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When the Conservatives used the title '[Invitation to Join the Government of Britain](#),' for its election Manifesto, it wasn't clear at whom the invitation was aimed; after all there was no RSVP. Now we know.

For in a Paper released by the Chancellor this week, we have all been invited to join in a debate that will run over the next few months and cover not just the spending decisions that will form part of the next Spending Review but the very nature of government itself. "[This Spending Review](#) is not just about cutting spending and setting budgets. It will be a complete re-evaluation of the government's role in providing public services." To coin a phrase that crops up a lot at the moment, 'we're in this together' and now it's clear how.

Spending Reviews in the UK have not normally been conducted in public especially one as critical and comprehensive as this one and not everyone is convinced that this is the best way to tackle it. As former Chancellor Nigel Lawson put it, "*it may be a very good PR ploy but we know perfectly well that the public will have a wide range of different views and anyway it's the government's job to decide what is to be done.*" Ploy or not, the government has been very clear from the moment it opened the books after the election that it needed to take the country with it on its difficult economic journey. The Prime Minister stressed the point again in his '*cutting the deficit*' speech this week, "*I have said before that as we deal with the debt crisis we must take the whole country with us and I mean it.*"

The model being adopted is that used by Canada in the 1990s where equally faced by a massive debt crisis, the government there undertook an open exercise of debate and review before unleashing a comprehensive savings plan. Nothing was sacrosanct and probing questions were consistently asked. Conditions are of course different now but as the Institute for Government has shown in its interesting case study on the Canadian experience, a deficit reduction right across government was achieved and perhaps more saliently, the government there got re-elected not once but twice.

Entering into 'a big conversation' with the British public is just one of the ways in which the Coalition Government is bringing a new approach to this year's Spending Review process. The Chancellor underlined the point when he introduced the new process to the House this week. "*For the last thirteen years, Spending Reviews have been, shall we say, not exactly collegiate affairs. The Treasury told Depts what they were getting and precisely what they should do with the money*" but as the Chancellor went on to say, things will be different this time. For a start, the system of Dept Public Service Agreement (PSA) targets that were introduced in the first Spending Review under New Labour and which grew to become a byword for obsessive micro-management is being scrapped. In their place, public spending Depts such as Education will be expected to produce costed business plans that match resources to objectives and demonstrate how key frontline services will be protected.

Scrapping PSA targets and replicating the Canadian open dialogue are just two of the ways in which this latest Spending Review will be different. Another is the adoption of what is being described as a '*layered*' approach to creating a public spending settlement.

The first part of the layer is the injection of a more business like approach into public spending Depts. The origins for this lie in a Paper produced by the Conservatives nearly

two years ago which identified what was described as an alarming lack of financial management within Depts. It pointed out for instance that not one Departmental Permanent Secretary at the time had a formal financial qualification and that six of the big Depts had no Board level Finance Director. For much of the last year, Francis Maude has been heading up an implementation unit working up plans to bring in leading business figures to sit on Dept boards as non-executive directors and to help with business planning. It's all part of the way in which the government wants to revolutionise what it does and how it operates and if introduced will bring a different approach to the delivery of public services. Nor will it stop there, *"each Secretary of State will appoint a Minister with specific responsibility for driving value for money across their Dept"* while a new Efficiency and Reform Group announced last month will be sweeping up behind to ensure that Depts adopt efficient practices.

For the moment, Depts are busy drawing up their initial plans to be presented before the summer hols. They start with four givens. First, that guarantees on health spending and overseas aid will be maintained; second, that the vulnerable, and that includes regions as well as individuals, should be protected as far as possible; third, that spending that generates high economic returns should be favoured; and fourth, that as far as possible savings should be recycled to support priorities. Some Depts are more advanced than others. Michael Gove's recent [letter](#) to his predecessor, spelling out where the savings for the initial £670m will come, suggests for example that things are well under way in the Dept for Education. Savings identified here so far include large chunks from a number of headline projects from under the old DCSF including: one-to-one tuition, capital funding for Extended Schools, communications and marketing, 14-19 development and a number of quangos.

The second part of the new layer is the interrogation stage. This too will involve 'outsiders' brought in to challenge Dept plans and find new ways of doing things. As the Chancellor described it, *"I want the inspirational head teacher, the farsighted police chief, the nurse with new ideas about solving age old problems."* He went on to list nine questions they and others might want to ask not just of government Depts but also other purveyors of services as they seek to find the best ways to deliver them. The questions are pretty fundamental and range from 'is the activity essential to meet government priorities?' to 'does the government need to fund it?' to, can someone else do it? Again this was an approach applied in the Canadian example and is supported by the CBI who in their latest [Paper](#) on public service reform equally list a number of fundamental questions that should be asked. If this is all pursued, it could lead to a significant reappraisal of how public services are delivered in the future.

The third layer brings in a more familiar mechanism although potentially with a tighter grip and that's the Star Chamber, in this case a Committee of senior Ministers, known officially as the Public Expenditure Committee or PEX, chaired by the Chancellor who will sit gimlet eyed in judgement on individual Dept spending plans and relate spending to the bigger picture. It's here for instance that some of the important reviews such as those on HE tuition fees and Local Government finance will be factored in and a more strategic view taken as to what can be afforded. The expectation is that once Dept spending plans have been through these particular wringers, most if not all the perceived fat will have been cut off.

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*Spending Review Plans 2010*

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