
Labour's Zero-Based Review

Phase 1 discussion document

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1. Foreword

Over three years into this Conservative-led government, Britain's families are paying the price for the failure of the Chancellor's economic policies. He has overseen the slowest recovery for over 100 years, and as a result families have seen prices rising faster than wages in 41 out of the 42 months that David Cameron has been Prime Minister. Crucially these failures on growth and living standards have meant failure on deficit reduction too.

So the next Labour government must start planning now to meet the challenge we will face. We can now expect to inherit an economy with families under real financial pressure, businesses that have lost vital opportunities to invest, and public finances in poor shape, despite deep cuts to key public services.

Where this government's failure on growth over the last three years has led to their failure on the deficit, the next Labour government will rise to the challenge: action to deliver a strong recovery that is built to last, which works for working people and delivers rising living standards for all; and reform of our public services alongside a tough deficit reduction plan.

Action now to deliver stronger growth is even more vital if we are to meet the challenge. And it remains the best way to mitigate the scale of the cuts the Government says it has to make to public services in 2015-16 and beyond.

Even if growth comes in considerably higher than currently forecast, the situation we will inherit requires the next Labour government to govern in a very different way to those which have gone before. We can expect to inherit plans for further deep cuts to departmental budgets at a time when the deficit will still be large and the national debt rising.

At the time of the 2010 Spending Review, the Office for Budget Responsibility forecast that the deficit would fall to £18bn in 2015-16. It is now forecast to be £79bn - over £60bn higher than planned - even with the further deep cuts in public spending which the Chancellor has programmed in for 2015-16.

Delivering our Labour goals - supporting families and communities, tackling disadvantage, spreading educational opportunity, safeguarding our NHS, investing for the future - will be more difficult than at any time in our living memory, certainly since the post-war Labour government of 1945. But it can be done.

And it will make our economic task - to raise living standards, increase growth and wealth creation by building a reformed One Nation economy where we use, and invest in, the talents and industry of all and not just some - even more vital.

These are issues which we are addressing in our Zero-Based Review - a root and branch review of every pound the government spends from the bottom up - which Labour has begun in opposition and will complete in our first year in office. We will ruthlessly prioritise public spending and deliver service reform and improvements rather than just salami slicing budgets and watching services deteriorate.

As we have said before, the last Labour government did not spend every pound of public money well. And neither is this government doing so. Indeed many of its short-term cuts will end up costing more in the long term

We in the Labour Party value the huge contribution that public services - and public service - make to the strength of our economy and the fairness and stability of our society.

We celebrate the excellence of our teachers and school support staff, the service of our police officers and non-police staff; and the quality of care that our doctors, nurses and health workers deliver - and the universal service that our publicly funded NHS delivers.

But it is the duty of government to continually look to improve services, to make difficult choices about priorities and to get maximum value for every pound of taxpayer money it spends. That duty will be all the more central for the next Labour government, in an era when there is less money around.

Labour's Zero-Based Review will enable us to meet the challenge we face.

Ed Miliband MP
Leader of the Labour Party

Ed Balls MP
Shadow Chancellor of the Exchequer

Chris Leslie MP
Shadow Chief Secretary to the Treasury

2. Introduction

The challenge

Public services have already seen unprecedented cuts in their budgets; and current Government plans, as a result of the failure of George Osborne's economic policies over the last three years, also imply spending cuts will persist well into the next parliament.

Meeting this challenge will require iron discipline, cross-departmental cooperation and long-term thinking. We will be ruthless in prioritising the decisions we make on public spending and deliver reform and improvements rather than just cuts.

The opportunity

The work of Labour's policy review and these efficiency groups has shown both the scale of the challenge but also the opportunities we must grasp if we are to meet it.

To succeed we must be open to radical change. The test for a successful public sector is whether it delivers value for money and quality services that meet the needs and demands of the public who use them.

So while the challenge is to make savings, the opportunity is to at the same time improve services so that they put the public first. Labour should be the Party that refuses to tolerate a poor citizen experience of public services.

That means taking the opportunities that are presented to us to improve services by making them more locally led, in touch with communities and consumer focused.

Labour in government was innovated using new technology, new ways of working, improving procurement and working with the private sector to get better value for money - and the Zero-Based Review will build on those lessons.

For example on procurement we introduced a new Pharmaceutical Price Regulation Scheme which significantly brought down the cost of branded pharmaceutical medicines for the NHS renegotiated the HMRC IT service contract (Aspire) to save over £100m in 2010-11 alone. And we pioneered the digitisation of the DVLA and car tax.

Following the Gershon review the 2007 Comprehensive Spending Review efficiency programme led to £35bn of savings. For example DCSF, DECC and FCO all saved millions of pounds by outsourcing back office functions and the costs of running the Government estate were reduced by £740m. We pioneered the sharing of back office services through DWP Shared Services and achieved efficiency savings across several departments, saving £160m by May 2010.

Labour does not mistake partnership working and involving the private sector for fragmentation and marketisation. In Government we pioneered models like the children and young people's partnerships, which have now been abolished. We set up genuine chains of schools with proper obligations to cooperate with struggling schools as ways to reduce administration and highly paid senior management, while

still delivering the vital work of promoting child protection, or specialist education, discipline or extra-curricular activity.

The current government's approach

The current government has taken a failed and short-term approach to cutting spending so far.

Some parts of government - such as the Cabinet Office - have grown significantly and the number of non-executive directors has increased. And yet this government's fundamental control mechanism has simply been the budget cut - the pressure for public service performance is weaker now than in 2010. There is little pressure to achieve efficiency and to think long term rather than achieve short-term financial reductions.

The government has wasted £3 billion on a top-down reorganisation of the NHS. As a result of the reorganisation, 2,300 managers have received six-figure-pay offs, and 2,200 NHS managers been fired and rehired back in the NHS.

Their school reforms have fragmented leadership and seen school places opening where there are already enough school places - whilst there is a shortage of primary school places in many areas. Free schools are costing twice as much as originally planned.

The Government seems keen to rely on 'arm chair auditors' and Departmental Business Plans that lack any clear accountability mechanisms. We have seen growing hospital waiting lists, the failure of the Work Programme and the Universal Credit roll out, and chaos over rail franchising and defence procurement.

Labour's alternative

In opposition Labour's policy review work has concluded that merging public sector structures and incentivising collaboration between local authorities and other public service units is not only desirable, it is now essential.

The Oldham review on integrating health and social care is showing how with a single point of contact we can deliver a better outcome for patients - but also brings real long term efficiencies.

The Independent Commission on the Future of Policing questioned the present structure of 43 separate forces, management structures and procurement methods, noting the importance of enhanced cooperation and collaboration. These are lessons we must learn across our public services. This will mean in some areas fewer middle management staff - but this will go hand in hand with a greater focus on the frontline.

The review by Sir John Armitt, the former Chairman of the Olympic Delivery Authority, into infrastructure planning in the UK recommended that an independent National Infrastructure Commission be set up to identify infrastructure needs and ensure they are delivered. Such a model, delivering greater certainty and improved decision making on infrastructure projects, has the potential to save millions of pounds. And

we have shown how thinking seriously about how Government does business can deliver real efficiencies.

Labour's review of defence procurement led by Bill Thomas set out a series of ideas for getting better value for money. Recommendations included reviewing the strategic choice of developing a unique military requirement or buying equipment which is largely, or completely, off-the-shelf and implementing firmer and fairer contracts with industry. This is the kind of agenda the government should have considered before embarking on the botched and wasteful attempt at privatisation which was subsequently abandoned at a cost of £7 million.

And even though we are in opposition nationally Labour continues to lead the way in local government. Labour councils spend 30 per cent of their budgets buying local goods and services, while Conservative councils spend just 20 per cent. Averaged over all councils, this would suggest that local businesses in Labour authorities enjoy a £16 million-a-year advantage over those in Conservative or Liberal Democrat authorities.

Compared to under half of Conservative councils, three quarters of Labour councils use "social value clauses" in their contracts to ensure real local benefits from the public money that is spent, such as guarantee local jobs, apprenticeships, training places, investment in community schemes and opportunities for social enterprises.

The Local Government Innovation Taskforce led by Sir Richard Leese (Manchester City Council); Mayor Jules Pipe (Hackney London Borough) and Cllr Sharon Taylor (Stevenage Borough Council) is looking at the lessons we can learn from Labour in local government and deliver better outcomes with less money.

For example:

- Using a co-operative commissioning approach, Oldham council proactively commissioned its children's centres based on need and outcomes that were specific to local communities. The process resulted in a saving of £220,000 and services are now provided by the voluntary sector.
- Barnsley council made efficiency savings by ensuring that different services were sharing address and geographical information. The change allows the council to better optimise waste collection routes to produce expected savings of over £1 million over four years.
- By pooling staff and resources, Bolsover and North East Derbyshire councils are making savings in a wide range of areas. The two councils expect to save £1.5 million.
- Hackney LBC has radically remodelled its children's social work services developing a new model called Reclaiming Social Work. Service design has been focussed on keeping children with their families and finding permanent placements for others. There is an onus on keeping families together using therapeutic and direct support to ensure effective and efficient interventions. These changes have improved quality and reduced costs. A strong Ofsted inspection in May 2012 judged services to be 'Good' overall with some

'Outstanding' features and progress continues whilst the changes have also produced a saving of more than £3 million.

In parallel Labour has already commissioned five independent cross-cutting efficiency reviews. These will feed into the departmental reform and re-design work, and into the wider Zero-Based Review process. The last section of this document provides an update on this work. The reviewers and the areas they will cover are:

- Alexis Cleveland CB, former Director General for Transformational Government at the Cabinet Office, advising on "making best use of information and communication technology"
- Professor Dermot Cahill, Chair of the Institute for Competition and Procurement Studies, advising on "effective public sector procurement"
- Margaret Exley CBE, former HM Treasury board member and expert in change management advising on "streamlining, simplification, collaboration and integration"
- Baroness Jeannie Drake CBE, This work is being led by Baroness Jeannie Drake, former member of the Turner Commission on Pensions and former President of the TUC on "the use of consultants and temporary staff, and wider issues in workforce deployment and capability"
- Ray Shostak, formerly Director General (Performance) at HM Treasury, Head of the Prime Ministers Delivery Unit and international expert in public service performance on "strengthening incentives and accountability for improving performance and efficiency".

Building on this work the review will proceed in three phases:

First, building on the ideas in this document each Labour shadow ministerial team will prepare a report on Public Service Reform and Re-Design setting out how we now deliver better public services with less money, involving employees, charities, and the voluntary sector in our deliberations, as well as business and public providers, employer groups and trade unions. We will publish a summary of these reports in the spring.

On that basis, the Shadow Chief Secretary Chris Leslie and Labour's Treasury team will work with Shadow Ministerial teams to identify initial savings and switches to reflect Labour's priorities and report before our manifesto.

And these detailed departmental reports will then inform our full Zero-Based examination of every pound we spend - in every department, including any department whose spending we choose to ring-fence in our manifesto, and annually managed expenditure too - which will be completed within the first year of the Labour government.

The review will be guided by the following principles:

- We will use public money **more efficiently** - and seek efficiencies in every area of government spending

- We will use all departmental budgets to **strengthen the economy** - supporting growth, job creation, innovation and exports
- We will ensure **greater fairness** in the impact of spending - and will prioritise spending that prevents future problems
- At the same time as increasing efficiency, the **quality and experience of public services must improve** - offering the speed, simplicity and responsiveness that people now expect
- We will strengthen **accountability and transparency** across government - with clear efficiency incentives for all departments

This process will require iron discipline, cross departmental cooperation and long term thinking. And we will learn the lessons of the failed and short-termist approach that the Government has taken so far.

The work of Shadow ministers in the first phase of the Zero-Based Review will inform the output of the policy review.

Fundamentally reviewing current public spending plans is a necessary step in preparing for office - and it is the right and responsible thing to do.

It is a difficult and daunting challenge but getting it right is the key to the success of our economy in the coming decade and to supporting our vital public services.

3. A tough inheritance

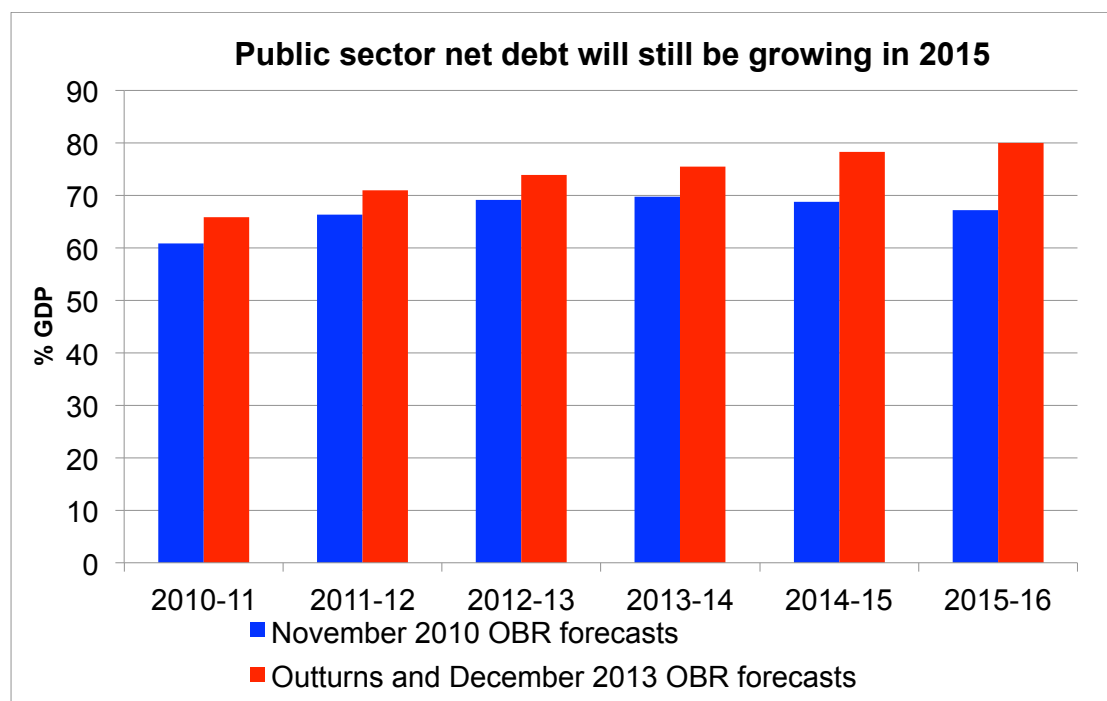
An incoming Labour Government in 2015 will face a country whose economy is much weaker than it should be, where families are still feeling the effect of a sustained living standards squeeze and where the budget deficit remains high.

The approach of the current Government has resulted in the slowest economic recovery for a hundred years and falling living standards. Meanwhile the cost and demand for many public services will have grown substantially. Labour will have to manage the public finances in a very challenging economic environment.

Three years of poor economic performance have made it harder to bring down the deficit.

This means an extremely difficult inheritance for a Labour Government in 2015. At the time of the 2010 Spending Review the Office for Budget Responsibility forecast that the deficit would fall to £18 billion in 2015-16. They now forecast it will be £79 billion, over £60 billion more than expected, even with the further deep cuts to public spending which the Government has announced.

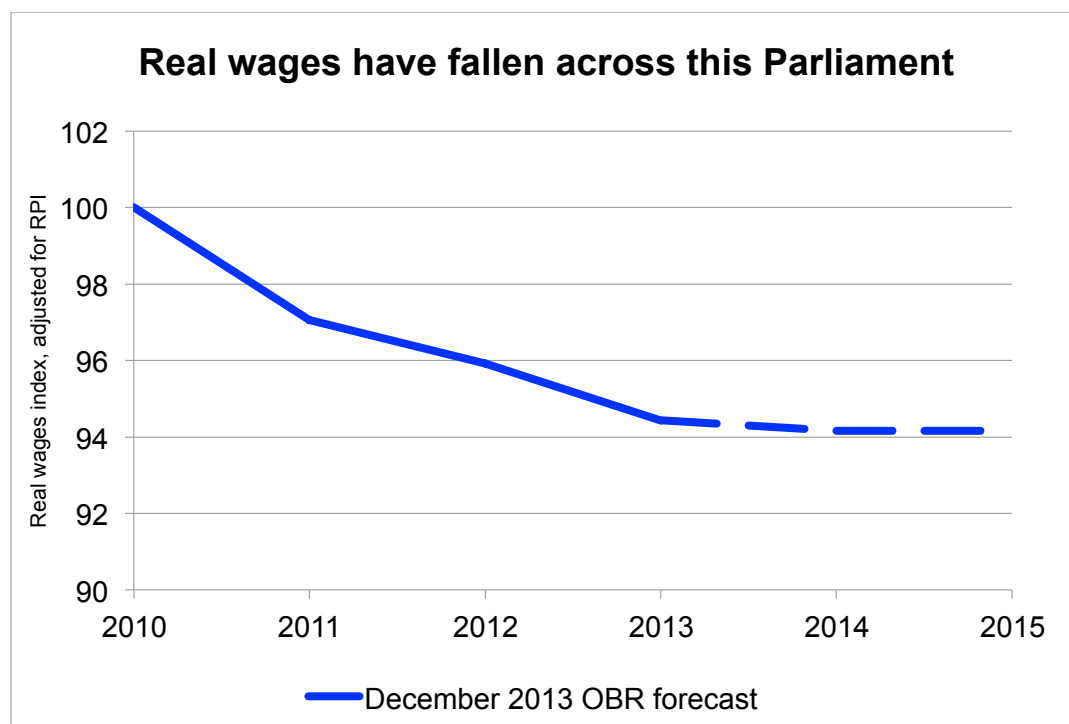
The long-term impact of this failure is rising public debt: from around 56 per cent of GDP in 2009/10 to 80 per cent in 2015/16. Public sector net debt will still be growing well into the next Parliament with the Government currently on track to break its fiscal mandate to get debt falling as a percentage of GDP by 2015-16. Labour will not only have to balance the books, but set a course for bringing the national debt down over time.



(Table: National Debt as a percentage of GDP)

Instead of supporting growth and living standards with a fair approach to the deficit the current Government has prioritised giving a tax cut to those with incomes of over £150,000, based on the mistaken belief that the route to a strong economy is tax

cuts for the wealthiest that then trickle down to everyone else. Ordinary families have borne the weight of deficit reduction, just as they face the cost-of-living crisis of falling wages and rising prices. The Institute for Fiscal Studies has said that “real median household incomes will be substantially lower in 2015-16 than in 2009-10”.



(Table: OBR outturn and forecast of real wages adjusted for RPI)

The last Labour government was able to plan its 1997 manifesto on the basis of rising departmental spending. The next Labour government will have to plan on the basis of falling departmental spending. Our challenge will be to bring the public finances back into balance, whilst supporting and reforming the public services the UK needs, and addressing the cost-of-living crisis facing UK families.

We will need an iron discipline and a relentless focus on our priorities. It is now time to identify those priorities and begin to test how they can be met.

With the deficit and debt now set to be much higher over the rest of this decade than anyone envisaged back in 2010, there will be no complacency from the next Labour government on deficit reduction and spending control.

- We will be cutting departmental spending in 2015-16 and not raising it, with no more borrowing to cover day-to-day spending;
- We will have tough fiscal rules to balance the current budget and get the national debt falling;
- We will have to make tough and difficult choices. For example we will have a cap on structural social security spending and go ahead with increases in the retirement age.
- We want every tax and spending commitment in our manifesto to be independently audited by the Office for Budget Responsibility

4. The Zero-Based Review: principles and timetable

We have already gone further than other oppositions at this stage of the Parliament and said that for 2015-16 - the only year the government has set out plans for - there will be no more borrowing for day-to-day spending. We'll have to be very tough on spending, but we will make different choices to the current government.

Labour has already set out some of our key priorities and some of the different choices we would make on spending. Labour's Zero-Based review of public spending is continuing to build on that work. This document sets out the principles of our approach and the timetable.

We will apply five overarching principles through our approach to spending:

1. We will use public money **more efficiently** - and seek efficiencies in every area of government spending
2. We will use all departmental budgets to **strengthen the economy** - supporting growth, job creation, innovation and exports
3. We will ensure **greater fairness** in the impact of spending - and will prioritise spending that prevents future problems
4. At the same time as increasing efficiency, the **quality and experience of public services must improve** - offering the speed, simplicity and responsiveness that people now expect
5. We will strengthen **accountability and transparency** across government - with clear efficiency incentives for all departments

Over the coming months each Labour shadow departmental team will prepare a report on Public Service Reform and Re-Design setting out how we will deliver better public services with less money in line with these principles. We will involve employees, charities, and the voluntary sector in our deliberations, as well as business and public providers. We will publish a summary of these reports next spring.

In parallel with this departmental work, we have already commissioned five independent cross-cutting efficiency reviews. These will feed into the departmental reform and re-design work, and into the wider Zero-Based Review process. This document provides an update on this work. The reviewers and the areas they will cover are:

- Alexis Cleveland CB, former Director General for Transformational Government at the Cabinet Office, advising on "making best use of information and communication technology"
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- Margaret Exley CBE, former non-executive member of the HM Treasury management board, advising on "streamlining, simplification, collaboration and integration"

- Baroness Jeannie Drake CBE, former Deputy General Secretary of the Communication Workers Union, advising on “the use of consultants and temporary staff, and wider issues in workforce deployment and capability”
- Ray Shostak, former head of the Prime Minister’s Delivery Unit, advising on “strengthening incentives and accountability for improving performance and efficiency”.

On the basis of this departmental and cross-cutting analysis, the Labour Treasury team will work with shadow departmental teams to identify savings and spending decisions for 2015-16 to reflect Labour’s priorities.

This work will then inform a full examination of every pound we spend, from within government and drawing on the full expertise of the civil service, which will be carried out in the first year after the election.

The review will cover all departmental spending, including any areas that we may choose to protect or ring-fence, because efficiency and prioritisation will be imperative across all areas of spending. It will include all Annually Managed Expenditure.

The requirement for a rigorous process has been reinforced by our announcement that we want the independent Office for Budget Responsibility to independently audit the costs of every spending and tax measure in Labour’s manifesto at the next general election.

Over the past year there has been a wide range of work that will inform the Zero-Based Review. Examples include:

- The work of the Shadow Health team and the local Government team on integrating health and social care
- The Local Government Innovation Taskforce
- The Defence procurement review which was led by Bill Thomas and Michael Dugher
- Procurement policy contact group led by Michael Dugher, Chuka Umunna and Chris Leslie
- The Stevens Review of policing and crime commissioned by the Shadow Home affairs team
- The Childcare Commission
- The Husbands Review of Skills
- The Armitte Review of long term infrastructure planning.
- The Lyons Review on housing and planning
- The Adonis Growth Review

Summary timetable

Phase 1 of the Zero-Based Review will involve the Shadow Chief Secretary and the Treasury team working with individual departments on a detailed response to the questions raised in this initial document.

Phase 2 of the work will then identify initial savings and switches to reflect Labour's priorities and report before our manifesto.

Phase 3 covering our first year in Government, will see the implementation of any immediate switches/changes to inherited plans and work on a full spending review for 2016-17 onwards.

5. Issues for the Zero-Based Review

Using public money more efficiently

The fundamental principle of the Zero-Based Review is that all spending is in scope and all budgets will be challenged. The review will cover all areas of public spending, including those that have been protected in the current Spending Review such as health - even where Labour chooses to protect the overall envelopes in these or other areas. All departments will be expected to find robustly quantified and deliverable efficiencies.

Efficiency means getting more for less, not just cutting what people receive from their public services. So the Zero-Based Review will consider inputs including resource spending, investment, capital assets and people, as well as outputs and outcomes. The review will prioritise major areas of expenditure and identify where public spending is currently achieving too little. It is not just a budget cutting exercise.

Key questions:

- *How efficient is spending in the areas that have been relatively protected, for example the large NHS and schools budgets?*
- *What are the key areas where departmental spending is not having the necessary impact, for example in reducing re-offending or increasing the proportion of young people in employment or training?*
- *Should we devolve and pool public service budgets from more than one department to local areas - for example health and social care - so that local areas can redesign services more efficiently?*
- *Can we do more to share resources within and across public services: for example can more schools make use of shared resources including back office service, professional development, and senior staff?*

The Local Government Innovation Taskforce

The Local Government Innovation Taskforce will seek to set out a new strategy for public services based on place, built on the innovations that are already emerging from local areas. Councils have been heavily hit by frontloaded budget cuts - with funding cut by nearly half on average. Across all areas of provision, public services designed in a different era are creaking under the weight of rising demand, dwindling resources and the increasingly complex needs of the most vulnerable in an ever more unequal society. The Local Government Innovation Taskforce will begin from the starting point of 'place', learning from the people who live and work in their own communities day in and day out. The Taskforce will consider how the relationships between all public services, organisations and people could be transformed if they were organised around local areas rather than institutional hierarchies.

Using public spending to strengthen the economy

Labour will work with business to support growth, job creation, innovation and exports. Government employs millions of people and spends billions of pounds with companies and in local economies. Yet this Government has squandered the opportunity to use its spending to support balanced and sustainable growth.

Public sector net investment has fallen to half its 2009/10 level under the this government and the coalition has done little to support industry with funding, vocational and advanced skills, and meaningful support for innovation and growth. As part of the Zero-Based Review all departmental budgets - not just the main economic and business departments - will be expected to demonstrate how their priorities support balanced growth.

Alongside the Zero-Based Review of public spending, Labour is carrying out reviews relevant to these issues including: the Skills Taskforce led by Chris Husbunds; the Adonis Growth Review; and the Wright Review of Manufacturing. The review will also be informed by the published findings of the Armitt Review of Infrastructure, the Sir George Cox review of short-termism in businesses and Labour's Small Business Taskforce.

Key questions:

- *How does each department's work support growth and job creation across the UK, what impact does this have, and what can be done within current budgets?*
- *Are the current arrangements for supporting domestic business growth and foreign investment - including grants, tax credits, and loan guarantees - efficient and effective? Can we reduce costs and increase take up by simplifying existing schemes?*
- *What is each department doing to make Britain a world leader in innovation and high technology goods and services?*
- *How does our public support for regional and city growth compare with the best in the world?*

Ensuring greater fairness, and prioritising spending that prevents future problems

The Zero-Based Review will consider the impact of the current pattern of spending and the spending decisions that have been made and seek greater fairness in the use of public spending. Even the Government's own analysis shows that the impact has fallen most heavily on lower income families, and independent analysis shows that women and ethnic minorities are also disproportionately affected.

Budget planning by this government has also been driven by the need to find short-term savings: from in-year cuts to the recent unprecedented single-year spending review. This makes long term planning difficult and blocks invest to save activity, for example to replace out-dated IT systems. It also militates against preventative spending that will have future benefits - for example in improving skills and helping

people back into work - especially if these will accrue to other parts of government. The Zero-Based review will take a long view of costs and benefits across the whole of government, not just within individual departments.

Key questions:

- *To what extent do departments invest to save and prioritise preventative spending rather than cutting budgets in a short-term way, for example in transport infrastructure, housing and offender management?*
- *Can we take a longer view of NHS savings to reduce acute care costs, focusing on prevention, emergency admissions, service redesign and the reduction of duplication?*
- *Where is the pressure for short-term savings leading to the excessive use of expensive agency staff rather than developing in-house capabilities?*
- *What is happening to the stock of capital assets including schools, hospitals, local amenities and infrastructure?*

Housing benefit

Thirty years ago for every £100 we spent on housing, £80 was invested in bricks and mortar and £20 was spent on housing benefit. Today, for every £100 we spend on housing, just £5 is invested in bricks and mortar and £95 goes on benefits. When not enough homes are built it is inevitable that tenants end up paying over the odds and so does the state through the housing benefit bill.

That's why Labour has proposed an innovative partnership with councils to make immediate savings. Councils including Lewisham, Liverpool, Leeds, Manchester, Sheffield and Birmingham have said they could bring down the housing benefits bill by negotiating lower rents with landlords through bulk purchasing. Such an approach would be part of a plan to control costs in the years ahead, and to encourage councils to deliver these savings they could keep some of them to build new homes.

Effective and efficient justice

The government has taken an inefficient and short-termist approach to the prison estate. When the government took office they cancelled Labour's prison building programme, including the cancellation of Maghull Prison in Merseyside, at a cost of £16 million. The Government has proposed spending £250 million on a 'Titan' prison in Wrexham. But with this not opening until 2017 it will do nothing to address the short-term crunch in prison capacity brought about by the Government's short-sighted closure programme.

Labour is determined to reform our criminal justice system. This involves taking a more tailored approach to dealing with offenders as well as the wider use of properly resourced restorative justice to promote a system of swift and proportionate punishment that nips anti-social behaviour and crime in the bud. Labour is also clear that we need to prioritise rehabilitation as the next step in bringing down crime rates even further and delivering a more efficient criminal justice system.

Improving the quality and experience of public services

People expect the quality and convenience from public services that they get from the best companies, where speed, simplicity and responsiveness go hand in hand with cost efficiency. Yet too often the citizen experience of public services is of inflexible hours, phone calls that are transferred from one person to another without resolving the problem, and out-dated paper based systems that are expensive, inconvenient and prone to errors. Public services need to not only be accessible, but to treat their users respectfully and professionally.

Labour believes that improving the quality, convenience and professionalism of public services have to be driving considerations in the decisions we make. Clearing up the mess that the current government is creating will involve a public service reform agenda that puts the needs of the public first. The Zero-Based review will identify opportunities for cost savings which at the same time improve services, including opportunities for further digitalisation.

Key questions:

- *How much of each department's interaction with citizens is online, self-service, and easy to complete? How can we digitise expensive manual processes in every area such as patient referrals and court documentation?*
- *What are the main government IT systems which are out of date, bespoke, or expensive to maintain?*
- *How can we reduce the number of times the same data is requested from citizens by different government agencies, without compromising data protection?*

Health and Social Care

The Government has wasted £3 billion on a top-down reorganisation. As a result of the reorganisation, 2300 managers have received six-figure-pay offs, and 2,200 NHS managers have been fired and rehired back in the NHS.

At the same time, Accident and Emergency departments are coming under greater pressure. More patients are having to wait longer than four hours to be seen at A&E, ambulances in every part of England are taking longer to reach the most serious 'category A' callouts and the NHS is having to cope with 'bed blocking' as collapsing social care services leave older patients unable to be discharged.

Strengthening accountability and incentives for efficiency

This government has increased central control over some of the processes of government and is refusing to take responsibility for others. For example, there is weak central oversight and accountability for overall departmental performance and the huge sums of public money their work represents. Instead the government has relied on 'arm chair auditors' and Departmental Business Plans that lack any clear accountability mechanism.

The pressure for public service performance is far weaker now than it was in 2010. The result can be seen in problems like growing hospital waiting lists and the failure of the Work Programme. The Zero-Based Review will consider whether the existing accountability arrangements and incentives are adequate to drive performance properly, and how they should change.

Key questions:

- *Are there sufficient incentives for efficiency and good performance and effective partnership between public and private sectors - rather than just budget cuts - in every public service?*
- *What savings look unsustainable because they are either increasing future demand, or simply shifting costs onto other public or private organisations?*
- *In what areas are different parts of government struggling to work effectively across organisational boundaries, for example to protect vulnerable children; or to support young people into employment; or to prevent reoffending?*

Change programmes and coalition vanity projects

Coalition reforms and change programmes which are part way through implementation will be scrutinised, testing the costs and benefits and considering whether these should remain priorities. A key example is building free schools in areas of surplus places whilst allowing a serious overall shortage of primary school places to develop.

Key questions:

- *Where has spending grown in each department, and across government as a whole?*
- *Which budgets within departments have been protected, and are these addressing the most important priorities? Do they represent value for money?*
- *What has happened to numbers of non-executive directors, senior civil servants, consultants and agency staff and senior staff remuneration and bonuses?*
- *Are major change programmes such as the Work Programme, NHS reforms, and the Universal Credit on track or failing to deliver value for money?*
- *How can costs be driven out in central government, for example through the better sharing of services and better financial management?*
- *How can spending liabilities be better accounted for, given failures by this Government in areas such as student fees and loans?*

Primary school places and Free Schools

The National Audit Office reports that 240,000 additional primary school places will be required by 2015. Yet at the same time as cutting overall education capital spending by 60% since taking office, this government has opened 174 free schools of which fewer than half are in areas where shortages are projected.

Failing to implement the Universal Credit

Universal Credit is significantly delayed, costs are rising and the government is unable to answer basic questions about how it will work.. At the heart of these problems is a lack of accountability for the programme, and a lack of transparency about the scale of complexity and challenge that it represents. The July 2010 Green Paper '21st century welfare' claimed that the IT changes that would be necessary to enable Universal Credit "would not constitute a major IT project." Since then over £40m of IT investment has been written off, with a further £90 million set to be written down over the next five years.

In December 2013 the government confirmed that Universal Credit will effectively not be rolled out until after the General Election. Instead of the previously expected 1.7 million people on Universal Credit by 2014-15, there are now set to be just a handful and in 2015-16, instead of 4.5 million there are expected to be just 400,000 - less than 10% of the original target.

Machinery of government

The number and size of agencies will be scrutinised through the Zero-Based Review. Does it really make sense to have separate costly management and bureaucracy for so many separate government departments, agencies, fire services and police forces all with separate leadership structures and separate specialist teams?

In local government the work of the Local Government Innovation Taskforce will ask many of these questions too. This will include testing progress on the integration of back office functions and the use of shared services and core business systems. The Independent Commission on the Future of Policing questioned the present structure of 43 separate forces, management structures and procurement methods, noting the importance of enhanced cooperation and collaboration

Key questions:

- *What departmental functions have grown, and can they be streamlined again to save money and increase effectiveness?*
- *Should some government functions or departments merge to reduce costs, increase capability, and improve performance?*
- *Can we make more efficient use of public assets such as health and education infrastructure, government administrative buildings, Job Centres, Post Offices, and Sure Start centres?*

- *Do we really need so many separate government agencies delivering services to motorists, or four separate criminal justice inspectorates?*

Spending pressures and Annually Managed Expenditure

The Zero-Based Review will examine both planned Departmental Expenditure Limits and also Annually Managed Expenditure (AME). Better management of costs across Department of Work and Pensions is a vital part of bringing costs down. We will introduce an overall cap on AME social security spending as a way of addressing the long-term drivers of social security spending, rather than simply the symptoms of rising costs.

Under this government, youth unemployment is still unacceptably high at over 900,000 and the number of people in part time jobs who want to work full time has risen again, to a record high of 1.5 million.

Labour would introduce a real jobs guarantee for young people who have been out of work for a year funded by a tax on bank bonuses. And Labour would also introduce a compulsory jobs guarantee for those adults who have been out of work for more than two years funded by restricting pension tax relief for the very highest earners on over £150,000 to the same rate as basic rate taxpayers. This would give people the chance to get back into employment, and bring down the costs of failure.

We support the triple-lock on the state pension, which the government has excluded from its short-term cap on social security spending. However, in addition and looking 20-40 years ahead, we need to ensure that pensions spending is sustainable and affordable for the long-term which is why we have said the retirement age will have to rise over the coming decades as life expectancy rises.

Key questions:

- *How robust are current departmental expectations of costs and demand, taking account of pressures including population growth, ageing, and input cost inflation?*
- *As part of an overall AME social security cap, should we devolve more welfare and employment related spending to local areas, incentivising local efforts to support people out of dependency?*

Delivering major projects more successfully

Through the Zero-Based Review shadow teams will be scrutinising major projects in their department; identifying and prioritising the projects with the greatest return and most robust business cases to bring forward; and challenging those with weak evidence of net benefits. We have already carried out a major review of infrastructure decision-making, led by Sir John Armitt, the Chair of the Olympic Delivery Authority.

Key questions:

- *How effective is the oversight of major projects and change programmes in each department, and how robust are the current business cases?*

- *Are some departments overloaded with large projects?*
- *Can we strengthen the delivery of major projects, whilst reducing costs, by creating specialist cross cutting teams that work across more than one government department?*

The Armitt Review

The Armitt Review has examined long-term infrastructure planning in the UK. The review identifies serious shortcomings across all the major infrastructure sectors of energy, airports, rail, roads and water. It particularly criticises the lack of a long-term strategic approach by government in these areas, and the lack of long-term budgeting and governance arrangements to deliver major projects successfully. The review recommends the establishment of an independent National Infrastructure Commission, on a statutory basis, to draw up an assessment of long-term needs, and to monitor the implementation of sector plans.

Improving the quality of public procurement

The quality of procurement across the public sector varies too much, and part of the problem is that there is still a fragmented approach with Whitehall operating in silos. The government has initiated some work on this, but it has been focused mainly on central purchasing of standard items like printer cartridges and a few common services. Much more of the total spend is for goods and services that are specific to individual departments.

The shadow frontbench procurement group is a joint initiative between the Shadow Cabinet Office and Shadow BIS teams. The group was established to share thinking and best practice and to look at the ongoing challenges in securing the best value from public procurement. A shadow minister from each frontbench team is part of the group. It is also developing effective ways of working across departmental teams, the lessons of which we can take into government.

Key questions:

- *To what extent does public procurement support the economy by using British suppliers?*
- *What are the largest contracts in each department, and how well are these performing in terms of their outcomes, costs and savings?*
- *To what extent is procurement in each department undertaken in a fair, open and efficient way, and what will make the biggest difference to the quality of departmental procurement?*

6. Cross-cutting Efficiency Review strands

The work of five cross cutting efficiency reviews will inform shadow department team's work and the wider Zero-Based Review. This section provides an update on these efficiency strands and highlights some of the key issues they are examining.

A. INCENTIVES AND ACCOUNTABILITY: KEEPING UP THE PRESSURE FOR EFFICIENCY AND REFORM

The government now spends over £700 billion of public money each year. Along with controlling the overall level of spending, it is essential that there is accountability for the results of this spending. The public have a right to know what it is getting from taxation. Yet at the moment there is weak management and poor central oversight of the performance of government departments. This strand of efficiency work will investigate **accountability for government spending**.

This government's fundamental control mechanism has been the budget cut: organisations have simply had to reduce spending in line with their allocations. However, there is little pressure to achieve efficiency and to think long-term rather than achieve short-term financial reductions. This strand of work will investigate **whether incentives are driving improved performance and good value for money**.

Questions being investigated as part of this work include:

- What incentives do public bodies have to **improve efficiency** rather than reduce outputs?
- How do ministers and senior officials **monitor performance in** their department, and how effective is this?
- To what extent does government **invest to save** and prioritise **preventative spending** rather than cutting budgets in a short-term way?
- Do different parts of government have the right incentives to **work together across organisational boundaries**?
- Is **inspection and regulation** driving efficiency as well as service performance in the right way?
- To what extent have **protected areas of spending** such as the NHS and overseas development aid, including protected areas within departments such as the schools budget, been subject to efficiency pressures?

This work is being led by Ray Shostak, formerly Director General (Performance) at HM Treasury, Head of the Prime Ministers Delivery Unit and international expert in public service performance.

B: STREAMLINING GOVERNMENT TO RELEASE SAVINGS AND IMPROVE SERVICES

Over the past three years the government has made changes to departmental structures that have cost more than they have saved, and have done so without

reconsidering the shape of government as a whole. Some parts of government – such as the Cabinet Office and the number of non-executive directors – have grown significantly. This strand of work is looking at how government departments and functions can be **streamlined, rationalised and integrated around citizens**.

Boundaries between different parts of government create wasteful and ineffective arrangements for **meeting citizen needs**. Three examples are: health, housing and social care services for the elderly; health, social services and education for vulnerable children; and the range of judicial and support services needed to deal with young offenders. This strand will investigate the opportunities for redesigning, integrating and streamlining such services.

Many parts of government replicate organisational arrangements provided elsewhere. This strand will look at the possibility of shared use of physical branch networks and government systems. It will look at how to make **cross-departmental teams** work.

Questions being investigated as part of this work include:

- Which aspects of the machinery of government have grown and been made more complex, and can be streamlined to save money and increase effectiveness?
- Can we make more efficient use of publicly funded **branch networks** such as Job Centres, Post Offices, and Sure Start centres to provide more services for the citizen?
- Should Government Departments share more services and how do we streamline the machinery of Government?
- Can we ensure greater forethought before embarking on major projects and de-risk the current portfolio of projects?

This work is being led by Margaret Exley CBE, former HM Treasury board member and expert in change management.

C: IMPROVING THE USE OF INFORMATION TECHNOLOGY

Information technology is central to public service delivery and forms a large part of government expenditure. Yet many government IT systems are out of date, inefficient, and expensive to run and maintain. Much of this activity is also contracted out to external service providers. This strand of work will investigate the **costs and performance of major IT systems and processes** across government.

Proper use of IT should reduce costs and improve the experience of citizens interacting with government. Yet many public services are still carried out in a way that is both inefficient in their use of IT, and inconvenient for citizens by requiring paper forms, manual processes, and repetitive data entry. There has been too little 'invest to save' activity to replace out of date systems, so that major parts of the public sector such as the NHS and courts system relies far too much on paper. This strand will explore **how IT can be used to increase efficiency and improve services**.

Questions being investigated as part of this work include:

- How much **interaction with citizens** is fully digital, that is online, self-service, and easy to complete?
- To what extent are **major government IT systems** easy for staff to use? What manual intervention do they require?
- How well do government **IT systems interact with each other**? What activity and information is duplicated in different parts of government?
- What are the main government IT systems which are **out of date, bespoke, or expensive to maintain**?
- What **new technologies** are the public sector not exploiting properly?

This work is being led by Alexis Cleveland CB, former Cabinet Office Director General, and expert in transformational government.

D. SAVINGS AND EFFICIENCY FROM BETTER PROCUREMENT

Central government procurement, excluding the NHS, totalled £45bn in 2011/12. This government is relying on large savings from procurement as part of its overall spending plans, largely driven by centralising procurement across government through the new Government Procurement Service. It also aims to increase the share of procurement going to small businesses. This strand will examine progress with efficiency in **procurement across central and local government**, and whether government is securing sufficient benefits from this spending.

Alongside the success of central procurement, this strand will scrutinise the performance and efficiency of **procurement in individual government departments**, which is where the great majority of spending takes place. The work will examine whether the right balance is being struck between flexibility and innovation on the one hand, and effective control and cost saving on the other.

Questions being investigated as part of this work include:

- How much procurement is carried out under **open competition**, through **frameworks**, or using the **restricted procedure**?
- What **joint procurement** has been undertaken with other departments, or shared between different organisations?
- What are the largest contracts in each departmental group, and how well are these performing in terms of **actual versus planned costs and savings**?
- How is **contract performance by suppliers monitored**; are there adequate systems in place to monitor their performance, and what challenges have arisen in dealing with contract performance issues?
- To what extent are contracts being let to **large, medium and small companies**?

- What practical steps has the department taken to **make procurement easier for small suppliers**? Are they getting a fair deal?
- Is **procurement undertaken in an efficient way**, using electronic tools and using simpler procedures for smaller contracts?

This work is being led by Professor Dermot Cahill, head of Bangor University Law School and procurement expert.

E. THE USE OF CONSULTANTS AND AGENCY STAFF

This strand of efficiency work will investigate **the use of consultants and agency staff**. Consultants carry out work that should be time-limited and outside 'business as usual' activity. Agency staff and interims carry out work that would normally be done by a permanent member of staff. Organisations can benefit from flexibility as well as new skills and knowledge brought by these staff. However, consultants and agency staff are often expensive, can represent bad value for money, and may reflect weaknesses in planning and capability.

The excessive use of contractors can reflect short-term budget pressures that prevent managers making sensible longer-term investments in recruitment, training and development of permanent staff. This strand will look at the impact of long-term contractor use.

As well as examining trends in the use of consultants and agency staff, this strand will investigate their management and what drives their use. The National Audit Office has identified weaknesses in the oversight spending on agency staff and consultants, so we will explore **how ministers know if their department or functions are delivering 'value for money'** in this area.

Questions being investigated as part of this work include:

- What is the **scale of agency staff and contractor use** in this departmental group, and what are they doing?
- What are the **gaps in skills and capacity** that drive the use of agency staff and contractors?
- What are the Departmental controls for **specifying, monitoring and managing performance** of consultants and agency staff?
- What controls are in place to ensure that **contract prices** for agency staff and consultants deliver value for money? How do actual costs compare to contracted costs?
- What are the **incentives** driving the use of agency staff?

This work is being led by Baroness Jeannie Drake, former member of the Turner Commissions on Pensions and former President of the TUC.

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