how can this best be achieved? There are a range of options.

31. In the case of some services, such as education or housing, it is possible to offer a range of options from a single provider (LEA schools or council housing) or a wider range of public or quasi public providers (including church schools, 6th form colleges, registered social landlords etc). One of the particular attractions of a more pluralist model of public service delivery is that it will encourage a new breed of social entrepreneurs, eager to explore new ways of meeting social needs. The success of not-for-profit organisations such as Greenwich Leisure Services which took over the running of the local authority's leisure centres and now provides similar services for a number of other councils is a very instructive example. There is equally no reason for excluding appropriate private options in certain areas (lettings by private landlords).

32. In some cases however it simply would not be practicable to offer individuals a choice between different providers. The logistics and economics of refuse collection for example militate against individual households selecting their own bin collectors. However, there is no reason why single providers cannot offer variations in the type or frequency of service—so for example, providing options for separate collection of recyclable or compostable materials, or offering more frequent collections in certain areas where there might be a demonstrable need or where the local community might be willing to pay for an enhanced service. There are difficult issues which must be addressed on "pricing" for services to which I will return, but the principle of offering greater choice in response to the aspirations of the public must be right.

33. Equally, it is possible to offer choice between different providers where people collectively opt for one or another. The scale on which such a collective choice needs to be made (one street, a neighbourhood, a ward or whole local authority area) will vary from instance to instance but providing it is economically and logistically viable there is no reason why different providers should not be considered, nor why residents themselves shouldn't be able to exercise an influence on the outcome. Indeed, a framework under which local residents might determine whether or not to "trigger" a process of tendering for a particular service or might opt for a neighbouring local authority as a preferred provider could be a powerful incentive to drive service improvement.

34. This process is often described as contestability rather than choice, but the same basic principles apply—with the user's interests being accorded a higher priority than the provider's.

35. Of course there are important issues to be faced in relation to the workforce. In the past, particularly because it was associated with the Tory government's imposition of Compulsory Competitive Tendering (CCT), the concept of contestability was deeply unpopular not just with public sector trade unions but also with many Labour councils. There were real and often justified fears that the process of tendering predominately on the basis of price would both drive down the quality of services and the conditions of employment of the workforce. There was also a concern about the emergence of "two tier" workforces with new recruits being taken on by private contractors at significantly lower rates of pay than those transferred from a former public sector employer who will generally have been protected by TUPE. It is precisely in response to such concerns that the government has acted to tackle the "two tier" workforce with a new code

of practise in local government putting a clear emphasis on the need for competition to be based on quality of service as the terms and conditions of the workforce should across the board be no less favourable under a new provider.

36. There are also important considerations about job satisfaction. While the old certainties of monolithic in-house provision have undoubtedly generated job security, patterns of service delivery have often had a very negative impact on job satisfaction. Repeatedly having to say “no” or to offer excuses for an inadequate quality of service is demoralising. So too is a reluctance to experiment with new ways of doing things. This is not to say that innovation will only come through transferring services to other providers. On the contrary there is a wealth of good practise and numerous examples of imaginative new approaches to service delivery within the public sector, and this must be encouraged in the future. Choice and contestability have key roles to play in this context, as the process of innovation is far more likely in a climate where the providers are looking to see how to make their service more attractive to their users in the knowledge that others might take their place if they allow their own performance to fall behind. A well-trained and well-motivated workforce is of course a necessary pre-requisite to the sustained delivery of high quality services and the impact of greater focus on satisfying customer needs and aspirations will be to give an added advantage to those providers who do invest in their workforce.

37. Those who are resistant to the idea of extending choice in public services often make the point that choice is only appropriate in a market framework governed by the laws of supply and demand.

38. Allowing, indeed promoting a greater degree of choice in such circumstances does of course raise difficult questions. If successful schools are allowed to expand because of high demand will this inevitably lead to the closure of other less popular schools? In some cases the answer will be “yes”. Provided there is the scope for expanding successful schools in the area to accommodate the level of demand this is not an outcome to cause alarm. Indeed, there may be very real benefits in widening opportunity to ensure that children from poorer backgrounds are not elbowed aside by more pushy middle class families in the competition for scarce places at popular and successful schools.

39. However, in other instances this may prove counter-productive if over-expansion damages the ethos of a successful school and undermines the very qualities that made it work well. Equally an overdependence on one successful school could ultimately lead to a local monopoly which could in the long term prove counter-productive. In which case active intervention to restore confidence in a failing alternative may be a better option. So there is no single “one size fits all” answer to such questions. But in all instances we should be approaching these decisions from the perspective of what will deliver the best choice from the users’ point of view rather than what might be the most convenient for the bureaucrats.

40. Of course there are implications for the levels of supply. Meaningful choice does require an adequate capacity, and the shortage of supply in some services is still sometimes used as an excuse for not permitting users any choice. There are certainly significant cost issues to be faced in extending meaningful choice in certain services. Indeed some critics go further and claim that choice leads to inefficiency and under utilisation of assets. However from a different perspective the absence of choice may well lead to far greater inefficiencies by allowing providers to ignore market signals about what works and what doesn’t, so perpetuating outdated and inefficient ways of delivering services. So short term economies achieved by restricting choice may result in the loss of longer-term savings and benefits. This is an issue which should be addressed on a case by case basis rather than from the point of view of an ideological preconception.

41. The denial of choice can also lead to some grotesque distortions in supply and demand, best illustrated in the social housing field. For at the same time that there is a high level of demand for affordable housing in the South of England, thousands of affordable homes are standing empty in the Midlands and North. Yet until very recently few effective mechanisms existed to put those in need in one area in touch with options available in another area. Of course the option of a move to solve a housing need won’t suit everyone but the important point is that the choice should be made available. Even if this only has a marginal impact on pressures in high demand areas, it is still worthwhile as a means of satisfying some individual needs, as well as helping to ensure better use of the total available stock of dwellings.

42. One of the main arguments advanced by opponents of choice is that where there is shortage, rationing of supply is necessary and it is fairer to do this by reference to needs through a bureaucratic system than through a market mechanism which will give unfair advantage to those with greater wealth or competitive skills. This would, of course, be true if rationing were to be determined solely by price. A market driven purely by ability to pay would undermine the principles of fairness and social justice which led to the creation of most of our key public services. But this does not have to be the case. The extension of choice does not necessarily mean choice on the basis of ability to pay. Freedom to choose a school for one’s child in the state sector is not dependent on price. Similarly direct payments to recipients of community care simply empower the service users to choose between different possible providers. They are given the resources to commission the service rather than being dependent on the council to tell them who will provide their care.

43. But in just the same way that sole dependence on a pricing mechanism would be unacceptable, attempting to ignore price altogether is also counter-productive. Why, for example, should a middle-aged couple in a three bedroom council house (whose family have grown up and left home) chose to move to a smaller property if they end up paying the same level of rent? Price signals do play a fundamental role in most decisions which we take, and it is unrealistic to try to exclude them from public services.

44. The key task is to ensure that they do not subvert the impact of those services either by excluding those who cannot afford to pay the price or by giving disproportionate advantage to those who have greater spending power. So it is not unreasonable to ask parents to pay more for activities outside the school curriculum—for example for their child to go on a school journey—so long as the charge is not pitched at an unreasonable level or provision is not made for all or part of the cost to be rebated for pupils from poorer backgrounds.

45. In the case of our national museums we have taken steps to ensure free access—to ensure that their unique and magnificent collections are available to everyone. This has been a huge success, but those same museums are able to charge for special exhibitions bringing together works not normally available at that museum. There is no inherent problem in this approach which guarantees access to all but allows people to buy extras if they so choose. Indeed it is likely to feature much more in the pattern of service delivery in the future.

46. Indeed such an approach holds out the prospect of a successful synthesis of two of the most powerful drivers of social policy over the past century. On the one hand there has been the commitment to social justice and fairness, with the clear objective of ensuring that no member of society is denied a reasonable quality of life and access to essential needs. On the other hand there has been the fierce individualism of people who have wanted to shape their own future according to their own wishes rather than being forced to accept norms imposed on them. Each of these powerful motive forces taken to extremes can prove very destructive. On the one hand there is the awful lesson of the enforced collectivisation in 1930s Russia and other command economies. On the other the arrogant and blinkered pursuit of self-interest which has characterised the extremes of uncaring capitalism.

47. Our challenge is to chart a new way forward between these extremes, and in the process to build a new consensus. Indeed, this is one of the great opportunities of the “Big Conversation” currently being undertaken to help shape Labour’s next manifesto. Recognition of the importance of fairness and social justice as well as individual freedom and opportunity is fundamental to achieving that synthesis, and the pursuit of the choice agenda in public services is one of the keys to success.

Nick Raynsford MP

March 2004

Supplementary Memorandum by Minister of State for School Standards to Support Joint Memorandum from Minister of State (Health) at the Department of Health, Minister of State for Local and Regional Government and Minister of State for School Standards (CVP 24 (c))

THE CASE FOR USER CHOICE IN PUBLIC SERVICES

1. The DfES is proud of the way it has placed choice and voice at the heart of its policy making and service delivery. The recently published “Five Year Strategy for Children and Learners” (www.dfes.gov.uk/publications/5yearstrategy/) sets out the Department’s plans to radically reshape the system for delivering education and children’s services so that its central characteristic will be personalisation—a system that fits the individual rather than the individual fitting the system.

2. We want to continue to mould our services around the needs of individuals as they learn and develop through life. The system of the future will pivot on:

- Empowered learners: a strong confident voice for children, young people and adults to articulate their personal learning needs.
- Responsive providers: schools, colleges and universities that are uniformly excellent but can design their offering around the needs of individual learners.
- Engaged communities: a role for parents, employers, experts and volunteers to work together in support of children’s learning.

3. For learners, empowerment will mean more diversity, greater choice and a decisive shift toward personalisation. People learn in different ways and at different paces, so their learning experience should be bespoke: with individual assessment, tailored teaching and learning and personal tracking of performance. And alongside this commitment must go another to personalised support—the essentials that put education within everyone’s reach, from protection for the vulnerable child to career advice for teenagers and financial packages for adults wishing to acquire new skills.

4. For the many thousands of separate providers up and down the country there can be no centrally dispensed prescription. But the strongest institutions and services are already acutely alert to the needs of users, and they have important characteristics in common. They are strongly, imaginatively and sensitively led, with a powerful sense of mission to serve the public. And they exploit the freedom to re-think their services in response to changing needs.

5. The wish to harness a wider range of people and resources again reflects the example of the best schools and colleges. These are institutions at the heart of their communities, engaging parents and families in their children's education; linking with health, housing and other organisations to influence and improve life chances; drawing in sports stars and coaches, local broadcasters and artists to enrich the process of learning and development.

6. The Department will apply the same principles across the system as a whole, while recognising that each part of the system is at a different stage of evolution, and each institution different to the next. Our aim throughout is services that are fair for all, personal to each.

7. For example, in response to broadening choice and personalisation, the Department:

- is developing *Children's Trusts* which bring together local partners—education, social care, health, Connexions, Sure Start, Youth Offending Teams, and the voluntary and community sector—so that they can work better to meet the needs of children, young people and families, and at the same time, responding to the current fragmentation of responsibilities for children's services;
- revolutionised the early years provision in deprived areas by introducing *Sure Start* which brings together health, learning and parenting support to meet the need of local parents, their children, and the community they live in;
- has begun to engage with individual families and communities through the promotion and development of *extended schools* (before and after school hours, at weekends and during school holidays, helping parents to juggle their busy lives). Schools that have already adopted this approach have found that extended schools impact positively on pupil attainment, behaviour and attendance, offering activities and facilities to increase engagement and motivation. Involvement in extended activities may also have a positive impact on the culture of schools and their communities, particularly in terms of how learning is viewed. There are currently 119 “full service” extended schools in England. There will be 240 “full service” extended school models by 2005–06, offering a prescribed core range of services;
- has increased diversity in the secondary school system by expanding the number of *specialist schools*. Over half of all maintained secondary schools now have specialist status. Their plans reflect key principles for personalised and effective teaching and learning;
- provides targeted capital funding that faith communities can bid for via their LEA, in response to parental demand for places. The Code of Practice on School Admissions allows *faith schools* to admit pupils on the basis of religious affiliation but it also encourages them to give priority for at least some places to local children of other faiths or none;
- has included, in its *Five Year Strategy for Children and Learners*, proposals (for secondary schools only) for *increasing the number of places in popular and successful schools*; allowing high-performing specialist schools to add sixth forms; and making it easier for new promoters, including parents' groups, to open schools in response to local demand. This should allow schools to strengthen their individual ethos and develop in the direction they think appropriate, and to better meet local needs as part of the drive for higher performance in the local system;
- has extended the arrangements (via the Education Bill currently before Parliament) for inviting proposals for new secondary schools so that it is easier for new promoters, including parents' groups, to *open schools in response to local demand*;
- has allowed schools, through *improvements in performance data*, to compare individual pupil results against expectations—pinpointing areas for improvement and allowing more targeted teaching;
- has empowered young people to help to design the *Connexions Service* so that it responds to their needs and from which they can access information, advice and guidance in a variety of ways, at times and places that suit them;
- has initiated a fundamental *review of 14–19 education*, with the ambition of creating a system of personalised learning for every student, with the opportunities for the less able and underachievers to enter the national framework of qualifications. Sir Mike Tomlinson's report constitutes a substantial longer term agenda which will not distract from medium term objectives to introduce greater flexibility into the current system. Delivery of a future 14–19 curriculum and qualification structure will need to address the issues of too much assessment, a poor vocational offering, and being sufficiently challenging for the most able;
- has implemented *14–19 pathfinders* which led to the development of broader curricula, offering greater choice and flexibility, especially for 14–16 year olds;
- has planned, in the context of the Skills Strategy, for a *reform of qualifications* which will create a more flexible framework for recognising achievement: one which measures and values learning, welcomes diversity in provision and equips individuals for work and life; and
- has developed a package of *reform of higher education* that will lead to a financially secure and diverse system which is more responsive to the rising demands of students and business. Raising achievement in schools and colleges will lead to more students from non-traditional backgrounds

aspiring to enter higher education. The reform will also abolish up-front payment of tuition fees and allow every full-time student to defer their contribution to the cost of their course until after they have graduated.

8. In terms of **voice**, the Department:

- has extended the *opportunities for young people to shape policy*. A young person's version of the two consultations: *14–19: extending opportunities, raising standards* ([www.dfes.gov.uk/14–19](http://www.dfes.gov.uk/14-19)) and *Every Child Matters* (www.everychildmatters.gov.uk/) were created. Both consultations were extensive and inclusive, including events to discuss proposals with young people face to face with Ministers and senior officials;
- is involving key stakeholders in various ways: *the use of critical friends* (such as the Implementation Review Unit), particularly in shaping secondary school policies, wider qualitative involvement in key dimensions of policy formulation and the execution of communications and regular quantitative surveys of stakeholder opinion;
- has implemented *a national programme of strategic area reviews* over the past two years that has engaged many stakeholders in discussion about the further education and training in their local areas;
- moved its service personalisation beyond a focus on an individual making complaints or having an involvement in formal governance arrangements, to *learners having a key and active role in helping to design their provision*. This gives them more say in how they use services once they access them by making them co-producers of services. A good example of this is the Connexions Service;
- promotes the representation of parents and other members of the community on the *Governing bodies* of schools. For 16–19 provision governing bodies involve representatives of the local community, parents and young people themselves in the management of their institutions;
- has developed *a strategy for increasing parental involvement in children's education*. This includes an element of “giving parents a voice” for example through the introduction of home-school agreements. A study, carried out by the British Market Research Bureau (BMRB) and published by the Department in 2002, found that *85% of parents say they are either very involved or fairly involved in their child's education*;
- has promoted *citizenship* as part of the school curriculum. This helps to develop pupils' formal knowledge of how political processes work, how decisions are made and how individuals can play a part. It also provides opportunities for pupils to take responsibility and action in their neighbourhoods and communities to change things for the better.
- has encouraged the setting up of *school councils* to give pupils a greater voice in the running of their schools;
- has set up *the participation programme* which ensures that children and young people have more say by engaging them in decision-making, influencing Government departments, supporting mechanisms through which their voices can be heard, encouraging their participation as full members of society, modelling good practice and funding the development of innovative approaches to participation.
- *Sector Skills Councils* are being established in each major sector to provide a voice for employers. These Councils will develop Sector Skills Agreements in consultation with the employers in their industries. They will provide a means by which the Learning and Skills Council, Regional Skills Partnerships and Learning providers can focus their resources and energies on delivering the skills that employers and the economy really need.

Witnesses: **Mr Stephen Twigg**, a Member of the House, Minister of State, Department for Education and Skills, and the **Rt Hon Nick Raynsford**, a Member of the House, Minister of State, Office of the Deputy Prime Minister, examined.

Q478 Chairman: I welcome our witnesses this morning and call the Committee to order. This is the last evidence session in our inquiry into what we have been calling *Choice and Voice in Public Services* so we like to think that by now we know some of these issues. We wanted very much to hear from Ministers in key departments that have an interest in choice and voice issues; so it is appropriate that we should end with Nick Raynsford, Minister of State, ODPM, and Stephen Twigg, Minister of State at DfES. Thank you for coming along and the memoranda. Nick, can I ask you to start, to get a way in to thinking about choice and voice and the relationship between them. You are the Minister for

Local Government. The old theory of voice goes that local government provides services; if people are not happy about them, they remove the people who provide them and put someone else in. That does not work in practice, does it—or does it?

Mr Raynsford: It works to a degree, but we have appreciated that the voice alone is probably not sufficient if you want to achieve really responsive public services. Let me give an illustration. The ability to vote out councillors if you are not satisfied with them has not been a motor to transform services such as the lettings service for council housing, which, probably for several decades, continued on an assumption that it was possible to

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operate an administrative system that would achieve fairness and would therefore meet the main objectives for which the council felt it was responsible. In reality, it created a framework where the public felt alienated. They did not understand the process and felt that they were largely left at the mercy of bureaucrats or others who would take decisions that they did not understand; and you and most other MPs will have had lots of experience of constituents coming to your surgery—and they certainly come to mine—expressing deep unhappiness about the way that system operated. It seemed to me, when I was Minister for Housing, that the logical answer was to try and work towards a system where individual applicants had more say in the process and were able to exercise a degree of choice, and in doing so would come to understand the constraints that inevitably apply in this kind of process. The experience of choice-based lettings is that it has made a remarkable change in the relationship both between applicants and the council and the council staff. It has helped improve the workings of the lettings system. In places like Newham we have seen the letting time halve since they have brought a choice-based system in, because people are more committed to properties if they have a say in the process, and are less likely to refuse an unpopular one if they know they might be there for only a short period of time because they can then exercise a further choice. There are all sorts of benefits that have come as a result of introducing a choice element, which did not come through the traditional process. I am not saying that it would not eventually have come, but I believe that simply relying on voice alone is not enough.

Q479 Chairman: I am sure we will come to examples as we go along, but I am trying to tease out what it is about the way in which we have accountability for services now which make them not very responsive to these performance factors. You have done some work on it, have you not, with the comprehensive performance assessment system that has been introduced, trying to make some connection between what happens when people vote and the published performance of local authorities? What does that reveal?

Mr Raynsford: The comprehensive performance assessment has been an attempt to provide detailed and objective evidence about the performance of local authorities, both their corporate performance—how they run their affairs and manage their finances, and how their resource management decisions are taken—and also looking at the performance of individual services. Together, from an aggregate of those assessments, an overall judgment is formed as to the performance of that local authority; but that is also used to drive improvement, whether in terms of corporate performance or individual services. This has informed decision-making, and it is noticeable that in some cases authorities that have been significantly worse than average, or those that are significantly better than average, have tended to buck the trend at elections. In 2003, for example, at the local elections,

the Conservatives were generally doing well and getting significant gains in most parts of the country, but I take the south-west as an illustration. Two particular councils spectacularly bucked the trend. Plymouth went from Conservative to Labour control; and Torbay went from Conservative to Liberal Democrat control. I do not think it is coincidental that both of those councils received poor ratings in the comprehensive performance assessment, and there were clear problems associated with the authority. I believe that the assessment has helped—not everywhere, because it will not happen everywhere—but it has helped to inform the public, and that may give added force to the voice element.

Q480 Chairman: Therefore, would you urge a sensible consumer of local public services to vote for an authority in terms of their performance, as opposed to any existing political predilection?

Mr Raynsford: It is an interesting and difficult question for anyone who stands on a party ticket, but let me just say that I do not think local government has been well served in the past by a tendency to vote the party ticket irrespective of performance. It has been particularly depressing for councillors who have run their council well to find that they have been voted out of office because their party has been unpopular at a national level. I think it is right that people should be able to differentiate more, and processes like the comprehensive performance assessment do give information that enable the public to differentiate more.

Q481 Chairman: I am sorry to press you, but are you saying, as the Minister, “vote for performance not the party ticket”?

Mr Raynsford: Of course, it would be difficult to say that overtly for reasons you will fully understand, but you heard me say, and I will repeat it, that it is right that the electorate should be informed about performance and it is right that they should be able to form a judgment on performance.

Mr Twigg: For many local authorities education will be their biggest area of spend, and it is fair to say that it would be highly unusual for education performance, the performance of local schools or indeed the performance of the LEA to be the main, or even a major issue in a local election campaign. That demonstrates that that voice element which consists of the election of the local education authority can only be one of the ways in which we can secure improvement in schools.

Q482 Chairman: One of the things that everyone agrees on in the conversation about choice is that unless we have substantial capacity in systems, then choice in all kinds of ways will not exist, or at least it would be severely limited; and yet it is not the case that in relation to both social housing, which is your responsibility, Nick, and schools, this is precisely the problem? There is too little supply of the commodity that people want and too much demand for that commodity; so unless we do something pretty

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dramatic on the capacity side in these areas, we are not going to get hold of choice in a way that is going to bite, are we?

Mr Raynsford: Capacity is important, but it is not a block to the use of choice. Let me give two illustrations of that. When I was developing the idea of choice-based lettings, an awful lot of people said to me, “you are wasting your time; this is simply a non-starter, and in areas of high demand there is no way that you can have a choice-based system because the demand is far greater than the supply”. I persevered, and I am pleased to say that one of the first successful pilots was in Camden, an area of very high demand. It revealed that there are certain efficiencies that come from a choice-based system, because if you can speed up lettings because there is a greater degree of willingness to move in to a property if you are committed to it—which is the case with a choice-based scheme, as against a traditional allocation scheme—then that in turn will help to tackle the problem of supply. While it will not overcome the problems, it will help. The other thing is that if you begin to look more widely than the immediate area and give people opportunities to consider options elsewhere that they may previously not have considered, then that too can help to relieve the pressure, because not everyone automatically feels they want to live in Camden. Very many people will, but there may be some who are willing to consider options elsewhere if there are opportunities to move, and particularly if they can get help with finding employment in the other area and so on. Information about a wider choice may help to achieve efficiency gains and make better use of the resources; and that is particularly relevant in a country where we have a mismatch between very high demand in relation to supply in the south, and quite low demand in relation to available supply in other parts of the country. Making better use of unused resources as part of a choice-based can improve the overall supply/demand equation. I accept that capacity is an issue, but I do not accept that it is a block to a choice-based system.

Q483 Chairman: We heard from the Director of Housing in Newham, who told us for example that popular properties might receive over 400 bids. Does that not make the case acutely that unless we get the supply side right, we can tell people how we have moved over to a choice system, but for them their chance of getting the properties they want does not seem better than it was before.

Mr Raynsford: But there are two other aspects to it. I have talked about greater efficiency. He may or may not have given you the evidence, but we certainly have the figures, that the average void time between lettings in Newham has fallen from 50 to 25 days as a result of the introduction of a choice-based letting scheme, so that is creating greater efficiency. The second point is that when people realise that the most popular properties have a very, very long waiting time, they may well themselves decide, rather than hanging on in the hope they might get that, to go for a second-best option where they can have a prospect of getting it sooner. In a situation

where they have made that choice themselves, they may be a lot happier to go into it than if they are simply told, “you are not going to get the property of your choice; this is all we can offer you” in a traditional letting system. It can help both to extend the public’s understanding of constraints and it can also help achieve efficiency gains along the lines I have described.

Q484 Chairman: This looks sometimes as though we are saying, “we cannot give you the choice that you want, but we are going to interest you in a different kind of choice that you do not particularly want but which we would like you to have”. The DfES website advising parents says, “you should not risk wasting your first choice by choosing a school where you stand little chance of getting a place”. We know that the volume of admissions appeals has gone up enormously in the last 10 years. We are saying, “while we talk about choice, we cannot actually give you your choice, but be sensible and choose something else”.

Mr Twigg: For choice to be a reality for parents, it is important that they have got information. Our website, along with a number of other vehicles, is a vital way of achieving that. Clearly, capacity is a constraint in terms of school choice, although I would make the point that at the moment we have about 700,000 surplus school places, so this is a picture that varies enormously from one part of the country to another. We allow therefore those schools that are successful and popular and want to expand, to expand. Another way is to put a lot of emphasis on our programmes on improving the other schools so that they can attract genuine support and can become first-choice schools. The other thing is to use the opportunity of the falling rolls that we have in many parts of the country to say that when an area is facing those falling rolls we do not necessarily want to see schools close down; it may be an opportunity to provide a wider range of choices in that area.

Q485 Chairman: We have asked this of other people, so let us take our town with two secondary schools. One is at the rough end of town, which people are not terribly keen to go to and does not perform very well, and one at the well-heeled end of town, which does very well and is top of the league tables, which everyone wants to go to and is over-subscribed. If I am in the rough end of town and hear about choice, and I think that it is a good idea and want to exercise choice, I would want to go to the other school. However, I apply and am told that I am outside the catchment area. How does choice connect with people in circumstances like that?

Mr Twigg: Let me say two things about that, Tony. Choice on its own, clearly, is not a sufficient mechanism to secure improvement in the school that is not doing as well, and that is why we have programmes like Excellence in Cities, the Academies Programme, et cetera, to focus on those schools. The other is to say that it will depend on what is decided locally should be the admissions criteria. Typically, the policy will be one that says it is siblings and then

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distance from school, but there are admissions policies that are allowable under our code that might well mean the person who lives at the rough end of town can still get in to the other school—for example the banding system that is still used in a number of London boroughs to ensure a comprehensive intake into schools. As we said in our evidence, most people live within a reasonable range of more than two secondary schools. We live in a very urban country, and whilst there is a set of issues for rural schools, which of course we need to face, from memory 70% of secondary schools are within two miles of two other secondary schools; in other words, for most people they are within two miles of three different secondary schools, so choice is not necessarily the kind of relevance it is presented as being, even in those areas.

Chairman: I am sure we will want to explore some of those ideas shortly.

Q486 Mrs Campbell: Stephen, to follow up on that, one of the problems with choice is, is it not, that schools that are over-subscribed are able to select pupils, and they often select those pupils who are the least difficult, leaving the schools that people do not choose with the pupils that nobody wants. How are you going to overcome that problem?

Mr Twigg: We want to do all that we can to prevent schools from doing what you have described, and in particular undertaking covert forms of social and academic selection. That is why over the years we have made a number of changes to the code of practice under which school selection operates. My experience of these things is that they vary enormously from one locality to another. It depends on the relationships that exist between schools, between schools and the local education authority, as well as depending on the particular admissions policy that is adopted in that local area.

Q487 Mrs Campbell: That is all very well, but over a period of time that choice mechanism can lead to some schools doing extremely well and other schools doing worse than they would otherwise do. I have that situation in my own constituency of an increasingly diverse secondary sector. In addition, we observed that in Birmingham there is a multiplicity of choice—grammar schools, faith schools, specialist schools, single-sex schools, and academies coming along—but in reality a lot of parents do not have a choice because if their child does not pass the 11-plus or happens to be the wrong sex or of the wrong faith, then they are allocated to a school that does not have particularly good exam results. How do you overcome that? I thought that the system in Birmingham was a total mess, quite frankly.

Mr Twigg: What I would say about that is that we want to have admissions policies that are objective and fair. Those are the two key tests for any admissions policy. The typical policy will be one that is based on a sibling, special needs, and then distance from the school. That is the typical policy for pretty good reasons; there is something in terms of objectivity and also fairness that can be well justified

with respect to those policies. The reason that we do not impose a national approach but allow these things to be determined locally is that what may be right for Birmingham may well not be right for rural Northumberland or for an inner or outer London borough. That is why we allow different practices to develop in different areas. I come back to the point that whilst choice is important in itself and can be a lever for improvement, on its own it is not enough. The school that you and Tony have described which languishes will often need extra support, be that in resources, be that a change of status or be that a change of leadership. Some of our most impressive programmes that have worked have been ones that recognise that alongside choice, and if they succeed they become schools that a lot of parents want to send their children to.

Q488 Mrs Campbell: Professor Brighouse suggested to us that difficult pupils should have a 300% funding allocation awarded to them. Have you considered those kinds of schemes? Perhaps I can explain the other problem that I have first. In my area the schools that do well are the ones in middle-class areas, where there is a premium on the house prices in order to get your child into a particular school. It looks like a very fair and balanced admissions system, but because they are taking children from around the school what is happening is that parents who have sufficient money are paying a premium on their house prices in order to get their child into a particular school. That does not seem to me to be very fair; it is giving choice to those who are well off and not those who are not.

Mr Twigg: Let me address both points. I read Harry Brighouse's written evidence and his oral evidence here in the Committee. Actually, I took a look earlier on at the different per-pupil funding for different authorities. Whilst there is certainly not a 300% uplift, there is a very significant difference between the per-pupil funding of Tower Hamlets, in the deprived East End of London, which has the highest per-pupil funding in the country, and per-pupil funding in some parts of the country. It is almost double, if you compare Tower Hamlets with other parts of the country. We therefore do already, within the funding system we have, recognise that pupils from deprived backgrounds and pupils where in the early years English is an additional language, for example, should carry a greater cost because that is something the school will require in order to educate them properly.

Q489 Mrs Campbell: Can I stop you there because actually people do not choose a local authority; they choose a school within a local authority. Therefore you have to have a system of allocation within local authorities that allocates more money to those pupils that have a deprived background or some special need.

Mr Twigg: You raise a really interesting issue about the balance of the responsibility of central government and local government with respect to funding of schools. As you will be aware, Anne, we have taken greater control centrally about the

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amount that has to be spent on schools at the local level, but the local authority still has the decision on the formula for dividing that money up. There is some evidence from IPPR which was published 18 months ago that whilst our formula is pretty redistributive, the local formula often reverses the redistributive effect of the national formula, so that sometimes the better-off school is being funded just as well as the school in the poorer part of the area. We do have a responsibility in our discussions, as a department, with local authorities to correct that so that the needy school within the authority is benefiting, not just the local authority as a whole. On your second point about the impact of good schools on property prices and therefore who can afford to live near good schools, I have exactly the same experience in my own constituency with higher property prices close to popular schools. It is undeniably a feature of the system. There is clearly a range of different options to deal with that. One option, which is not exclusive but an option that we are pursuing, is to do everything we can to improve the other schools. You can have an impact in that way. However, in terms of a policy to deal with that, there are two different routes we can take. I mentioned banding, which is the system that the Inner London Education Authority used to use, and which quite a lot of London boroughs kept after ILEA was abolished, which says "we want X number of children in each ability band". The result of that is that if a school happens to be located in a very prosperous area, nevertheless children from further afield who may be in lower bands and in poorer areas of that borough or a neighbouring borough can get in. That is one policy that is adopted in some places. The other one, which I know the Committee has considered and discussed with Harry Brighouse and others, is to have a lottery to determine the over-subscribed places. Actually, there is nothing in our law or even in our code that says you cannot have a lottery. There is a school in Burnley that operates a lottery. It was challenged in the courts about 10 years ago successfully, so it is still in place. One of the new academies in London, the Lewisham Academy, which brings together the Haberdasher's CTC with Mallory School, a struggling school, will have a policy where 50% of its places on over-subscription are allocated by lottery within a wide catchment area. A lottery is a possible option within the code and law as it stands.

Q490 Mrs Campbell: I accept that it may be a possible option; I do not accept that there is any real incentive at the moment for particularly a good school, an over-subscribed school, to adopt a lottery system because the school will want to select its pupils as far as it can, and in handing it over to a lottery the school is then relinquishing control over the pupils it accepts. From the point of view of the parents who are trying to get their children into the school that they want, a lottery would be a much better system than the one we have at the moment.

Mr Twigg: There are some strengths in a lottery, but there are some very serious drawbacks as well, which Philip Hunter, when he gave evidence, set out very

clearly, in terms of predictability for parents when they are applying. In some respects, clearly, a lottery system could be said to be fair because it removes covert selection or biases and discrimination within the system. On the other hand, a family that lives opposite a school that does not get its child into that school, and the family four miles away does, would probably not feel that it is a very fair system. There are arguments in terms of justice and fairness on both sides.

Mr Raynsford: Can I broaden this, because education is obviously not my field but there are wider philosophic issues here that are terribly important. The strength of feeling that leads so many parents to go to such extraordinary lengths, including moving house, in order to get the school of their choice, is a pretty clear indication of the importance that many members of the public attach to a degree of choice in that service, and that of course applies in others. Philosophically, we have to decide whether we are going to work with the grain of those instincts and find ways as far as possible to meet them while at the same time meeting other principles of equity, which are hugely important to us, or whether we try and stop any expression of that wish for choice. My own view, very strongly, is that you will always fail if you try to stop the process, because the wish for a degree of choice is so powerful that people will try and find other ways of achieving it. It is much better to try and work with the grain and find ways in which people can exercise a degree of choice, but at the same time combine it with safeguards but prevent it from producing the undesirable and inequitable outcomes that you have rightly highlighted.

Q491 Chairman: Surely, lotteries go with the grain? People love lotteries.

Mr Raynsford: I do not think there is any question of a lottery going with the grain in terms of school places because the reason people move their home is to get into a specific school, not in order to be in exactly the same position as anyone else.

Q492 Mr Prentice: What about where the exercise of choice conflicts with other public policy objectives? A couple of weeks ago we had the case of the Muslim girls' school in Bradford with the greatest added value of any secondary school in the United Kingdom. Should we be explicitly encouraging the establishment of single-sex Muslim schools?

Mr Twigg: There is a very important principle here about equity. For decades we have had publicly-funded Christian schools. They form a very substantial proportion of the schools in our country, and I do not think we could possibly say to the Muslim community or Sikh, Jewish or other communities, that what is okay for Christians is not okay for them. Absolutely in terms of equity, we need to give those schools that support.

Q493 Mr Prentice: We have had all these reports talking about community cohesion.

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Mr Twigg: Absolutely.

Q494 Mr Prentice: We do not want a balkanised school system where children of a particular faith and a particular race are isolated from their peers of a different religion. Do we really want to go down that road?

Mr Twigg: No, we do not want to go down that road. What is quite interesting, looking at those reports—and my understanding of the situation in some of the northern towns where there were disturbances—is that typically the major factors that resulted in segregation were to do with housing policy rather than education policy. These were not necessarily places that had Muslim schools, certainly not state Muslim schools. I think we should respect the fact that many parents want faith-based education, but at the same time place responsibilities on all schools, including faith schools, to promote race equality, community cohesion and inter-faith dialogue. I am very keen not to say “no” to the Muslim girls’ school being a state school, but to say to them, “yes, you can be a state school, but we want you working with the local Catholic school, the local non-faith school”. I think that is more realistic and fairer. We have to remember there is always the choice of going private, and many of these state Muslim schools that have grown up in recent years are not newly created from kids that previously went to secular state schools; they were previously private Muslim schools. I would much rather have those schools in the state system and part of the local family of schools, with regulation and having to teach the National Curriculum, than existing independently of the state system.

Q495 Mr Prentice: I understand that, but the Government is actively promoting faith schools. Given that we are talking about a choice agenda, should the Government be encouraging Muslim parents to exercise that choice?

Mr Twigg: I need to be clear that we are not saying that there is the active promotion by Government of new faith schools; that is not the policy. We are saying that we recognise that there is the desire in some places either for existing independent faith schools, particularly in the Muslim community, to come into the state system, or in some cases for new schools, and we want to ensure that those communities have a level playing-field and access to resources so that they can create those schools. I do not go out into communities I visit and say, “why do you not think about setting up a new school” or “why does your independent school not become a state school?” It very much depends on local circumstances and local discussion and the desire for that to happen.

Q496 Mr Heyes: Stephen has talked about secondary school segregation deriving from housing policy. I can give you a very powerful example of where I think you are wrong about that. My home town is Oldham and there are two secondary schools within a quarter of a mile or less, very close to the town centre, in fact one on each side of where the

riots took place. One school is almost an exclusively white Church of England school, and the other school is 98% Bangladeshi/Asian. Those schools are surrounded by mixes and pockets of population, but they derive from choice. It is selection masquerading as choice through the existing system. The hands-off approach, or encouragement of further choice is digging those community tensions in even deeper. The inquiry we had into Oldham talked about the need to generate community cohesion through breaking down those educational divides. What Government policy currently does is replicate and reinforce that segregation. Nothing has been done to address that core problem. The root of the problems in Oldham persists and nothing has been done about it.

Mr Twigg: What we say to those who wish to set up and provide a new faith school is that we want to see what their plans are with respect to race equality and community cohesion, which was not said before but which was part of our response to the Cante report and other reports. I would have to look into the specific instance of the two schools in Oldham, but in my broader experience the Church of England has been willing to consider a number of places being open to those not of the Anglican faith.

Q497 Mr Heyes: There is some tokenism.

Mr Twigg: That is important if we are going to have the potential to open those schools up to people from different faiths. In other parts of the country, there is not necessarily that relationship between the faith and the ethnic origin. Many London Anglican and Catholic schools are hugely multi-faith because a lot of black kids get in because they are Catholic or Anglican.

Q498 Chairman: Does this not test the whole faith school issue and the issue of individual choice against what you might call collective choice? A group or individual may want a single-faith education for their child, but collectively we may want our children to grow up in a society where faiths connect and there is no segregation in the school system. You have two objectives here that are incompatible. Somebody has to decide where to cut this. One way would be to say that we are stuck with faith schools because we have always had them and it would be unfair to deny them to other groups, but we could at least make sure that they could only take a certain percentage of people from that faith, and therefore they had to become multi-faith schools.

Mr Twigg: Our task is to balance those two objectives. I accept that there can be a tension between the two objectives. Clearly, the vast bulk of faith schools are those provided by the Catholic church and the Anglican Church, both of which have shown themselves amenable to taking sometimes significant number of children who are not from that faith. I do not think it is necessarily tokenism on their part. It would be very difficult to say to new schools, whether they be Muslim or Jewish schools, “we expect you to set up a new school and then require that the majority of places

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do not go to children from your faith.” I do not think that would be seen as us taking seriously the desire in those communities to have faith-based education.

Q499 Chairman: You could change the rules for all faith schools so that a faith can set up a school, as any provider can set up a school. We want all kinds of groups to set up schools, but we could say that because we want to be a certain kind of society, you have to take a certain percentage of people who are not from your faith. Would that not be a way of getting the balance better?

Mr Twigg: I think that would be very difficult in practice to implement, and a much better way of achieving what you have described, with which I agree as an objective, is to say that we want schools to work together. We want to break down barriers between schools and promote opportunities for joint activity between schools. The whole area of 14–19 educational reform gives us an incredible opportunity to do this. That, by the way, is another element of choice. A lot of the discussion about choice is choice between institutions. There is also, just as importantly, choice within education for the learner.

Q500 Mr Hopkins: Britain is characterised by deep social divisions, in contrast with several other continental European countries; and these are most marked in education. Is that not the result of the fact that we have had choice in education for a long time? We have had a fragmented, disparate, hierarchical education system, with some private, some public, some independent and some not, and we have allowed this system to develop, and the social divisions that have gone along with it. Society has effectively allowed the middle-class, who are very energetic about schools, to have what they want, and said “the Devil take the hindmost”. Society has said, “we do not really care much about the bottom 30%.”

Mr Twigg: I do not think it is primarily. I agree that clearly our education system has a major role to play in bringing about a more just society and has played a part in the injustice you have rightly described, but the factors that lead to the wide gap in terms of outcomes between the richest and the poorest are far more deep-rooted and widespread than simply being about education itself. One of your other witnesses went into this very eloquently—it might have been Harry Brighouse—and put a very powerful case about child poverty and the impact that this has before kids are even at school. What is striking, and I suppose quite depressing, is that some of these social divisions have been there, whether we had the 11+ or comprehensives, whether we had kids going to their local school or the kind of open enrolment and choice that we have had over the last 20–25 years. That says to me that we have to have a focused government approach locally and nationally to those schools that are failing. That is why Excellence in Cities, the Academy Programme, and support for schools facing challenging circumstances and the funding policies matter. I do not think choice undermines that, but I accept that choice on its own

will not deliver the improvements in schools in inner-city Manchester or inner-city London that is needed; we need those other programmes as well.

Q501 Mr Hopkins: I am pleased to say that precisely that approach, taking failing schools, giving them extra resources and boosting them has worked in my constituency. Formerly poorly performing schools, now out of special measures, are doing well. However, that is an entirely different approach. That is a planning approach; it is the Government deciding what needs to be done and doing it to help the educationally least advantaged. It is not a market approach to education. It is not, as some advocate, allowing more effective schools to grow and the other schools to close. It is the opposite of the market; it is intervening in the market place to even things up.

Mr Twigg: I certainly do not favour a free market in the schools system. I do not think that that would be a sensible policy approach to take at all. I do think that you can combine elements of a market approach with the kind of planned approach that you have described, Kelvin. That is what we are seeking to do. If we succeed, as you think we are on track in doing in your constituency, then we get to the position where far more parents have a real choice and far more parents have faith in the local school. That, for me, is what all of these different policy programmes seek to achieve. Choice can be a position lever for achieving that, or it can be neutral. I do not think that choice itself undermines the achievement of good quality schools in every neighbourhood.

Q502 Mr Hopkins: In relation to faith schools, in my constituency there is a large Catholic school but there are more Catholics than can possibly go to that school and effectively such schools become selective. The pressure on such a school is also to perform well at GCSE and A-Level, and therefore the temptation to exclude less able pupils at eleven and to take in middle-class pupils is very great. Faith schools effectively become selective schools. If however, you had banding by ability as well, insisting there was a balanced population in those schools, they would be very different, but that is not what I believe the faith schools would want.

Mr Twigg: To be fair to the Catholic Education Service and the Anglican Church, when we discussed this a couple of years ago, they were very supportive of the ways in which we have strengthened the code under which Catholic, Anglican and other schools have to operate; so that for example the practice of interviewing that was used by a very small number of schools, was outlawed in the code, with the support of the Catholic Education Service and the Anglican Church. I do not in any sense deny that what you have described to happen. To be fair, it does not only happen in faith schools, but it can happen with others as well. What we have sought to do through the code of practice we operate is to remove those sorts of practices so that the over-subscription criteria are genuinely fair and sound.

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Q503 Mr Hopkins: If, instead of pursuing the choice agenda, there was a combination of banding, which I think is a good idea in urban areas, plus intervention to improve failing schools and guaranteeing there is equal performance and equal provision in every school, that would stop the middle class panicking that their children might go to a poor school, and the thing would settle down and one could have genuinely good performance throughout the system.

Mr Twigg: I do not disagree with the different elements you have described. In some areas there is a case for banding, and that is allowed within the code and the law as it stands. What I think, though, is that there is a danger that if you take choice out of the system, then there will be a loss of faith in that system. There then is always a choice for those who can afford it, which is to go private. Some of the work I have been involved in in the Department over the last two years is working specifically with London secondary schools. There is a particular set of issues in London, with a larger number of secondary aged children going to private schools, and a much higher level of parental dissatisfaction with the schools system. If we were to say that in London—but this would apply elsewhere—we are going to remove choice and go to the system that still operates in much of America, where you are simply told to go to school, then we will see even more parents sending their kids to private schools. It is not only affluent middle-class parents in London who do this; a lot of struggling parents will put all their savings into escaping the state system in London. We have to change that. How you change it is with a variety of things, including some of those that you have mentioned; but choice has an important part to play in bringing about that change.

Q504 Mr Hopkins: I think it is admirable that our new Secretary of State has said she will send her children to state schools in her borough of London. On housing, Nick seems to be suggesting that what we are really doing is managing expectations downwards for those who cannot afford owner-occupation and saying, “if you cannot get into owner-occupation, do not expect society to provide decent housing any more; we are going to wind down your expectations, and we are going to do it under the guise of choice”. It will be like the lottery. The chances of winning the lottery are very, very small, but if you hold out that remote hope of winning it gives people a little buzz every week, to see if they have made it to the best house on the block; but it will not happen for most people. Managing down expectations contrasts with the post-war Labour government, which decided to build decent homes for ordinary people. I remember 50 years ago, when I was a schoolboy, I lived in owner-occupation—one of the few—but many of my friends were re-housed in decent homes with three bedrooms and gardens. These now sell for a third of a million pounds in the Borough of Barnet; but they are no longer available for ordinary families. Is that not what we are doing, managing down expectations?

Mr Raynsford: No, it is not, and I think what you do not recognise is the extraordinary change in society since that period. The response in the immediate post-war period, when there was a serious shortage of housing as a result of bomb damage and lack of investment over the war years, plus the legacy of inherited slum housing from the 19th century, required an enormous programme. At that stage the assumption was that people would be living in mono-tenure estates, all tenants in the estate with no variety at all, and people would accept very little choice. The stories were rife about how doors were all painted the same colour and so forth. Society has changed since then. At that time, most people on modest means did not have very much choice in most aspects of their lives. On the whole, they had little choice over where they worked, and in many communities it was almost inevitable, if you grew up in a particular community, you would work in the industry that dominated that community, whether it was an agricultural community or an urban one. You did not have very much choice about your housing. If the council did not offer you a house, you would probably have little or no other alternatives, and choice was not a major player in people's lives. It is now; people expect to have far greater say over an enormous number of things. To assume that somehow the public sector can operate in a parallel universe where choice does not apply seems to me to be delusional. People expect to choose where they work, and if they do not like the job they will move to another one. People expect to choose where they go on holiday and do not expect to be regimented and told there is only one option—“you can go to one particular holiday resort and that is the only choice open to you”. People do expect choice in every other aspect of your lives, and to say you will not have a choice in housing is entirely fallacious. Of course, the growth in owner-occupation has reflected the aspirations of people who wanted a different option. What we now see is the mistake of having many estates with only people of one economic grouping living in the same area. There are obvious advantages in having mixed communities, where you can have options for people to rent and to buy side by side. Our overall housing policy is the creation of sustainable communities through mixed developments, giving greater choice in purchase as against renting, and crucially opportunities for low-cost home ownership for those people who aspire to buy but do not have the means to buy outright, which is why a great deal of focus currently is being put on key-worker housing and other low-cost home ownership initiatives. As part of that process we believe very strongly that people should be able to exercise a degree of choice about where they live, rather than depending on a bureaucrat to tell them “this is the house we have decided you ought to live in”. That is, frankly, not compatible with the aspirations of today's society.

Q505 Mr Hopkins: You said that choice depends on having a surplus. If one compares Luton, where I live, and which I represent now, with its enormous waiting list and many people living in inadequate

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circumstances—with the 1970s, when I was vice-chair of the housing committee, we built hundreds of council houses every year and brought the housing waiting list right down so that one could choose one's estate and one could almost choose the road one lived in and choose to live near one's relatives and friends. That was real choice because there was plenty of housing. Now thousands of these houses have been sold, house-building has stopped and there are plans to get rid of a lot of local authority housing into other sectors, where the local authority will have less control over what happens, that choice will go. My impression from what you said earlier still is that what you are doing is reducing people's expectations, saying "you are not an owner-occupier; do not expect too much".

Mr Raynsford: It is quite the opposite, as I stressed. We are trying to promote mixed developments where people will have an opportunity to rent or to buy and there would be mixed tenure options for part ownership for those who cannot afford outright a house purchase. Do let us remember that people are not condemned to a particular economic status throughout their lives. People's economic circumstances change, and people who may for a period of time have been renting a home may well, as their circumstances improve want to move into owner-occupation. We should give them that choice. We should not say, "you will always live in one particular tenure". Conversely, older people may well require a lot more support and assistance, and it may be entirely appropriate for them to move out of outright owner-occupation using some of the equity in their home perhaps to purchase services, which is far better arranged through some kind of intermediate tenure, shared-ownership tenure.

Q506 Mr Hopkins: You are not suggesting an alternative to what I am suggesting. What I am suggesting is that it should be additional. You are suggesting that having varied estates and not mono-designed houses, but we can do all that in a planned way. Local authorities can be given their head, and with a bit of inspiration and guidance from Government could do that. They could do all the things you say, and it is absolutely right; but there are still not enough decent homes for people. They do not have space and gardens, and there are families with children in tower blocks who cannot go out because it is not safe. That is what we are moving towards, instead of building the houses that people really want, which are houses with gardens, and low-rise flats.

Mr Raynsford: I would agree with you that there is still a real problem of shortage in many parts of the country; and that is why we are addressing the needs particularly of the growth areas in the south-east to ensure that there is an additional supply of housing; but that has to be a range of different housing types and tenures and sizes to deal with people's needs, and it has to allow flexibility. In my view it would be a great mistake to say that the council should determine outcomes because, frankly, we now know that about 70% are currently living in owner-occupation nationally, and the aspirations of about

80% of the public are to be owner-occupiers. It would be quite wrong to say the whole housing process should be driven by local authority housing, which will represent only 15–20% of the total nationally. I know in some areas it will be different. That is why a strategic view of overall housing need, recognising the different roles that different providers can play, and ensuring that there is a wider choice for people between different types of housing and different tenures, must be part of the pattern in the future.

Q507 Mr Hopkins: This very year, because of the increase in house prices, we have had the lowest level of first-time buyers for generations, because they cannot afford to get into owner-occupation. They need decent homes to live in. The private market cannot provide for them. Private renting is expensive and may not be appropriate. Is it not really the case that some day government has to think about providing decent homes again, perhaps with a national housing initiative, rather than a local initiative, for those for whom owner-occupation is not that possible and decent housing cannot be provided in any other way?

Mr Raynsford: I agree with you that government has responsibility to ensure that the framework is in place for the supply of an appropriate range of housing, but I do not believe that it is right that government should be providing all this, or local government. We live in a pluralist society. The private sector provides for about 75% of people's housing needs and will continue to play a major role. It would be delusional to pretend that is not part of the scene, so we need to work with the private sector on mixed developments to ensure that there are opportunities for low-cost home ownership; and as far as your illustrations of key-workers and others wanting to buy and not being able to do so because of adverse market circumstances, that is precisely why we are developing our new schemes for low-cost home ownership options and key-worker housing.

*The Committee suspended from 3.29 pm to 3.42 pm
for a Division in the House of Commons*

Chairman: Apologies to everyone for the interruption. We shall move into the last period of our session. I think we had reached a natural break point when we stopped. I think we had completed your answer. Let me bring in David Heyes to continue the questioning.

Q508 Mr Heyes: Can I ask you about housing stock transfer. You knew you were going to get that at some point. Is it right that the present cohorted tenant should be making decisions about the future of large tranches of public housing in the way that has been happening all over the country?

Mr Raynsford: It is right that tenants should have a degree of choice about their future, and it is difficult to see how you can avoid, if you are giving people a choice, having consequences in the longer term; because if their choice is to vote for a stock transfer, then that transfer takes place and that is the new reality. The important thing is that tenants should

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have an opportunity to assess the implications to reach a decision and, above all, that we should be operating in a more pluralist framework than in the past when the number of choices was very limited indeed and we essentially had a single monolithic local authority dominated public sector and owner occupation was the only alternative. What we are moving towards is a much more pluralist framework where we have not just outright owner occupation but opportunities for low-cost home ownership and where the rented sector is made up of a range of different bodies, including registered social landlords, local authority directly run properties, local authorities operating through arms' length management organisations (ALMOs) and tenant cooperatives, which, sadly, never really expanded in the way that I know a number of us would have hoped, but they still play a significant role in some areas.

Q509 Mr Heyes: We had evidence from a housing director from Newham. My question really is why give the present cohorted tenants that crucial decision about where this large stock of publicly owned housing goes, how it should be owned and run, how it should be managed in the future? If that is government policy, if that is what the decision is, why not just do it? Why not make the decision and announce it?

Mr Raynsford: Of course, in the past there was no choice. The previous cohorts were simply told, "You either stay in slum housing or you move into council housing." Those were the options. I think it is much better that there is degree of choice.

Q510 Mr Heyes: Except we are in a different age. People's housing needs have changed, expectations have changed. We are in a different world.

Mr Raynsford: I agree, and that is why I believe that people should have a choice, but it is difficult, going back to your first question, to see how that choice can be exercised without having long-term consequences. If the property does transfer, then there is a new landlord and you cannot simply unscramble that because the next generation wants to take a different view.

Q511 Mr Heyes: Forgive me, that does not really address my point. Why give that choice to the people who currently happen to occupy that block of public sector housing if the Government decide that public policy is that it should no longer be managed to run in that way? Why give the decision away to the people who currently live there? As you said yourself, there should be much more flexibility in the housing market. People can move in and out of the rented sector, in and out of the unoccupied sector?

Mr Raynsford: The Government policy is to give greater choice, and that is exactly why we are doing this, and, as part of that, what we are doing is helping to develop a more pluralist framework where in future there will be a greater range and variety of providers. I think that will help to drive up

standards, and I think it will satisfy the aspirations of the public to have a greater choice about tenures available to them.

Q512 Mr Heyes: The pluralist framework that excludes local authority ownership?

Mr Raynsford: Do remember that there has been a very significant transfer from local authority ownership into owner occupation over the last 20 years as a result of the right to buy. That has had one very beneficial effect in terms of creating more diverse estates instead of single tenure estates. You now have owner occupiers living side by side the tenants. It has had a disadvantageous impact in that throughout the lifetime of the previous Government local authorities were not free to reinvest the proceeds in the provision of new housing. As I said earlier in response to Kelvin's question, we do recognise the need for more housing, but we want that to be provided in a more pluralist way rather than the creation of single tenure estates in the future.

Q513 Mr Heyes: The people at Birmingham that we spoke to, the housing professionals, but, more particularly and more relevantly, the representatives of the tenants, felt that they had been denied a real choice in that they had made their decision through a popular ballot and overwhelmingly their preference was not to go for any of the new directions for managing public sector stock but to stay with the local authority. If a single reason came out of that from them, and we pressed them for their thinking on it, it was about trust, trust in the way that the local authority had done it, and they understood arguments about less available resources as a result of that choice, but they said nonetheless, "We want to stay with the local authority. We trust them." They also went on to say, "We now feel we are being denied the ability to carry through that decision that we made through our collective popular choice."

Mr Raynsford: Bearing mind it is one of the largest local authority housing stocks in the country, if not the largest, inevitably you will have a greater variety of opinion within that number of tenants. My understanding is that the current approach in Birmingham, which is very consistent with its local authority policy to devolve power to 11 area committees, is to work with the tenants' groups in the different areas exploring the best options for improving the standard of homes in those areas. That, I suspect, may well lead to a more diverse outcome in that there may be support for stock transfer in some parts of Birmingham, but not others, and, if I think back to my own area, there has been a stock transfer of approximately 1,300 properties in one part of Greenwich, and the tenants are generally very satisfied with that—it has led to a considerable improvement in the physical conditions—but the vast majority of 25,000 or so other properties in the local authority's ownership remain in council ownership. That kind of more pluralist pattern, I suspect, we may see more of in the future.

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Q514 Mr Prentice: Why do you not just be up front about it and say the Government really wants to remove council house ownership completely?

Mr Raynsford: We do not. We believe very strongly in a pluralist framework in which the public has a choice between a range of providers, local authorities are no longer the monopoly providers of housing; because I think there are problems with that monopoly position. We can explore that if you would like, but you as well as I have had experience of some of the practical difficulties of insensitive management in the past from local authority monopoly landlords who did not face any challenge. I think there are clear benefits in that, and there are also advantages in that a more diverse framework allows us not just to invest in local authority stock but to lever in additional private finance through RSLs which make it easier for us to meet our Decent Homes Standard.

Q515 Mr Prentice: I understand that, but people would say (and forgive me for using the cliché) that there is not a level playing field here. We had people from Defend Council Housing and we spoke to people up in Birmingham who told us that everything is stacked against those tenants who want to stay with the local authority in terms of funding, and so on; but you would reject that, would you not?

Mr Raynsford: I would indeed. I think that the ALMO initiative has been an extraordinarily successful one which has provided a framework under which a lot of extra finance has gone into local authority housing with a clear incentive to improve standards, and that, we think, is important. It remains in local authority ownership and the tenant's satisfaction ratings are substantially higher. It is a real success story.

Q516 Mr Prentice: What happened to the fourth option? The Deputy Prime Minister, I think, mentioned the fourth option at the Labour Party Conference last year and the largest affiliate to the Labour Party, Unison, has sent out briefing materials saying, "What has happened to the fourth option?" The fourth option is allowing local authorities the capital (the finance) to invest in their own housing stock. What happened to the fourth option?

Mr Raynsford: There never was a fourth option. Of course, when you describe it in those terms, it highlights why there is not: because local authorities are public bodies and it is simply not possible for public bodies to have free access to private borrowing without that affecting the public sector borrowing requirement. That is why we have always said that there must be controls over public levels of borrowing. We have relaxed them with the prudential regime—there is no question about that—though we have kept some safeguards in relation to the national finances. We cannot simply allow unlimited borrowing by local authorities. We therefore provided a framework whereby authorities that meet the performance standards can secure additional funding for an ALMO, which enables the property to remain within local authority ownership

but with a more focused management to deliver the higher standards that we want to see. Those authorities that want to remain purely traditional landlords in the old style are free to do so. They have to work within the existing framework of finance for local government. Those who opt for a stock transfer, the housing association will be able to lever in additional private finance, and that will probably mean that they can achieve a faster rate of improvement of the housing stock. There are differences—I accept that entirely—but it is not the case in any way that the playing field is stacked against local authorities.

Q517 Mr Prentice: Except we get evidence from all sorts of people who say that over the years the Treasury has creamed off money, the rents paid by tenants, and if there was any equity then that money which has been creamed off by the Treasury over the years would go back into improving local authority housing stock. We got that from Defend Council Housing and their allies.

Mr Raynsford: Defend Council Housing have a *parti pris*, as you know. They do not always have a thorough grasp on economics, I have to say, but I can tell you that the Treasury has been very supportive of our initiatives to invest additional funding, substantial additional funding, in the improvement of the council housing stock. A million council homes have been brought up already to the Decent Homes Standard. That has been a transformation of conditions for a very large number of council tenants. We have the target, obviously, to extend this throughout the remaining million. There is substantial investment going into council housing from the Treasury. If I can pursue this level playing field a little further, when I talk to tenants I hear different arguments. I hear the argument that housing association rents are too high and they have not been given enough subsidy to keep their rent levels down in line with council rent levels. Whichever side of the field you are on it always looks a bit greener on the other side.

Q518 Mr Prentice: I understand that. The way to resolve these issues typically is to have a vote. The issues crystallise, people think about the issues and they vote and that lays the matter to rest. The tenants in Birmingham had a vote in 2002, and I think they voted 75% to 25%, or something like that, to stay with the council. Now you are telling us—and we heard this when we were up in Birmingham—that there are new formulations emerging, that perhaps part of the council's housing stock could transfer and other parts could not. No matter how hard they try, if they make a decision, the Government is going to be snapping at their heels saying, "Think again." That is the reality?

Mr Raynsford: If I can take your figures, and I have not been Housing Minister since 2001 so I do not have the figures immediately to hand, but I do have some understanding of the subject.

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Q519 Mr Prentice: I know you do.

Mr Raynsford: If I take your figures, a city the size of Birmingham with a huge population, the largest housing stock in the country, if 25% of tenants voted in favour of transfer is it wrong that there should be an option whereby a proportion of the housing stock should transfer? That is all that has been explored at the moment.

Mr Prentice: That is in an interesting concept, is it not?

Chairman: Proportional representation!

Q520 Mr Prentice: Yes. The other interesting thing that we found when we were talking to Birmingham tenants was that, even though they had rejected housing stock transfer, they were more involved than ever before in determining housing policy. They had a say in the cleaning contracts that were awarded and they had a say even in matters like appointing staff. Is it not possible to improve public services, in this case council housing, rather than go down the institutional road, housing associations? Why do we not just open it up and empower (to use the jargon) tenants to take control and change council housing?

Mr Raynsford: Absolutely. We very strongly supported that and we are going on supporting that. There are lots of examples, particularly the neighbourhood renewal areas that we strongly support and finance, where tenants are actively involved in the housing management, where there is considerable evidence of improvement. It is not just in neighbourhood renewal areas, but those are ones which we particularly keep a watch on because they are funded directly by our department. We see it there, we encourage it elsewhere, but I have to say, if you take my initial overall analysis that you will tend to have a better outcome in a pluralist framework where there are a range of providers, there is nothing wrong in having a mixture of initiatives designed like the ones you have described, the bottom up approaches, tenant participation to drive up standards, but also the option of a transfer if people want that.

Q521 Mr Prentice: I understand that. There is a problem in politics, is there not, that very often people make impossible demands?

Mr Raynsford: Yes.

Q522 Mr Prentice: We, the politicians, have got to find clever ways of telling them that what they want is unachievable. In answer to Kelvin, I think, talking about choice-based lettings, I jotted down when you were speaking in your introductory remarks that one of the advantages of this is that people would understand the constraints. Is that not very useful from the Government's point of view if you construct systems where people understand the constraints, learn the constraints and do not make these demands? Forget about this public sector borrowing requirement. Let us put more money directly into council housing.

Mr Raynsford: We have put a very substantial additional amount of money into council housing—it is hugely increased—but, to come down to your point, what we are trying to do is to give people more choice, and choice does mean looking realistically at the options and deciding which are the best. If someone is thinking of buying a house, they cannot go and seek to buy a property which they have no means of paying for. That is a constraint they have to be aware of. In the case of council housing, because the rent profiles on the whole do not differentiate very much between the most attractive and the least attractive stock, that kind of constraint is not there to the same degree. It is often the case that people do hold out for the most attractive properties, understandably. If they are not aware of the implications of that, they may well stay on the waiting list for a long period of time hoping that they are going to get their most desirable property and not take a second-best option which might be available much more quickly to them. This is not about depressing expectations, it is about telling people realistically what the prospects are. The other huge advantage, and it is a huge advantage, is that under the old system, the old allocation framework, people were very reluctant to take less desirable properties—you must have come across this frequently—because people feared that, once they had gone into it and accepted it, they would be stuck there for life because of the rigidities in the letting system—unless they could prove exceptional needs, they would be condemned to live there for ever, so they would not accept a slightly sub-optimal option—whereas if there was a choice-based system and people can accept, even temporarily, knowing that they have then got the option of looking for somewhere else, they are much more likely to do so. You can cynically say this is depressing expectations. I do not think it is that at all. I think it is helping people to make realistic choices and giving them a greater opportunity to get something that more satisfies their needs.

Q523 Mr Prentice: I understand all that. We have touched on the experience in Newham a number of times, and when the Director of Housing came before us he told us (and Tony referred to this earlier) that in the popular areas of Newham the waiting time can be eight or nine years. Who are the people who opt for the most popular areas if they have to wait eight or nine years?

Mr Raynsford: That may well be one of the consequences of the past, that people still hanker after some of the most popular properties even though the chance of them getting it is going to be terribly limited. What I can say to you in response is the more you widen up options and choice, the more it is known to people, to tenants in Newham, that if they opt for either a slightly less popular area of Newham or if they have the option of looking beyond Newham, to Waltham Forest or possibly even outside London where there might be much shorter waiting times, they can meet their housing needs far more quickly and as a result be a happier tenant.

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Q524 Mr Prentice: Why does not the Government just roll this out nationwide?

Mr Raynsford: We are.

Q525 Mr Prentice: Bringing legislation so that all local authorities, where the stock is not transferred, will be obliged to adopt this choice-based letting scheme?

Mr Raynsford: We have a programme to extend choice-based lettings across the country.

Q526 Mr Prentice: This is not a housing committee, so I can confess ignorance.

Mr Raynsford: There is a programme to extend choice-based lettings across the country by 2010, but not just for local authorities, because it should embrace registered social landlords and, if possible, in certain circumstances, the private sector as well, because that is just extending options and making it possible for people to weigh up different choices.

Q527 Mr Prentice: This will apply to all local authorities?

Mr Raynsford: Our policy is to extend choice-based lettings across the country, yes.

Q528 Mr Hopkins: I cannot get away from the thought that you really are saying we are managing down expectations.

Mr Raynsford: No, we are not.

Q529 Mr Hopkins: That is the impression I have. I say this, because in the 1970s, compared with now, in my own local authority we had a transfer list, as we do now, but in those days it was easy to transfer because we were building new houses all the time. You talked about the most attractive properties. If there was a demand for extra nice houses with gardens, we built nice houses with gardens. We built hundreds of them every year, with a nice Labour Government being very supportive, and it worked. Thousands of people were rehoused, the waiting list came right down and there was not a problem; everybody cheered?

Mr Raynsford: My recollection of the 1970s is very different. I was working for a shelter agency in the 1970s and there were acute problems, serious problems, so much so that we had to press for legislation to ensure greater protection for homeless people and there were serious problems of housing shortage. Therefore I do not accept that rosy view of life in the seventies. I will say, however, that we are not about depressing expectations at all; we are about widening choices and options, but we are also about making it practicable for people to assess the different options available to them. Going back to the point I made in response to one of Gordon's questions, if people are nervous about accepting second-best because they think they may be trapped there for life, they will hold out for something that is very desirable, even though it may be a long time before they will get there, simply because the number of very desirable properties are limited in whatever framework you have.

Chairman: Before we are all tempted to give our recollection of the 1970s, are we going to move on to something else?

Mr Prentice: I hope so?

Chairman: Let us move on briefly to something else.

Mr Hopkins: I have laboured the point.

Chairman: We have had a good go at it, and, as Gordon reminded us, we are not the ODPM Committee, or, indeed, the education committee, so we can feign innocence on all fronts.

Mr Prentice: I am interested in what should happen to those under-performing corners of the public sector in this new era of greater choice. I was reading Alan Milburn's speech, *Power to the People* (December 8), and he talks about greater choice and he talks about the Government's reforms to extend choice should be driven forward in education and housing as well as hospitals and surgeries. We had John Hutton in front of us, was it last week, and he had the look of a true believer. He told us that if there were under-performing areas of the National Health Service, and he cited a dermatology department, and no-one was going to this dermatology department, it would be closed down and it would be like putting 20,000 volts through the National Health Service and all the dermatologists out there would freak out and improve their game.

Chairman: Gordon is now paraphrasing. I have read the transcript and I think it was you that used the words "freak out" and not John! Anyway, you have the gist of it.

Q530 Mr Prentice: Take the case of schools. If a school is under-performing in this brave new world, should it be closed down?

Mr Twigg: Possibly, and we have closed schools and local authorities have closed schools. I think school closure is the ultimate threat. It is the ultimate lever. It is clearly not ideal to close down a school unless it is for reasons of falling rolls. What we want to do is to see schools improve rather than be closed down. For example, we are trying all sorts of different methods where schools cluster together, form federations. I gave an example earlier in the discussion about lotteries of a new academy in Lewisham that is combining Haberdashers, which is a city technology college, with Mallory, which was seen as a struggling local school. One option might have been to close Mallory down. That would not have worked in terms of the demography of the local area—the need for school places—so instead a new school combining the two schools is being created, and there is a very strong sense of optimism locally about what that can achieve. So, yes, we can close schools, yes, we do close schools. Some of the academies are new schools that are built in place of existing schools that have closed down, but that is our ultimate weapon. We have lots other levers we can use to bring about the school improvement that we want to see.

Q531 Mr Prentice: What about in housing?

Mr Raynsford: It is not the case of closing down a failing housing department, it is a question of taking action to improve that department, but it is right, in

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our view, that tenants should have the option of transferring to another landlord if they believe that this would deliver them a better service, and that is why the stock transfer programme provides that option. Interestingly, in the course of the last 12 months there have been 17 ballots on stock transfer. One has voted, "No", but 16 have voted, "Yes", and that is an indication that that is quite a powerful route available for tenants who are not satisfied with the performance of their local authority landlord.

Mr Twigg: I answered your question, Gordon, in term of schools. Of course, in terms over local education authorities, we did take powers to intervene where things were breaking down, and I could cite a number of very positive examples, notably here in London, where education authorities were failing, intervention has contributed to the success of schools in those areas to the point in which, in fact, the LEA is able to be restored, and that has happened already in a couple of places.

Q532 Mr Prentice: I am wondering the extent to which the choice agenda is just being imposed by the Government rather than any great demand bubbling up from down below demanding greater choice. Sticking with schools for a second, I wonder how many people out there were clamouring for more specialist schools. I wonder how schools decided on the specialisms. We visited a dance and drama school up in Birmingham. Were the parents clamouring for a dance and drama specialist school? Is this something that was decided by the education professionals?

Mr Twigg: It certainly is not something that is just decided by the education professionals, and it must not be. The Specialist Schools Programme is a very interesting programme in terms of school improvement, because it has gone from being something introduced by the previous government aimed at a small number of schools, in a sense arguably quite an elitist programme, to one we have taken over and have taken in a different direction, so that now we are saying every secondary school that wants to should have the opportunity to be a specialist school. That means there can be an element of local community planning between schools, involving parents as well as education professionals, so you have a mix of specialisms in an area that can benefit the system as a whole.

Q533 Mr Prentice: Has there been a single case where parents have been balloted on the nature of the specialism?

Mr Twigg: I am not aware of that, but certainly schools will have very detailed discussions within their school governing body about which specialism to go for, and parents are typically very well represented on school governing bodies. I am a governor myself of a school in my constituency. I remember when we decided to go for science and there was a real engagement; it was not just the head deciding or even the LEA or DfES deciding.

Q534 Mr Prentice: Given what Alan has said about "Power to the People", is this something that should rest with parents and not the school governing body? It is a big thing, is it not, if the local school is a language school or a sports academy or dance and drama, engineering, business, whatever they are. Why as part of the choice agenda has the Government not said this is something that it would be quite proper to consult parents on?

Mr Twigg: Philosophically I have no disagreement with what you have suggested at all, and I would have to look into the history of the programme and how it was decided to do it in the particular way that we did, and possibly a helpful note is coming. Parents are, of course, the largest group on school governing bodies. I think you would need to look at the practicalities of ways in which different people can be engaged. You have rightly referred to parents. The others, of course, are the pupils themselves. I think finding ways in which pupils, students, can be more engaged in some of these discussions within our schools is something we have started to do but where I feel we need to do a great deal more, and, in particular, with the announcements that we will be making in the next few weeks about reform of 14–19 education, a key element of that is about choice, but it is about choice of programmes, not necessarily choice of institutions. I made this point briefly at the beginning. In education, yes, it is about choosing at different stages which school or college you go to, but it is crucially also having more choice about what you study, where you study it and how it is studied, and I think that is vital if we are going to have more young people staying in education beyond the age of 16, 17.

Mr Raynsford: I was going say, there is a wider slightly more philosophical point about the extension of choice, why we are supportive of it, because it does help to concentrate the focus on the user rather than the provider of the service. One of the traditional weaknesses in public services in the UK has been a very strong provider perspective which sometimes has been resistant to changes, believing that this will meet people's needs more effectively. Whether it is the kind of example you gave of tenants' associations and other initiatives in which tenants themselves can have more of an influence over the control of services through existing providers, or whether it is through the kind of initiative that allows people to have a vote on whether or not they want to stay with one provider or move to another, that does help to give a greater focus on the user, and I think that is a good thing.

Q535 Mr Prentice: The consumer is King or Queen?

Mr Raynsford: Not always. There are always constraints. We talked about some of those in relation to equity earlier in the discussion, but we have veered too much in the past towards, I think, the producer/provider interest rather than the user interest, and I think there is a need to adjust the balance there.

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Q536 Chairman: Just as we end, and we are in the last two or three minutes, in the two areas that you are responsible for we have mentioned some instances where these mechanisms work. Can you tell us in a nutshell, either on the choice side or the voice side, are there new initiatives in the pipeline? Are there new, I was going to say wheezes, but that is not the right word to use. Are there any new initiatives coming along to take forward the choice or the voice agenda either in education or the local government field?

Mr Raynsford: If I can quickly say in relation to local government, I am not at liberty to say it now because the document will not be published until next week, but as part of our consultation on the future of local government we will be putting out a paper on neighbourhood engagement which will say a great deal about the voice side of this, about how people can more effectively engage with local government and other institutions through their local neighbourhood. So, yes, we are addressing this energetically and we are looking very much at the voice side as well as the choice. On the choice side, one aspect we have not touched on, which we attach huge importance to, is how people access public services. The idea that you have got to go a council office between nine o'clock and five o'clock in order to get a response or telephone within those hours is simply a reflection of past patterns. If I get home at 10 o'clock at night (or 11 o'clock at night after our vote last night) on a Tuesday evening and find that my dustbin has not been emptied, I ought to be able to contact the council at that point in time by internet, or whatever, to leave a message so that it can be dealt with, rather than having to wait until the following morning to ring up and say, "My dustbin was not emptied." It is this kind of wider choice of access which is just as important in terms of improving users' experience of public service.

Mr Twigg: I think in education we have two big things coming up in the next month or so. One I have referred to a couple of times in this afternoon session: the 14–19 proposals in response to the Tomlinson Report. I think that has huge relevance both to the choices that are available through that crucial phase of education but also to how we can give a bigger voice to young people in their communities and in their education. Secondly, we are publishing a Green Paper on youth that is about some of the issues to do with advice and guidance for young people, which informs the choices they make but is also about the kind of facilities that are available, places for young people to go, I think giving a voice to young people about what goes on in communities is an important challenge that goes way beyond DFES. It is about the whole of government and Parliament.

Q537 Chairman: Can I ask you, by the way, what happened to the bit of the bill that we passed in 1998 (The Schools Standards and Frameworks Act) that was going to put a requirement on all governing bodies to set up a standard complaints system for schools? Having announced it, we then dropped it and said it was going to be introduced later on. I ask

only because, taking up Nick's point about the standard you should have in relation to public services, and it has become standard to think there ought to be a complaint system for users of public services, there is not one for schools, as it happens.

Mr Twigg: I am told it has been in force since 2003¹.

Q538 Chairman: It is in force. There we are. That is the answer to the question?

Mr Twigg: I have learned something today as well as the committee.

Q539 Chairman: One general final question. As I say, we are at the end of our inquiry now. The evidence that we have had from government, and it came out very strongly, I think, in John Hutton's evidence to us last week, touched on this question of whether we are to talk about voice and choice together as part of a common strategy for empowering people more in relation to public services or whether there is really some conflict between these approaches. We thought that these things were going to be complementary, but the Government's evidence to us is pretty dismissive about voice. It talks about it being a clumsy instrument and goes on to tell us about all the difficulties with it and is only really interested in talking about the choice agenda. John Hutton was really conceding this last week when we asked him about putting members of patient groups on to the boards of foundation hospitals. He indicated this was kind of yesterday's agenda; we had now moved on to the heavy high ground of choice. I wonder really whether you think there is some kind of battle for the soul of the Government going on here between individual choice mechanisms or instruments of collective empowerment, whether those things are genuinely complementary in the areas you know about?

Mr Raynsford: I think they are genuinely complementary, but there are potential conflicts between them, because there are occasions where an overall vote can result in a majority taking a view which is quite radically different to the aspirations of a significant minority within that area. We all know about this problem in relation to democracy, and there will always be questions about whether you allow minority groups a greater discretion and scope to pursue their aspirations or whether you constrain them as a result of a majority decision. It is not the case that the two are always perfectly complementary, but I am, as I hope I have made clear from the evidence, quite convinced that there is a role for both choice and voice in driving up standards of public service and that we need to progress on both fronts while recognising that there will be times when they may come into conflict with each other.

Mr Twigg: I absolutely agree with that. I was certainly very keen in the additional evidence that we provided from the Department that we gave you good examples of choice mechanisms, because I

¹ *Note by witness:* Section 29 of the Education Act 2002 requires all governing bodies to have a publicised complaints procedure—this came into force in 2003.

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think they are vital, but, equally, we were able to provide some strong examples of some of the voice mechanisms as well, including the one we have just found out about but also to do with governing bodies, pupil participation. I think there can be conflicts between the two—there are times when choice is more effective than voice—but I certainly believe that voice is important and by and largely complementary to choice.

Q540 Chairman: Thank you for that. The great advantage of having you along is to give a concrete feel to some of these general issues that we are grappling with. You have done that admirably. I am sorry for asking you questions outside our territory, but it is important to our thinking. Thank you very much.

Mr Twigg: Thank you.

Written evidence

Supplementary Memorandum by Professor Ron Glatter, Centre for Educational Policy, Leadership and Lifelong Learning (CEPoLL), Faculty of Education and Language Studies, The Open University (CVP 02 (a))

I very much enjoyed attending the session yesterday. The discussion seemed to me wide-ranging and well-balanced. Afterwards I mentioned to Tony Wright that it had prompted two or three reflections which I should like to convey and he suggested that I send them to you. Here they are.

1. With regard to “voice”, as Tony mentioned this topic took up only a very small part of the session, right at the end. I agree with Martin Ward that schools are now taking more seriously the monitoring of levels of satisfaction among students and parents, for example through surveys. However the very heavy accountability regime to which public bodies such as schools are currently subject has led commentators (such as Onora O’Neill in her book *A Question of Trust* based on her 2002 BBC Reith Lectures) to argue that they are forced to pay more attention to government requirements than to the needs and satisfaction of users. This is a tension that needs watching and merits research.

2. An important issue that did not come up was the role of schools as admission authorities. Currently this applies to voluntary-aided and foundation schools, as well as to “independent” state schools such as City Technology Colleges and Academies. Since the government’s policy is to encourage many more community schools to transfer to foundation status, and also to expand considerably the number of Academies, the prospects are for many more schools to become their own admission authorities. Research suggests that this could be expected to increase social segregation (see my memorandum, second complete paragraph from the end of Ev 5 of the volume of written evidence). It is also likely to create an even more complex and confusing situation for parents who would confront a wide variety of different admission criteria. This would also be a very unusual arrangement from an international perspective, since state schools in most advanced countries are not generally given this role. There is a debate to be had about whether it is ever appropriate for state schools to act as their own admission authority, and also whether it can ever be fair for some to be able to act in this way and others, with which they are in competition, not to be allowed to do so.

3. There was extensive discussion in the session about diversity of school types, which the government sees as an essential concomitant of choice (though as I argued in my memorandum the connection in practice between these two notions is far from clear or straightforward). A key point here however is that there appears to be no widespread demand among parents or the public generally for such diversity—for example for specialist schools (see on this the third complete paragraph on Ev 8). Decisions about what specialist schools are to be available are taken not by parents but (as Gordon Prentice suggested) by the “educational establishment” centrally and locally. It is therefore a moot point whether parents have a perception of increased or reduced choice. As I suggested near the start of my memorandum, there is a puzzle about policy-makers’ intense and continuing interest in between-school choice and diversity when there is so little evidence of public demand for them.

I hope these further thoughts are of some use and I look forward to reading the final report.

Professor Ron Glatter

January 2005

Memorandum by the Public and Commercial Service Union (PCS) (CVP 25)

1. The Public and Commercial Service Union (PCS) is the largest trade union within the civil service and represents over 315,000 members. PCS represents generalist staff from Administrative Assistant (AA) to the senior civil service.

2. PCS welcomes the select committee’s timely enquiry, and is happy to supplement this written submission with oral evidence.

3. On 12 July the government announced that huge cuts and efficiency savings will be implemented across different civil service departments, agencies and non-departmental public bodies. These cuts total over 100,000 jobs and currently amount to around one in every five civil service jobs and approximately 160 jobs per parliamentary constituency.

4. PCS is concerned by the number of office closures proposed in the Midlands area and wish to highlight some of these issues with the committee.

5. The Office for Standards in Education (OFSTED) have decided to close a number of offices including their Birmingham office. PCS predicts that the office will be closed by the end of this year. This has already started to affect morale and workload which has made the office increasingly reliant on temporary staff. Temporary staff contracts are meant to cease at the end of March, meaning there will be a significant shortage of staff to carry out the work required. PCS foresee that the loss of administrative staff in the region could have an affect on the quality of the service that OFSTED offer to providers and the public. For

instance we are worried about the effects it may have on the quality of childcare in the region. From the figures offered by management it appears that they have decided to close the most efficient offices and the offices that have the most diverse workforce.

6. PCS fears that the loss of jobs in the Midlands and the closure of Department of Work and Pensions (DWP) offices will make civil services harder to access, particularly for vulnerable service users and the socially excluded. For example within Jobcentre Plus, the expanding use of telephony as the only means of applying for and enquiring about benefits and pensions means that the public will have to contact different call centres for various services therefore making it harder for the public to receive good quality local face to face services.

7. Washwood Heath Social Security Office closed to the public on 5 November (with the exception of people living in the B33 postcode). No other office has the capacity to take on these service users at the moment. B33 service users can only be seen on a pre-arranged appointment basis. Other service users have to travel about $\frac{3}{4}$ of a mile to Washwood Heath Jobcentre Plus. There has been a considerable increase in reported serious incidents. Medical treatment has been required by security guards, members of the public and staff.

8. Perry Barr Social Security Office also closed to the public in early autumn 2004. Customers have to travel an extra two miles to the Jobcentre Plus which provides a lesser service (ie Jobcentre Plus discourages casual callers and refers them to a telephone line).

9. Handsworth Social Security Office has also reduced its service, customers are sent away to use the phone (even if they are in crisis). This has led to an increase in telephone abuse and one directly attributed serious incident.

10. The cuts programme will also have a significant impact on choice in public services in Shropshire particularly for members of the public using DWP and Inland Revenue (IR) services.

11. At present the DWP Social Security Offices in Telford and Shrewsbury are scheduled for closure. This will mean that members of the public will have to travel to Job Centres for advice on pensions and social security issues. Where Job Centre staff, due to lack of pensions and welfare expertise, are unable to resolve issues they will place members of the public in queues whilst they attempt to contact DWP offices elsewhere in the country. This will reduce the service provided and will also erode confidence in public services.

12. In Shropshire DWP used to provide pensions surgeries in various public buildings for members of the public without access to a DWP Office in their area. Ten of these surgeries have now been closed and the public have to travel further afield for advice. This is increasing the burden on Job Centres who are now being expected to offer a diluted service on a wide range of issues. There are concerns over the future of some of those Job Centres particularly the one in Ludlow.

13. At present the IR has Inland Revenue Enquiry Centres (IRECs) where members of the public can go for advice on taxation issues, benefits and new tax credits. At the IRECs trained staff can offer advice on many issues and assist members of the public with the completion of various forms. As part of the reforms to the civil service there are proposals to remove these staff and replace them with telephones and internet access. Members of the public will still be able to visit the IREC but will either have to use the telephone to speak to someone in a call centre or go on the internet. Members of the public will only be able to see an IR employee if they start complaining. This clearly removes as first choice any friendly personal assistance for the most vulnerable and needy in our society. These proposals will lead to friction between the public and IR staff. Staff with disabilities will be discriminated against (unable to use telephones and PCs) and those with learning difficulties will find it harder to complete benefit forms correctly resulting in over or underpayment of state benefits.

14. In more rural areas the opening hours of IRECs will be reduced and attendance only possible after an appointment has been made.

15. In Shrewsbury the tax office is being relocated to the outskirts of the town making it less accessible to those with disabilities or transport problems.

16. In conclusion PCS believes that the implementation of the job cuts will have a detrimental effect on vital public services. The public will receive a poorer service at a greater distance from their homes and communities.

17. PCS together with the other civil service unions are giving oral evidence to the committee on 24 February.

January 2005