

# Public Spending in Tough Times - Labour's Zero-based Review - Speech by Chris Leslie MP

**Chris Leslie MP, Labour's Shadow Chief Secretary to the Treasury, in a speech to the Social Market Foundation, said:**

\*\*\*CHECK AGAINST DELIVERY\*\*\*

Thank you to Mary Ann, and to the Social Market Foundation for hosting me this morning.

There are two points that I want to focus on in my remarks today.

First, I want to set out why Labour's commitment to get the current budget into surplus and national debt falling as soon as possible in the next Parliament is an objective that those of us on the centre-left ought to embrace and welcome.

Second, I want to take one aspect of public expenditure which a number of departmental areas have in common and which I am currently considering with my shadow cabinet colleagues – namely the need to rethink local service delivery.

But first, some context:

Throughout the course of this long, five-year, fixed-term Parliament, the challenges of fiscal policy have been all consuming. The global banking crisis saw taxpayer bailouts and increased borrowing levels across the developed world. The current Government promised to eradicate the deficit and balance the books before the next election – but this pledge will be missed, and by some margin.

There are clear reasons why the deficit remains stubbornly high, although these are disputed by Ministers. Frankly, it should be obvious that if you don't get sustained growth year after year, then you won't improve the health of the public finances. Ed Balls had the foresight to make this point back in 2010 – since when we have seen nearly £200 billion of additional borrowing by the Chancellor than he expected at that time.

Fiscal policy cannot be separated from the health of the economy – but sadly Ministers

have acted as though the two are totally distinct. The shadow cast by the global banking crisis is a long one, and falling revenues and rising social security costs are attributable to that seismic event, and subsequently the lack of economic growth, even if the Government pretends otherwise.

By choking off the recovery with frontloaded and rapid cuts and tax rises in the early years of this Parliament the Government made a serious mistake.

When Ministers claim that the deficit was caused by imprudent fiscal stewardship rather than the global banking crisis, their objectives are twofold; first to besmirch the record of Labour – that much is obvious; but second – and this is one of the questions I want to focus on today – they seek to undermine the very concept that taxpayers' money can be successfully pooled to purchase services and facilities collectively.

It is a long-standing project of some on the right of politics to erode trust and confidence in taxpayer-funded service provision, so that we revert instead to a society where individuals insure against their own health, education or welfare. Implying that effective budget management is anathema to the public realm is a well-trodden path on the journey of those wishing to shrink the state.

For those of us who believe that we achieve more as a society by acting together in cooperation, pooling our resources and delivering services from which we all benefit, it is important that we act now to rebut the notion that it can't be done efficiently or effectively.

And more than this, we have a duty to prove that the foundation of successful public service provision is the sound stewardship of public finances.

This is why the centre-left should embrace the goal of balancing the books and controlling national debt; because sustainability and living within our means is at the heart of good governance, prudent decision-making and the reciprocal social contract between individual and state.

To those on the right, spending cuts are part of the long march towards the demise of what they interpret as state interference.

For those of us on the centre-left, sustainable management of public finances is proof that taxpayers can have trust in the public realm.

And how you conduct a spending review says a lot about your attitude towards public services and the value you place on the role that Government can play in helping build a better society.

If you take a dogmatic view that Government is inherently an obstacle which should be swept away from a population burdened by state intervention, then you will look at the process of fiscal consolidation as a blanket exercise in cutting as rapidly and uniformly as you can get away with. And so it is that the Osborne approach has been characterised by a silo-oriented, department-by-department top-slicing of annual budgets, with politically expedient cushioning for a few areas of public expenditure where it is judged too politically risky to touch.

But such a crude approach can end up with unjust outcomes which everyone but the most out of touch would regard as unreasonable. The bedroom tax is a classic example of such an offensive and unrefined approach to cutting budgets.

The Tories' approach to deficit reduction and public service reform has been disjointed, short-termist, and has failed to keep the users of these services at heart. Far from being reform, it has been deliberate, ideological destruction of the notion that individuals, families, and communities can work together to inform and deliver the public services that they need.

Failure by this Government to grasp where success was being achieved on the ground, through the work of Sure Start centres for example, and the Future Jobs Fund, has led to great leaps backwards in terms of efficiency, value for money, effectiveness, and the citizen experience.

Surely one of the greatest scars on society today is the scourge of long term youth unemployment – a barrier to individual fulfilment and a drain on the public purse. But this Government's actions, in scrapping the Future Jobs Fund, and replacing it with the universally derided Work Programme, have seen the number of young people starting nationally-funded employment and skills provision fall by 10 per cent since 2009/10, even though the number of young people out of work and claiming benefit for more than a year has doubled since the general election.

The DWP has not fared much better in establishing the new Universal Credit, with

failure to deliver results, delays, and waste amounting to £40 million in IT already written off and a further £90 million in jeopardy. Indeed this flagship reform which was supposed to get the benefits bill down by incentivising work is costing a staggering £190,000 per claimant at the moment.

And David Cameron and George Osborne's failure to engage with the substance of Andrew Lansley's planned reforms to the health service whilst the Tories were in Opposition has seen the party sleep walk into an unwanted £3 billion reorganisation riddled with waste and inefficiencies.

The Government's approach has seen 7,000 NHS frontline staff losing their jobs since the General Election; including 2,300 managers who have received six figure payoffs, and 3,261 staff who have been handed redundancy payments, before being re-hired with the NHS. All this while they increase rather than reduce layers of bureaucracy.

Meanwhile, the patient voice is drowned out by the clamour of marketisation and the lengthening time sheets of the competition lawyers; a health service struggling to deliver to individual's needs, as ambulances stack up in A&E waiting bays.

As the outgoing Chief Executive of the NHS has put it, the NHS is now: "bogged down in a morass of competition law. We have competition lawyers all over the place telling us what to do, causing enormous difficulty."

Whitehall under this Government has washed its hands of public service delivery, letting local government take the blame for pressure on the ground, as thousands of police officers have been cut; the complex array of those involved in administering local justice is put under strain by legal aid changes and outsourcing to ineffectual contractors; and local charities and voluntary organisations, the torch bearers of the Big Society, are left unsupported in navigating the complex tangle of Government and local grants.

Michael Gove and the Government have established free schools in areas where there is no demand for additional places. And a mixture of Whitehall diktat and the stripping out all any local oversight has inevitably led to embarrassing failures like the closure of the Al-Madinha free school in Derby. The whole free school project is costing three times the sum originally allocated, with almost £250 million spent establishing free schools in areas where there is no shortage of places forecast, while shortages of places persist elsewhere.

The truth is that whilst they talk the talk on public service reform - either in Opposition or in Government - the Conservatives' approach fails on the most basic level.

Reform is worse than pointless if it does not improve the experience of the user and ends up costing money rather than saving money.

And the Government needs to realise that real public service reform involves two key responsibilities – the need to devolve with the user in mind, and to de-clutter.

In contrast to the Government's tangled, centralised and short-term approach, Labour's Zero-Based Review of public expenditure starts by asking what we need to do to provide a fairer society and how public services can support jobs, growth and prosperity across the country.

This approach, as Ed Balls set out at last month's Fabian conference, recognises that long-term and sustainable budget savings can only be made if we rethink and reform public services while delivering standards that people need and expect.

We are undertaking the analysis and preparation now while in Opposition and will be ready to work with public services to finalise and deliver reform if we are successful in next year's general election. I am currently meeting with each of the shadow departmental teams and we will publish first phase conclusions in the spring.

Alongside this, a series of Efficiency Reviews have been commissioned exploring cross-cutting questions such as better procurement, smarter use of IT, the use of external consultants, machinery of Government and audit & accountability.

We are looking not only at where efficiencies are achievable, but how services could be reconstituted to release the cashable savings that are now required.

So to give a sense of the structure of our Zero-Based Review, there are five themes guiding our assessment, as we spelled out at the inception of this process last year:

First, we need to confirm that value for money is achieved for those services which are part of the permanent architecture of the public realm.

Second, we need to ensure that services and support for those in need is just and even-handed in our modern society – and that at all times we confirm and reconfirm fairness as a guiding principle of the choices and allocations we make.

Third, if we believe that fiscal policy does indeed have an impact on how well our economy performs, then we need to optimise the effect public services can have to create jobs and growth – because there are new ways in which our prosperity can be catalysed and enhanced by the choices we make in public spending.

Fourth, we have got to get serious about early intervention, go beyond lip-service, and focus relentlessly on opportunities to prevent social and economic problems from occurring in the first place – not only because society benefits as a result, but because if we invest-to-save at the right moment we can reduce the need for public spending to pick up the pieces in the long run.

On each of these we will say more over the months ahead.

But my focus today is the fifth theme of our Zero-Based Review; the need to fundamentally justify how we are conducting public service programmes up and down the country.

If we step back and look at the needs and issues in communities across Britain, can we really justify the way in which public services are structured? If we were starting afresh, would we really build the current arrangements in exactly the same way?

The test of how justifiable public services and structures are must, of course, be applied widely and across all Government departments. But today I want to explore whether we can justify Whitehall's current approach to local service delivery.

Ed Miliband and Jon Cruddas this month have set out an ambitious vision of how, with less money around, Labour must radically change the approach that is taken to the local delivery of public services if we are to meet the two major challenges we face - improving public services for the people who use them, and doing so at a time when we are forecast to inherit an £80 billion deficit due to the failure of George Osborne's economic policies.

In his Hugo Young lecture a fortnight ago, Ed Miliband set out our direction of travel, in these times which demand a new culture for our public services - not old-style, top-

down central control - but devolving power, involving service users and tackling unaccountable power in the public sector as well as the private sector. Ed set out in that speech how and why we need to do things in a new way – public services working sensibly with data so we structure services around the consumer; supporting networks and communities of service users who are involved in decision-making; and devolving to the local level.

Devolution must be in the context of minimum standards and rights for all citizens of the United Kingdom. But it must also be coherent and comprehensible – simplifying the way services are delivered and ensuring that decision-making is accessible, not made more impenetrable by new layers of bureaucracy or convoluted structures. But devolution should also lead to greater efficiencies, which in turn, can release improved value for money.

Put simply, devolving power will work best where we also declutter. Every Member of Parliament will have experienced cases where baffled constituents turn up desperate for advice because navigating the complexities of local and regional agencies is ridiculously confusing. You shouldn't need a PhD in public policy to get help with energy saving or be able to help the homeless or assist a vulnerable elderly neighbour.

In the past, Governments of all persuasions have approached devolution from a departmental basis, creating new local quangos - perhaps better called 'QUALGOs' – but fundamentally acting as junior outposts of the Whitehall silos. We've got to break out of this habit. For one thing, it's too expensive; can we really justify the expense of separate buildings, separate management, HR, payroll, PR, branding, IT, procurement from unit to unit? There will be exceptions to this and times when separate structures may be justifiable. But my view is that we should devolve and declutter where possible.

As Jon Cruddas said in his speech to my old thinktank the New Local Government Network a couple of weeks ago, it is transformational change to the system that will release resources and enable savings to be achieved. And Jon was right to illustrate the potential of local collaboration and pooled activities – questions which Labour's Local Government Innovation Taskforce will be reporting on shortly.

But let me briefly set out a few examples where services devolved at a local level may be ripe for streamlining, simplification, collaboration or integration:

## YOUNG PEOPLE AND THE WORKPLACE

First, young people and the workplace.

There are now as many as 35 national schemes targeting youth unemployment with over a dozen different age qualifications and bands, eight different departments and agencies with their own projects and encompassing £15 billion annually.

Rachel Reeves has already said that we will have to change the way that we commission and deliver the Work Programme, because it cannot be right that this Government has paid a billion pounds for a scheme which has seen more people return to the Jobcentre than find a job.

Labour's alternative must rationalise the process and streamline administration to ensure we minimise overheads and maximise support for each young person.

## HEALTH AND SOCIAL CARE

Second, health and social care.

With an extra £40 million spent on consultants in the past six months by health service bodies trying to navigate through the new structures, the added bureaucracy is obvious. We have seen fragmentation and competition where collaboration is key to making savings.

The Prime Minister used to say he'd have a moratorium on all hospital changes or closures. But, of course, he has broken that promise. As Ed Miliband said in his Hugo Young lecture, no service can stand still. There will need to be changes in our health service. But if we have a grown-up dialogue about the improvements in care we need, then change can be achieved, ensuring that patients are involved right at the outset.

Andy Burnham's goal of 'whole person care' is rightly looking to break down artificial institutional boundaries and integrate physical, mental and social care services. The objective of whole person care is improved quality of service for the patient and user – first and foremost. But in an ageing society where existing budgets and the NHS are already strained, we need cashable efficiencies which allow resources currently deployed on management and administration to be released.

The Greenwich Integrated Care Programme, a partnership between the council, CCG



and the local NHS Trust, is realising £900,000 of savings in the local social care budget. Integrated teams now offer a seamless package of support via a single point of contact. By adopting this shared approach, an integrated workforce culture is emerging, care is improving and duplication is being driven out.

The practicalities of whole person care will require combining budgets, and the joining up of management and administration. But we should not neglect the governance and commissioning efficiencies which can be achieved.

Currently the commissioning architecture costs over £2 billion in administration. And local authority social services departments also have their separate administration costs.

And then we have Health and Wellbeing Boards.

And Local Healthwatch bodies.

Foundation Trust governing bodies.

Local NHS Education and Training Boards.

National Institute for Health Research Clinical Networks.

Commissioning Support Units.

Clinical Networks and Clinical Senates.

15 regional Public Health England outposts.

The list goes on.

Of course, there are compelling reasons why specialist knowledge is required at different stages of the commissioning process. But the complexity about who is in charge and where the buck stops has left us with diminished accountability, even though CCGs are based in localities. Complexity has created opacity and this is unhealthy – and it is expensive. And the costs of managing the new competition framework are beginning to stack up too. So I will be working with Andy Burnham, Liz

Kendall, Hilary Benn and my other shadow cabinet colleagues to look at how we can create leaner, more efficient commissioning arrangements for health and social care.

## EMERGENCY SERVICES

In the field of emergency services, rather than addressing the structure and cost of police force administration, this Government opted for the creation of Police & Crime Commissioners.

But when we are losing thousands of police officers and police staff, is it right that today we spend more on Police Commissioners than on the old Police Authorities that they replaced?

As Ed Balls said in his Reuters speech last June, this Government still have not changed the number of departments, agencies, fire services and police forces, all with separate leadership and management structures. The case for collaboration is now surely overwhelming. For example, in County Durham the fire and rescue service are working with the police to share buildings in Newton Aycliffe.

Administrative structures need to be reviewed. As the widely respected Independent Police Commission chaired by Lord Stevens and commissioned by Yvette Cooper set out, there are options for change in police structures, including locally-negotiated mergers and regionalisation. We are consulting on the recommendations that the Commission made.

## CRIMINAL JUSTICE

Turning to criminal justice, there are sound reasons for the separation of powers and structures in our criminal and civil justice systems. As a former Courts Minister at the then Department for Constitutional Affairs, I know that there is a phenomenal history which has brought us to today's structural settlement. But in a local community context, are we sure that local justice is being administered as efficiently as possible? The cast list of those involved is vast: Magistrates Courts, County Courts, and Crown Courts, the CPS, Youth Offending Teams, Police, Probation, Prisons, Victim Support, Crime and Drugs Partnerships, and local authorities to name a few.

The previous Labour Government created Local Criminal Justice Boards as a means to improve partnership working, but there is only so far that joint working can go to

delayer management hierarchies and release savings. For instance, there are 243 Magistrates Courts in England and 77 County Court locations. Their processes are distinct, but could we use this estate more effectively? Only 32 Magistrates Courts are currently co-located with County Courts. Is this really the optimal use of court buildings?

## THE THIRD SECTOR AND ADVICE SECTOR

If we look at the third sector and the advice sector, many public services are held together these days by volunteers and charities. But although the voluntary sector depends on philanthropic donations, it is also dependent on grant aid, including from the taxpayer. Cutting away the third sector safety net can be a false economy, and I have spoken with many organisations who are finding it more complicated than ever to track down grants and support – which means they spend more of their energies navigating separate application processes.

For instance, the Department for Communities has a fund of £22 million for charities and voluntary organisations.

The Cabinet Office has a pot of £31 million. And local authorities provide over a billion pounds of grant support.

The sums invested are making a difference, but how efficiently is this support reaching the frontline?

An amazing amount of effort now goes each separate bidding arrangements, commissioning and evaluation process - now so complicated that local voluntary bodies are hiring consultant specialists in fundraising, no doubt at considerable expense. Is this state of affairs sensible?

And if charities themselves are having a hard time, then members of the public desperately seeking some basic advice are also finding the situation confusing. Voluntary bodies are augmented by council welfare advice units, national charities supplement this, legal aid changes have reduced the ability of law centres to help, MPs have frequently become a final port of call, and each department has its own favoured advice mechanism, for example, the Treasury opt for the Money Advice Service. How

rational and accessible is this network of advice giving? And where does JobCentrePlus fit into this support network?

Leaving people confused and their problems unresolved is more expensive than giving timely advice and assistance, disentangling their predicament, and helping them back onto the right road.

## SUPPORT FOR PEOPLE WITH MULTIPLE NEEDS

Next: support for people with multiple needs. I know from casework in my Nottingham East constituency that there are too many vulnerable people falling through the gaps between the multiplicity of statutory bodies who, despite trying to act in harmony, are still passing certain individuals from pillar to post. Our support services for people with multiple needs – homelessness, mental ill health, addiction, reoffending – are fragmented and difficult to access and coordinate. Bouncing between A&E, rough sleeping and prison, these individuals with chronic and compounding issues would benefit enormously from a rationalisation of structures and a decluttering of institutional bodies.

Evidence from locally-led work is showing the costs of services operating in silos. Oldham Council mapped over 200 different local services used by so-called “troubled” families in their area. Across these they estimate that there were over 500,000 contacts with such families and at least 45,000 inter-agency referrals in 2011/12 alone. The disconnect between the CLG ‘Troubled Families’ scheme and the DWP’s ‘Families with Multiple Problems’ programme have been highlighted by the National Audit Office recently.

The DWP were working on the creation of an Enquiry Service to bring together a single telephone point of contact to deal with multi-benefit enquiries and changes of circumstance. But astonishingly, Iain Duncan Smith has just scrapped this project, writing off £34 million and binning millions of IT investment in the process. Can the country really afford such wasteful behaviour, throwing away efforts to streamline help for those with multiple needs?

## LOCAL GOVERNMENT

My final example is the question of local government in England. Local councils provide services which are now under more intense pressure than ever in history. The

duty councils have to bear down on administrative costs in order to protect the frontline is surely clear.

Labour local authorities are leading the way in collaboration and linking up with neighbouring councils to share services to a degree that should make Whitehall blush. Councils are sharing back office – and frontline – services more now than ever before, with joint procurement and pooled staffing. Indeed, a quick glance at the job vacancy adverts shows that most district councils are now hiring shared chief executives for dual authorities as a matter of course.

By pooling staff and resources, North East Derbyshire and Bolsover councils expect to save £1.5 million a year.

Waltham Forest Council is bringing together employment, skills and business support provision into one department and co-locating Jobcentre Plus staff at the council.

In Nottingham, the city council has pioneered the ‘shared service centre’ model, and in my constituency the St Ann’s Service Centre has now integrated the neighbourhood housing team, two GP practices, a pharmacy, youth services and the local Library in a more cost effective single building, both user friendly and breaking down artificial barriers between different Government departments.

The previous Labour Government helped local government to make efficiency savings. So we gave local authorities powers to merge and change their boundaries and in 2009 a series of local authority reorganisations brought together district and county councils and created new unitary bodies:

- Cornwall saved £25 million by moving to unitary status, saving £46 per person per year and halving the number of councillors
- Central Bedfordshire reduced administrative spending by £40 million in its first three years as a unitary council, saving £52 per person per year
- Shropshire moved from an arrangement with six separate councils to a single unitary authority, with a recent report suggesting £20 million has been saved on bureaucracy, reducing costs by £66 per person per year in that area.
- And Northumberland saw seven councils merged into the new unitary authority, saving £85 million over three years, in other words, cutting costs by £91 per person per year.

Other changes in Devon, Exeter and Norfolk were in the pipeline but this Government

stopped those in their tracks and are continuing to resist local authorities' proposals to unitarise. The Government and Whitehall should be doing more to empower local councils, like Warwickshire or Leicestershire at county level, who see from the bottom up the benefits of collaboration and who are actively debating whether to come together. This should also include small district councils who are facing the greatest financial pressures of all.

English local government is enduring eye-watering reductions in revenue support grant which are threatening basic activities in social services, housing, environmental services, libraries and local voluntary bodies. That's why Labour's Local Government Innovation Taskforce has been established to think about how we improve the organisation of services around users rather than necessarily sticking with the old – and expensive – bureaucratic way of working. Hilary Benn and I will continue to explore the full range of options to support councils as they share services, pool budgets, and choose to collaborate and integrate further.

This Zero-Based Review requires a strategic approach, questioning existing ways of working, and looking across Government as a whole; it is a collaborative process putting momentum behind each shadow departmental team as we think these issues through while in Opposition, so that we do not make the mistakes that the current Government has made.

Labour is committed to fiscal discipline. We will balance the books, move the current budget into surplus, and get the national debt falling as soon as possible in the next Parliament in a way George Osborne and David Cameron have singularly failed to achieve in this Parliament. Our Zero-Based Review is a serious and rigorous exercise, and I have only talked today of one aspect of this; our need to devolve and to declutter local public services. There are significant cashable savings to be released. It will not be universally popular. But it must be done. Rebuilding trust in the notion of well-managed, pooled taxpayer provision is imperative – and Labour is determined to rise to this challenge.