

## DELIVERING QUALITY

Better quality services do not happen by accident. Improvement requires reform, innovation and tough decisions. This chapter sets out how we will build on and extend our policies of privatisation, contracting-out, local government reform, pay reform and public sector management reform to give effect to the principles of the Citizen's Charter.

### PRIVATISATION AND COMPETITION

#### Benefits of privatisation

In 1979, the nationalised industries accounted for almost 9 per cent of GDP. Since 1979 we have privatised 46 major businesses accounting for about two-thirds of the former state sector of industry.

This has benefited the citizen as taxpayer and as consumer. It has brought:

- improvements in quality of service. Ninety-six per cent of public call boxes are now in working order, compared to 77 per cent in 1987. Gas disconnections for debt have fallen dramatically and are now lower than at any time since records were established over a decade ago;
- an increase in the range of services available to customers. Deregulation of the bus market outside London has freed the market to respond to customer requirements for bus routes, frequencies and types of service;
- industrial competitiveness. The development of a competitive electricity generating market and the competition between

the regional electricity companies, generators and others to supply large users of electricity helps to ensure that the costs of UK industry remain competitive. In the first year of competition, the price of electricity to many large customers fell in real terms (ie allowing for the effects of inflation) by up to 15 per cent;

- profits instead of losses. Instead of costly subsidies for inefficient nationalised industries, the privatised companies now contribute to the Exchequer by paying taxes on profits;
- lower prices for the individual. British Gas domestic prices have fallen by 11 per cent since privatisation, and standing charges by 20 per cent. And the price control mechanism in BT's

licence has meant that residential consumers have seen telephone costs fall by 12 per cent in real terms since privatisation. Further falls in real terms can be expected over the next two years.

Where competition is not practical or is slow to develop, regulation can ensure that the public interest is protected while promoting efficiency and benefits to the consumer:

- water privatisation has allowed us to separate responsibility for setting standards from responsibility for delivery. A massive investment programme is under way to raise drinking water quality standards and clean up rivers and beaches.

#### Transfers of work involving civil servants

*When work is transferred from the Civil Service into the private sector, it is clearly right that redundancy compensation should only be paid where a genuine redundancy occurs. At the moment, in some circumstances, entitlement to redundancy compensation may technically occur even when employees continue to do the same job, and on the same terms and conditions, following transfer to the private sector.*

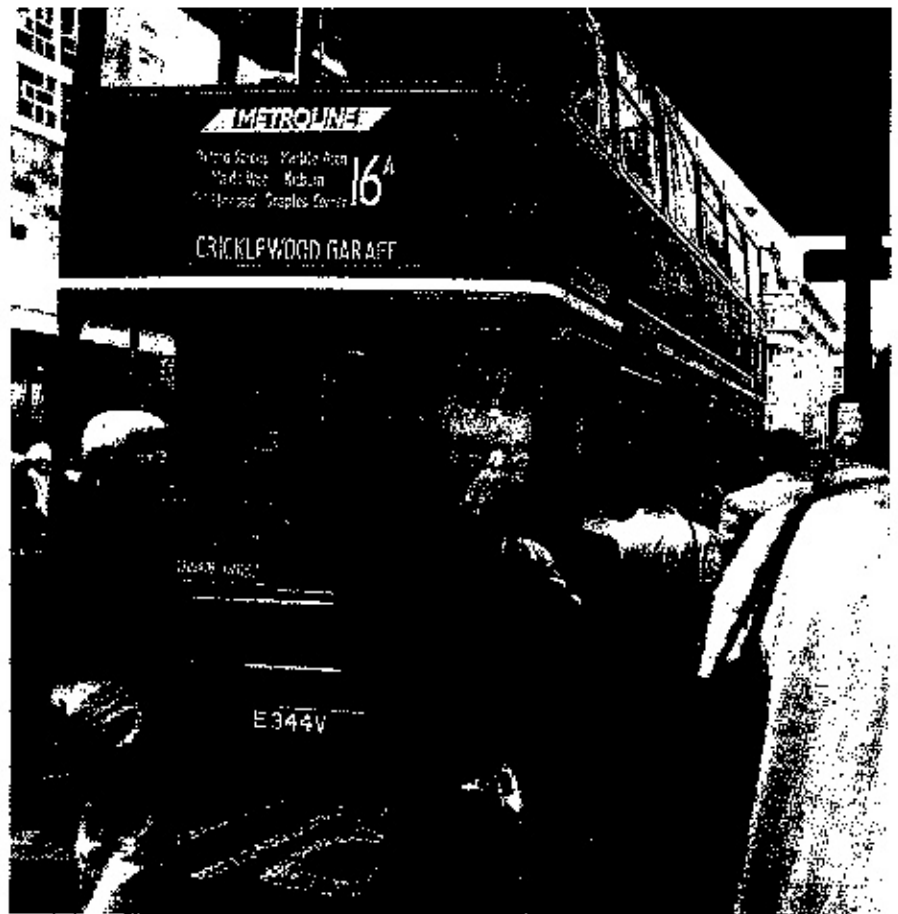
*Previously, separate legislation has normally been introduced in each privatisation to extinguish any possible claim for compensation where civil servants transfer out of the public service but do not lose their jobs. To continue in this way would seriously impede our future plans. New legislation will therefore be brought forward to solve this problem on a permanent basis.*

**British Rail  
privatisation**

Privatisation is the most effective way to give customers a fair deal. **We expect to set out our detailed plans in a White Paper later this year, based on these three principles:**

- **a presumption against monopolistic structures;**
- **the ending as soon as possible of BR's monopoly in the provision of services; and**
- **the appointment of an independent regulator to ensure fair access to the railway network and fair charging for its use.**

Exposing the railways to the disciplines of the private sector will be by far the most effective way of making sure that passengers get a better deal.



**Buses**

During the 1980s the Government freed long-distance and local bus services (except those in London) from unnecessary regulation and sold off the National Bus Company in the form of local bus enterprises, many of them to their own managements. It also formed municipal bus operations into companies and encouraged local authorities to start selling these. In this way the Government has transformed the bus and coach industry, greatly improving its efficiency and competitiveness. Deregulation has produced an expansion of both long-distance coach and local bus services and has revolutionised the domestic travel market, making services far more responsive to the needs and

wishes of the travelling public. Passengers now enjoy a far wider variety of operations and services than before.

We believe strongly that the spur of competition is the way to deliver better, more responsive services.

**We now intend to extend the benefits of a deregulated bus industry to London,** so that Londoners too may enjoy greater choice and variety of bus services. We shall ensure that socially necessary services continue to be provided even if they are not financially viable and that a concessionary fares scheme will continue.

**We will privatise London Buses as soon as possible.**

## The Post Office

The Post Office is an essential part of Britain's economic and social life. Under the Citizen's Charter, we are now bringing forward major proposals for reforming the structure of postal services, to extend competition and choice for the consumer. The objective of our reforms is to improve the range, choice, reliability and value for money of postal services. We also plan to increase the power of the customer to take action when the service provided falls below a reasonable standard.

The Post Office can already lay claim to being better than other post offices in Europe for the speed and reliability of its letter services. Its charges also compare favourably with those overseas, even though it operates without subsidies. There is, however, further scope for increasing efficiency, reducing costs and improving standards of service.

We remain fully committed to the continued provision of letter services which serve every address in the United Kingdom, and which do so within an affordable, uniform tariff structure. And we recognise the importance which individuals and businesses attach to this – especially those living in rural areas.

### Post Office monopoly

In 1981 we reduced the level of the postal monopoly to £1. This action led directly to the exponential growth of the private courier industry, with substantial benefits to business users in particular. Despite dire warnings at the time of the damage this would do to the Post Office, the Post Office's letter traffic has since grown by around 50 per cent. We believe that further benefits to consumers would now flow from an additional and significant liberalisation of the domestic postal market.

We therefore propose to reduce the Post Office's letter monopoly from its present level of £1 to a level much closer to that of the first class letter stamp. This will require legislation.

### The key elements in our proposals are:

- the limit on the Post Office monopoly will be lowered from £1 to a level closer to the price of a first class stamp;
- a new independent regulator will be established, to advise the Secretary of State for Trade and Industry on a range of issues affecting the interests of Post Office customers;
- performance standards will in future be set by the Secretary of State not by the Post Office;
- improved scope for contractors to trunk mail to final delivery offices;
- there will be clearer and more local information on service targets and performance against them;
- much better information will be provided about compensation and redress when service falls below standard;
- a review of the current compensation arrangements to ensure that they meet reasonable customer expectations.

### A new regulator

We also believe that the interests of customers would be furthered by creating an independent regulator with a wide remit. We shall bring forward the necessary legislative proposals to give effect to this change.

The Post Office at present publishes service standards and targets – for example on the reliability of the first class letter post – which it agrees with the Post Office Users' National Council (POUNC). Performance against those standards is independently monitored on a basis also agreed with POUNC. However, we consider that it would be more appropriate for these standards and targets to be set not by the Post Office but by the Secretary of State for Trade and Industry. He will be advised by the new regulator, who will also monitor Post Office performance against the targets. We shall introduce legislation to confer these powers on the Secretary of State.

The new regulator will also be responsible for making an independent assessment of complaints about Post Office services. He or she will advise the Secretary of State on levels of redress for service failures and on the level of access charges to the postal network in cases where there is a dispute. More generally, the regulator will have rights of access to a wide range of Post Office information. We acknowledge the valuable role that POUNC has played over the years in representing the interests of all users of the Post Office's wide range of services. We believe that it is right for POUNC to continue and to develop a close relationship with the new regulator.

### Competition in the postal network

There will also be further changes to benefit customers by bringing greater competitive pressures to bear on the Post Office:

- at an early stage, there will be an extension of the existing schemes under which the Royal Mail offers discounts to large customers who wish to pre-sort their mail before handing it over to the Royal Mail for delivery. Customers will in future be able to obtain discounts not only for sorting, but also for trunking mail to the final office of delivery. To this end the Post Office will provide access to the Royal Mail local delivery network on fair terms;
- later, we expect to grant operators the same flexibility to sort and trunk mail for third parties;

- we will also consider requests to license limited specialist services to provide some competition within the Post Office monopoly, such as for the carriage of letters between particular groups of customers.

In each case, before the change is introduced, the Secretary of State for Trade and Industry will consult widely on the effects through the new regulator. He will satisfy himself that the changes would not undermine the Post Office's ability to provide a nationwide service within an affordable, uniform tariff.

In advising the Secretary of State on the progressive introduction of greater competition the regulator will be guided by the need to improve value for money in the interests of customers and taxpayers.

## Roadworks

Delays caused by roadworks are always irritating, especially when lanes appear to be coned off for no apparent reason. In 1984 the Government introduced on a trial basis a technique called 'lane rental'. This means that contractors get a bonus if they work exceptionally quickly and minimise inconvenience. They are penalised for slow work. Because of the success of this approach the Government will, under the Citizen's Charter programme, use lane rental in all suitable cases

where there is risk of significant delay to motorists. **Lane rental will be extended in 1992 to cover half of all major maintenance contracts with eventual extension to about two-thirds.**

**We will ensure that in all future lane rental contracts a maximum is stipulated for the length of carriageway that can be coned off at any one time,** subject to meeting safety requirements. We will also encourage the use of mobile lane closure techniques to minimise delays.

## Streetworks

Each year the utilities – the gas, electricity, telecommunications and water companies – carry out millions of works which involve digging up roads. This has, for too long, been a source of annoyance and inconvenience to residents and road users alike, despite the efforts of some councils to co-ordinate activity.

**So as part of the Citizen's Charter the Government will, during 1992, bring in tough new controls under the New Roads and Street Work Act 1991.** This will ensure that streetworks are:

- properly planned and, where appropriate, combined;
- better signed and protected;
- carried out to demanding standards and without unnecessary delay.

The Act also gives the Government a reserve power to penalise work that takes longer than it should by the introduction of a charging system. We will not hesitate to use these powers if necessary.



## BUYING PUBLIC SERVICES FROM THE PRIVATE SECTOR

During the 1980s, many private companies decided to concentrate on their core businesses, and to buy in services in which they had no particular expertise from specialist contractors. The advantages of this approach apply at least as much in the public sector. It helps to:

- **set standards.** Buying-in forces managers to specify measurable standards of the quality of service required, often for the first time;
- **monitor standards.** Once standards of service are specified, consumers can check that what is paid for is properly delivered; and
- **ensure standards are met.** The work can be re-done if necessary at no cost to the consumer.

The objective is to secure better value and better quality. Buying-in from a contractor generally means as good or better quality services at substantially less cost. It is common for savings of 25–30 per cent to be achieved. It is generally a better way to convert taxpayers' money into consumers' services.

Where central government services have been tested in the market, 85 per cent of the work has been contracted out, with overall savings on average of 25 per cent. By contrast, in local authorities and health authorities, most market-tested work has been

retained to be carried out by staff directly employed by the authority.

**We believe that the process of buying public services from private contractors is still only in its infancy. We propose to move the process decisively forward.** There are great potential benefits to be had, both in improved quality and lower costs.

In central government, we intend to:

- remove remaining obstacles to successful contracting out;
- subject much more work each year to market-testing than has ever been the case before.

**We will publish a White Paper this autumn setting out in detail how we intend to drive forward contracting-out in both central government and the NHS.**

### *An internal market for services*

*The DTI has put its central support services on a market basis. An increasing number of common services are now charged for at full economic cost, making it very easy to compare the value for money offered by the internal service with that available from outside suppliers. Managers in the department have budgets that they can choose to spend either on internal or external suppliers. This is a good model for other departments and agencies to follow.*

### *Government research establishments*

*The Government's civilian research establishments are being set up as Next Steps agencies within an internal market for research and scientific and technological support services. Funds for research on behalf of the Government are in the hands of the customer departments who are free to shop around, both in the internal market and outside it, to get the best value for money.*

**In the NHS,** competitive tendering has raised standards of performance, and released substantial funds for direct patient care. But, far too often, procedures have been excessively complex, and obstacles have been placed in the way of private sector tenderers. Tender documents and contracts should do no more than set out the description and standard of service required. As a rule, there is no need to specify **how** that standard is to be achieved. Documents which specify detailed working methods stifle innovation and enterprise, and deter potential tenderers. We intend that procedures for contracting-out in the NHS should be greatly simplified and streamlined.

We will also extend the **scope** of market-testing in the NHS. Services such as distribution, warehousing, non-emergency transport, document transfer and management services will be progressively exposed to competition.



## LOCAL AUTHORITIES

Local authorities have historically seen the direct provision of services to the community as one of their major tasks. However, we believe that now is the time for a new approach. The real task for local authorities lies in setting priorities, determining the standards of service which their citizens should enjoy, and finding the best ways to meet them. By concentrating on these strategic responsibilities they will enable their communities to enjoy higher standards, more choice, better value for money and a greater degree of involvement in the decisions which affect them. The key tools by which we seek to achieve this transition are competition and accountability.

### Competition

Allowing the private sector to compete to provide local authority services can bring significant improvements in value for money, either because the in-house work force improves its efficiency to match the competition, or because the private firm which wins the contract can beat the in-house staff on price and/or quality.

Some local authorities have led the way in using the private sector to deliver services to the consumer, leaving the authority free to concentrate on planning the future direction of service delivery and on setting quality standards and monitoring the service to ensure that the standard required is achieved. However, a number of other authorities have persisted in retaining all work in-house. We have therefore had to introduce compulsory competitive tendering for a significant number of services, to ensure that local taxpayers in all areas share in the benefits which competition brings.

But much remains to be done. The Government is, therefore, looking urgently at ways of extending competition further. We are examining how best to extend compulsory competitive tendering to professional local authority employees such as lawyers, accountants, architects and surveyors. We intend to ensure that private firms have a fair chance to compete for local authority work. The Government already has powers to preclude the local authority's own work force from carrying out certain activities, where it fails to meet its financial obligations or seeks to gain an unfair advantage over the private sector by other means. This could also be appropriate where an authority demonstrably fails to provide an acceptable level of service.

We are convinced that the widest possible application of competition will benefit the local taxpayer and consumer of services alike.

## PERFORMANCE AND PAY

The ways in which people are paid can have a powerful effect on improving performance. Pay systems in the public sector need to make a regular and direct link between a person's contribution to the standards of service provided and his or her reward. But of course the label of 'performance pay' must not be used, as has sometimes happened in the past, as a way of dressing up what would otherwise be unacceptable pay increases.

Action to achieve this objective has been taken across the public sector, including:

- new contracts for family doctors, including payments for hitting targets;
- general managers in the NHS paid according to performance, including success in tackling waiting lists;
- in schools, heads and deputies receiving more pay for improved performance;
- extra payments available for the best classroom teachers;
- in the Civil Service, performance pay related to individual performance for most staff;
- in the new agencies of government, the chief executives' pay related directly to performance and many chief executives on short term performance-linked contracts;
- nationalised industry directors eligible for bonuses which depend on the industry meeting its service targets.

But much more is required to make the links between pay, performance, and quality of service tighter and more effective. We want to see:

- **more delegation** of decisions on pay – the system of reward must be closer to the responsibility for the delivery of a service;
- **extending rewards** for performance – and, equally important, penalties for failure – as part of the normal package of pay and conditions;
- **securing value for money** for the taxpayer by tight cost control, with the net cost of performance rewards paid for by real productivity increases;
- **ensuring that rewards for performance are only given when demanding quality of service targets** have been met.

Over the coming months we want to see these principles advanced:

- we will urge the Pay Review Bodies to take performance more into account in their recommendations over successive reports, especially for those in the NHS and for teachers. This does not mean that the Review Bodies should recommend a higher increase in the pay bill than they otherwise would.

But we will expect the composition of the recommendations to change so that a larger proportion of pay would be linked to performance;

- we will encourage the drive towards greater delegation and flexibility in the Civil Service (to departments and agencies); in the NHS (through trusts); and in education (to grant-maintained schools);
- in the remaining nationalised industries we will support management's efforts to spread performance-related pay; we want to see the rewards of the top management of, for example, British Rail and the London Underground more closely linked to the delivery of improved services to the travelling public.

### *Driving Standards Agency bonus scheme*

*In the Driving Standards Agency a new bonus scheme will mean that bonus payments for driving examiners and other staff will be linked to the length of waiting times for driving tests and to the number of tests cancelled by the agency. Compensation is paid to members of the public who suffer loss when their tests are cancelled. Fewer cancellations will increase the money available for staff bonuses.*



## NEXT STEPS

As part of the drive towards more businesslike and decentralised delivery of services, the executive functions of central government are being handed over to Next Steps agencies. The agencies remain within government, but they are set up specifically to deliver particular services or products, such as driving licences, passports, social security benefits and so on. There is a single named individual – a chief executive – in charge who is personally responsible to ministers for delivering the service.

There are now more than 50 agencies, with more to come. The aim is that all the executive activities of government will, as far as practicable, be operating along these lines by the end of 1993. Each agency has a framework document, which states the job to be done, the lines of responsibility, and the extent of managerial independence. The document, which is published, sets out in a semi-contractual way the duties and responsibilities on both sides of the relationship between minister and chief executive. Through it, and the

corporate and annual plans which support it, ministers lay down targets for the standards of service which the agency is to deliver, and establish the chief executive's budget. Our aim is to allow as much managerial independence as possible, with reporting lines as short as possible. This is vital if we are to release the flair and innovation in the public sector that bureaucratic structures tend to stifle.

Agencies will fully comply with the principles of the Citizen's Charter:

- agency staff who deal directly with the public will normally be identified by name;
- all agencies will publish and display in public offices the standards of service which individual clients and customers can expect;
- all agencies will have published, easily understood and easy-to-use complaints procedures;
- all agencies will regularly consult customers and clients about the services they provide.

### Freedom to manage

The best results will be achieved if the staff can respond directly to the needs of their clients. It is one of the main aims of Next Steps that, under the direction of ministers, chief executives should have the authority and responsibility to manage their agencies in the way best suited to their customers' needs and in order to achieve the progressive improvements in performance, quality of service and value for money that are required. The Government will introduce legislation to remove technical impediments to the delegation of decisions about how the Civil Service is managed.

A recent report by the Efficiency Unit has set out a number of ideas for developing the roles of both departments and agencies in support of ministers. Departments must provide well-informed and authoritative support in order that ministers can give agencies clear strategic direction; determine the financial resources to be made available; set robust targets for the quality of service, financial performance and efficiency; and call chief executives to account for their performance. Chief executives, on the other hand, will have increased personal responsibility and authority for running their organisations in order to achieve the progressive improvements that are required.

As agencies' track records are established, they will be given more delegations and flexibilities, provided that essential public expenditure controls are not jeopardised. As a result of this move to a more strategic role for departments, the numbers of civil servants at the centres of departments will be reduced.

**NEXT STEPS SUCCESSES  
AGAINST TARGETS 1990/91**

**Driving Standards Agency**

Target for 'L' test waiting times outside London, eight weeks against waits of nine weeks and eleven weeks in the previous two years. Bettered by 9 per cent. Achieved 7.3 weeks.

**Land Registry**

Speed and accuracy targets for handling both pre- and post-completion applications beaten. About 98 per cent of pre-completion applications handled in four days (target 90.5 per cent), helping to avoid house purchase delays. Average for post-completion applications seven weeks (target eight weeks).

**Employment Service**

Accuracy of unemployment benefit payments 95.2 per cent against target 95 per cent.

**DVLA**

Faster response rate for licence holders and telephone enquirers. 24,000 select numbers sold since Christmas start-up.

**Quality management in government**

*Since 1982, the Government has been urging British industry to adopt a structured, systematic approach to service and product quality. This involves deciding what quality to aim for, the quality that is most cost-effective and appropriate, and then organising systems to ensure that it is delivered and maintained. Some public sector bodies and parts of government departments (for example the Information Technology Services Agency in the Department of Social Security, the Import Licensing Branch of the DTI) are using the British Standard for quality management (BS 5750) to improve the quality of their work. We expect many more to follow.*

*The Charter Standard will be tailored specifically to quality of service in the public sector, and will provide a further stimulus to raising standards.*



THE CHARTER STANDARD FOR QUALITY OF SERVICE IN THE PUBLIC SECTOR