KEEP CALM AND CARRY ON REFORMING
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Editorial

Andrew Haldenby
Post-euphoria, pre-delivery

This autumn marks the point when the euphoric early days of Government give way to the long grind of delivery. Big questions on growth, banking, financial services and public sector reform need answers. Policy makers will find a lot of ideas in these pages.

Anthony Hilton argues that commercial banking must be separated from investment banking (p.6). Damian Collins MP wants clusters of high growth creative industries (p.17). Bjorn Saven explains that lower taxes for low and middle earners is compatible with reducing deficits (p.29). Jeremy Browne MP calls on the UK to think differently in response to the new world of Eastern competition (p.33). David Smith is confident that the UK can tap into global growth as long as it re-establishes itself as a “low tax, deregulated and flexible economy, a model we have hunched a long way from” (p.34).

The public sector has never faced a tighter spending outlook. Norman Lamb warns that the NHS faces a “massive challenge” (p.11). Dr Peter Carter says that “big questions require big solutions” (p.12). Mike Farrar wants NHS leaders to “up our game” (p.13). Bernard Jenkin MP explains the difference between command and control and strong central leadership, which is essential to any reform programme (p.25). Seth Thomas outlines the need to shape public services around individual citizens (p.26).

This autumn will see the first fruits of the Opposition’s policy reviews. Chris Leslie MP wants a very different set of financial services regulations to the Government’s (p.6). Andy Burnham MP wants new kinds of league tables and continuous professional development for teachers, to the point that teaching becomes a “masters-level profession” (p.21).

I hope this annual journal shows how Reform seeks to advance the policy debate. At the Party conferences and throughout the year, we bring together politicians of all parties, practitioners, business leaders and other opinion formers to discuss the key issues facing policy makers. Because the quality of our research is dependent on the quality of our networks, please do share your experience and expertise with us in 2011-12.

Andrew Haldenby, Director, Reform

Nick Seddon
Our mission

Last year the Coalition got the big call right by deciding to eliminate the deficit in the course of this Parliament. Despite turmoil around the world showing that financial markets punish countries that do not live within their means, some commentators are still calling for an economic “Plan B”, i.e. a retreat from public spending reduction and reform. Yet reform is “Plan B”. Plan A was the programme of very big public spending increases that began in 1999-2000 and aimed to solve the problems of public services and raise productivity with extra resources. Not only did it fail, it failed on such a scale that all parties now support radical action on public spending. The Government should stand firm.

This is particularly important given that there have been some major wobbles. Our 2011 Reform Scorecard criticised Government for inconsistencies and halfway house policies across and between departments. The weakest policies have proven most vulnerable. The Government’s Napoleonic retreat over NHS reforms, which would have opened the service to choice and competition, has contaminated other areas.

We aim to set the agenda for the future and have published heavy duty research on the things that matter, both tactically and strategically, for the country. Major reports this year have covered teaching quality, the costs of the welfare “money-go-round”, the long term outlook for the UK’s public finances, economic rebalancing, fairness, healthcare reform, reform of the public sector workforce, and case studies of turbo-boosted value in health, education and criminal justice achieved by involving the private sector.

Our outstanding events programme generates and disseminates important ideas. Speakers have included senior members of the Cabinet and Shadow Cabinet, permanent secretaries, FTSE 100 chief executives and chairman, and editors and columnists from major news outlets. For many of these events we have published transcripts which act as public records. Reform’s research and events generate outstanding media coverage. In the last year Reform staff members have written more op-ed pieces in national newspapers than any other thinktank – and we are frequently appearing on television and radio.

Over the coming year focus will be essential. We will continue to publish work on reforming the public sector to improve its productivity, looking at innovations that can deliver a lot more for a lot less. We will also continue to seek out reformers who are changing how they do things to deliver cheaper, better services. The economic debate will continue to be dominated by the themes of rebalancing and recovery, and we will lead the debate on growth with a strong research programme on financial services, tax, infrastructure and regulation. 2012 also sees Reform’s ten year anniversary and we will publish an anthology of writings by leading figures on the outlook for the next decade.

Change is hard, and it’s hardest for those who don’t want to change, but change is also important and it brings opportunities as well as pain. The reformers should “Keep calm and carry on”.

Nick Seddon, Deputy Director, Reform
Reform’s report, The money-go-round, reinforced its leadership on the issue of middle class welfare that began with 2009’s The end of entitlement. Writing in The Daily Telegraph, Reform’s Chief Economist, Dr Patrick Nolan, said that much welfare spending goes to people who don’t need it. “Public support was bought by handing out benefits, but they were paid for with taxpayers’ money.”


Reform’s Chief Economist, Dr Patrick Nolan, appeared on the Jeff Randall Show to discuss the Government’s Welfare Bill, stating that it was doing the right things in the wrong way. "The questions we should ask are whether the reforms will work in practice and whether they are value for money? The answer to both is no".

Reform held three major conferences on value in local Government, value in policing and disruptive innovation in healthcare. Speakers included Caroline Flint, Shadow Secretary of State for Communities and Local Government.

Shut failing hospitals, says nurses’ union chief

Affiliates make ‘brave’ decisions for NHS

"You have to get out the big tent"/KPMG Reform

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January
Reform was one of a number of think tanks profiled in The Independent, described as “centre-right free-marketeers with influence across the political divide, focusing on delivering public services more cheaply”.

February
Reform’s 2011 Scorecard marked departments against the Prime Minister’s principles of reform. Nick Timmins, the Public Policy Editor of the Financial Times, wrote: “Plans for the reform of policing from the Home Office are the only coherent part of the Government's sweeping agenda of public service change, the pro-market think-tank Reform said on Wednesday.”

March
Reform published a new research paper, The Fairness Test. Andrew Haldenby, Director of Reform, wrote an op-ed in The Daily Telegraph on the Government’s use of the term “fairness” to endorse ideas and policies that are inherently unfair: “We all try to treat others fairly and we expect the same in return. But it becomes a problem when fairness is used as a battering-ram to force through much more damaging ideas, some of which actually worsen the position of less well-off people.”

June
The Times’ front page reported comments by Dr Peter Carter, General Secretary of the Royal College of Nursing, on the need to close more NHS hospitals.

July
Reform hosted the launch of the Government’s Open Public Services White Paper. The Prime Minister, David Cameron, called for an end to top down provision and pledged to put people in charge of their public services.
Crisis

Reform comment

Four years on from the start of the global financial crisis, the debate over a new regulatory framework for the sector continues. The interim report of the Independent Commission on Banking set out what could be described as a measured approach to regulatory reform. The final report is expected to recommend ring-fencing some of the banks’ activities to provide a barrier between the retail, wholesale and investment arms. How this would impact on banks’ abilities to provide capital for growing businesses is unclear.

As well as a question mark over the breaking up of the big banks, there is a debate around whether there is sufficient competition in the sector and whether new business models are needed. These may include ideas such as an end to free personal banking which has long been recognised as an anomaly, or indeed far more fundamental change. The RSA’s Matthew Taylor has called for a more radical model of financial services which addresses both social responsibility and profitability.

The Government has also said that it wants a greater culture of responsibility within the financial sector to enable individuals to take more responsibility for their own financial decisions. In an era of fiscal consolidation, we might expect more active individuals to make more use of financial services – for example, through greater personal savings or insurance policies to contribute towards the costs of healthcare and long term care. For this to happen, the industry must recover the trust of society and be allowed to continue to innovate and grow, to remain a major engine of the UK economy.

Lucy Parsons, Research & Corporate Partnership Director, Reform
Reform of the financial sector is vital to put the UK’s economy on the path to stable and sustainable economic growth. Banks can play an important role in stimulating business growth, but we know that the debt fuelled boom in the middle of the last decade led to the recession. Our goal is, therefore, to reform the sector so that it can promote growth, jobs and wealth creation.

Ed Balls designed a system of financial regulation that failed spectacularly during the financial crisis. We will address these failings by scrapping the FSA and giving the Bank of England greater responsibility for financial regulation. The Bank’s Financial Policy Committee will look for systemic risks to financial stability and have the powers to address them. A new subsidiary of the Bank, the Prudential Regulatory Authority, will be pro-active and use its judgement and discretion to supervise the safety and soundness of banks, building societies and insurers.

But regulatory reform is not enough. Last month, the Independent Commission on Banking published its final proposals on improving the stability of the UK banks. The goal of their proposals is to make sure that banks are less likely to fail and, if they do, action can be taken to minimise the impact on the economy and to make sure that it is private investors not the taxpayer that picks up the bill for failure.

Our work at home is complemented by international reforms which recognise that the global interconnectedness of banks and economies presents specific challenges to financial stability which need to be tackled with new rules on capital, liquidity and crisis management.

Because we believe that banks operating here should make a financial contribution to recognise the risk they pose to the UK economy, we introduced the Bank Levy which will contribute £2.5 billion every year to the Exchequer, raising more than Labour’s one-off Bank Payroll Tax. The levy complements our reforms by penalising those banks that depend upon short term sources of funding.

Whilst as part of rebalancing the economy banks shrink their balance sheets as businesses and households pay off debt, banks must be able to lend to viable businesses. That’s why we agreed lending commitments with Britain’s biggest banks of £190 billion for all businesses, including £76 billion for SME’s. This is a clear signal that banks have the capacity to lend.

By reforming the regulation and structure of banking both at home and abroad, we can help improve the resilience of our banks. This added strength means that they should be able to contribute to growth by lending to business and expand their activities without posing an increased risk to the stability of the economy.
Chris Leslie MP: Time to put the real economy ahead of the Government’s political strategy

We should have expected by now to be in full economic growth “mode”, with UK plc motoring back into the prosperity league and generating revenues to bring down the deficit as a result. Sadly our Chancellor of the Exchequer, with his eyes firmly fixed on political strategy, has choked off the nascent recovery that Britain was developing around the time of the last General Election.

Having taken his eye off the ball in favour of an economically risky deficit reduction plan which goes too far and too fast with tax rises and spending cuts, the year ahead could well be one which sees borrowing rising rather than the deficit significantly repaired. Even the IMF, normally supportive of the Government of the day, have started to ring the alarm bells and warn the Treasury that it needs to make contingency plans should the negligible rate of growth continue at its present course.

While the economy continues at a sluggish pace, the importance of getting real bank lending to business is higher than ever. Instead the banks are busier rebuilding their own capital and protecting remuneration for senior executives, with bonus pots barely changed. The so-called “Project Merlin” deal between George Osborne and the banks has turned out to include a series of loopholes and caveats which render the deal virtually worthless; “gross” lending targets that take no account of banks calling their loans in, variable definitions of what an SME is from bank to bank, and no action on the high and rising cost of loans to UK small firms.

Any bank reform agenda must of course take heed of the structural recommendations of the Vickers Commission, but we need banks that serve the real economy, help to fuel investment in business success, banks that put the customer interest first and which are a sustainable and long term part of the country’s economic future. We need a healthy financial services sector and a UK Treasury that wins over the EU and international institutions.

Instead we will spend the next year legislatively for a new set of regulators which don’t integrate neatly with the existing European supervisory bodies and which risk placing serious powers in an unaccountable framework. Rather than focusing on his political reputation as a public spending hawk, the Chancellor needs to recognise that actions to boost growth and rebuild a functioning banking sector are needed now.

Anthony Hilton: The over-mighty subject

The world is going through a second industrial revolution – but compared to the British original this one involves nine times as many people and is happening three times as fast. Such shifts in the world’s tectonic plates – whether geological or economic – can never be wholly smooth or easy. The changing pattern of trade has caused huge surpluses in Asia and deficits in the west. Recyling this unprecedented volume of capital has swamped the world’s financial system. The financial crisis is a result of the errors made in the attempt – most notably by the lending of capital on a grand scale to both individuals and latterly Governments who have not the wherewithal to pay it back.

The crisis will be with us in some form or another as long as the imbalances are so huge and destabilising. To get rid of them, or at least reduce them to manageable size, Governments are going to have to co-operate a lot more. Surplus countries are going to have to export less and consume more, so the deficit countries can export more and consume less. But the existing policies are deeply embedded in the different national psyches. Change in essence will require the Chinese to stop being Chinese, the Germans to stop being Germans and the Americans to stop being Americans. That is a big ask.

So crisis over? I don’t think so. But with intelligent reform it could move to a new, easier to handle phase. A difficult situation has been made much worse by a financial system – or more accurately a banking system – which has forgotten that finance is supposed to be the servant of the real economy, not an end in itself. We live in an age where financial products are created, not because they have any real economic purpose, but because they can be sold at a profit; where the costs of the system (the amount skimmed off in fees, charges and expenses) is so great that it has undermined either buy or intimidate those who are supposed to be its political masters.

The solution is to separate commercial banking from investment banking. Banks
should be either lenders to business, or traders in the securities markets on their own account. It is too dangerous for them to do both – to mobilise their deposit base to gamble in the markets and whatever benefits the combination brings is now outweighed by the costs of instability.

Our challenge today is that the banks today behave like trade unions did before they were broken by Mrs Thatcher. They have a similar oligopoly which allows them to abuse their market power in the pursuit of narrow self-interest, regardless of the distortions such actions cause. So our crisis will not be properly over until we find a modern day Thatcher with the courage to take them on.

Anthony Hilton, Financial Editor, Evening Standard

Otto Thoresen: What do the next 12 months hold for financial services?

“Crisis” is an overused word in modern political life but it remains an appropriate description of the events of 2007 to 2008 and the very significant aftershocks. As the summer turbulence of the markets demonstrated, we are finding our way through a set of economic, regulatory and financial challenges that faced since the Second World War. Some of these challenges were created by the crisis, others were merely exposed by it.

So what does the future look like for financial services? Five key enduring impacts are clear to me:

- The increasing dominance of EU-driven regulation. This has been accelerated by the crisis and will be a permanent legacy. Financial services providers now need to understand the EU in a way that seemed optional even five years ago. The single market remains a massive opportunity for UK insurers, banks and investors but the rules of the game are increasingly refereed by EU regulators and politicians.
- The increasing dominance of consumer regulation in the UK. Of the UK regulatory changes designed by George Osborne and Mark Hoban, the creation of a new Financial Conduct Authority to regulate consumer issues remains the most important. This new body will have teeth and high level political backing. It will therefore accelerate the focus on consumer-centred financial services that insurers, for example, have been taking seriously for the last five years.
- This will be a low growth economic environment for the foreseeable future. Investment in product innovation and new jobs will therefore be a challenge. Low growth will affect general insurers differently from life insurers just as the focus of banks and asset managers will vary. But all will look to retain more of their customers and cross-sell more.
- The role of the State is changing. With less growth, the affordability of an ageing population and the State’s current protection benefits are key challenges, as is investment in long term infrastructure. Insurers have a key role to play here in being part of the solution whether tackling long term care provision or long term investment in Britain’s assets.
- The relevance of financial services products has increased. Despite the reputational damage, the need for savings, private protection benefits, decent general insurance cover and expert asset management has all been reinforced sharply by the crisis.

Otto Thoresen, Director General, Association of British Insurers

Iain Anderson: Finance and growth - dialogue of the deaf

As the Eurozone crisis and the US debt cap debate escalated over the summer into an on-going market crisis, it remains hard to see where trust and confidence in the financial sector can spring from. The challenges facing finance seem as hard now as they were back in 2008. For much of the past three years we have witnessed a “dialogue of the deaf” between the sector and many policymakers.

Much of this continues to stem from the unwillingness of global policymakers to put in place fundamental reforms to the settlement around public finances. And we are still in a situation where policymakers would rather point the finger of blame at finance rather than themselves for their own inability to take the tough decisions. Just what will it take for a new dialogue to emerge between finance and Government? For me the answer lies in the core question – where is growth going to come from?

The Independent Banking Commission has laid out its prognosis for banking reform. But I believe it has failed to address the need for a new settlement between finance and Government? For me the answer lies in the core question – where is growth going to come from?

The Independent Banking Commission has laid out its prognosis for banking reform. But I believe it has failed to address the need for a new settlement between finance and consumers. The UK Government now has an opportunity to re-frame the Vickers’ conclusions to ensure any reforms to UK banking actually pave the way for the growth trajectory we all so earnestly hope for.

Equally, Westminster returns from the party conference season to tackle financial regulatory reform. It is important in this debate that the focus remains on ensuring reforms to the oversight of the sector allow credit to flow and savers to save. Without that inherent link between finance and growth being established for the long term, then nothing will have been established to drive confidence and dialogue once again.

Building Cicero Consulting’s business in the United States at the moment I am talking to customers and policymakers in Washington on an almost daily basis. But while the headlines remain difficult, it seems to me there is a more candid dialogue about how to link finance to everyday economic concerns.

Empowering finance to deliver for the economy must be front and centre of the Government’s planned reforms. We will not get this chance again for a very long time.

Iain Anderson, Director and Chief Corporate Council, Cicero Consulting

Mark Florman: Restoring pride in the industry

The stark reality is that the crisis will not be over until we return to strong, sustainable economic growth. Whilst we await that point, the prevailing narrative for financial services will be hostility, whether it be outrage on remuneration or deaf ears turned to pleas for regulatory leniency. But there is hope. The British people do not crave absolute equality in the same way as our continental cousins. What they crave is fairness.

Until the financial crisis there was widespread acceptance that financial services were successful, made an important contribution to the UK and as such were praised by politicians and tolerated by their electors. But the crisis changed that attitude and created the perception that the City’s success had come at the expense of the wider economy rather
The focus on the financial sector rightly remains one of reform and change – and significant changes have and are being made by policymakers, regulators and firms themselves. But with economic recovery remaining weak in the UK, and with several of our European neighbours enduring severe economic difficulties, it is crucial that a vibrant financial sector plays a positive role in economic recovery.

The country needs the financial services sector to restore the confidence of savers and investors in the stability of the financial system, and provide opportunities for them to grow their wealth. It needs to find innovative ways to invest in high-growth businesses. For example, whilst bank lending generates a large share of headlines, less than half of the UK’s SMEs actually use bank finance: equity investment and other forms of credit are more important for many businesses.

As the UK’s leading export sector, financial and professional services firms can tap into high growth emerging economies across the globe to secure the country’s prosperity in the 21st century. The UK needs to grow all sectors of the economy: a policy of diversifying away from the UK’s most successful international sector is unlikely to lead to sustainable growth.

Whilst the UK has taken the lead on many fronts in the financial reform agenda, such as the remuneration code and the Independent Commission on Banking, we should not lose sight of the fact that the overwhelming majority of rules and regulation governing the financial system are made by the EU, not in Westminster. The

Howard Miller: A vibrant financial sector

Howard Miller, Director of Policy & Public Affairs, TheCity/UK

Mark Florman, Chief Executive, BVCA

UK, European and global initiatives enacted since 2008 must now be implemented, with their impact on consumers and businesses carefully assessed.

Alongside our members, TheCityUK is participating in the debate with UK and European policymakers on how the sector can help the UK and European economies continue to attract international investment, compete in overseas markets, and remain attractive for entrepreneurs and other highly skilled people to pursue business opportunities. In short, the sector must be able to generate the vision for sustainable growth and long term prosperity.

Louise Shield: Genuine partnership between Government and business

Louise Shield, External Communications Director, Group Corporate Centre, RSA

It seems that every day there is speculation about the crisis nearing its end and the much hoped light at the end of the tunnel. Sadly, such hopes are premature and several hurdles stand in the way of a return to long term sustainable growth. Not least of these is clarity on the way forward. The debate on recovery has inevitably focused on regulation, which will no doubt be part of the answer. But our mantra has always been better regulation not more. As the new regulatory structure takes shape, it is important that this principle is applied consistently and the fundamental differences between banking and insurance are taken into account. Just as importantly, though, any sustainable solution to the crisis must be based on a genuine partnership between Government and business which recognises the issues, challenges and opportunities that both the public and private sector face.

As an industry we remain committed to helping drive recovery and supporting growth, offering peace of mind to our customers and, in the aftermath of the recent riots and flash floods, being there when it matters most. This is a role that we relish but not one that will be able to continue to play in the same way without the Government recognising the changing nature of the risks that we face. Society, for example, is now more litigious than ever and our environment is changing because of climate change – these are realities that we are dealing with every day and are significantly impacting our customers. Government policies on key areas such as flooding and referral fees must be updated to reflect this.

We cannot allow the crisis to stop debates on these crucial areas and to prevent essential changes being made. Crisis or no crisis we will continue to play our role in driving debate and behavioural change. Whether its environmental risk, renewable energy, the compensation culture or the dangers of “driving blind” we aim to get people to rethink day-to-day risks. Perhaps if bankers and others had done this we wouldn’t be in the crisis we are today.

Louise Shield, External Communications Director, Group Corporate Centre, RSA
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This Parliament will be the most demanding in the NHS’s history. The NHS Future Forum and the Government’s response has marked the “end of the beginning”. After the debate on the Health and Social Care Bill policy makers need to address the unavoidable truth: the NHS is living beyond its means.

The health service is under unprecedented financial pressure. Over the course of this Parliament the NHS needs to achieve annual efficiency savings of four per cent, or £5 billion per year. Neither the NHS, nor any other health system in the developed world, has delivered such a “productivity miracle”. However these financial pressures are not a short term problem. The rising costs of healthcare, driven by rising expectations, an ageing population and the cost of new treatments, have become unsustainable.

Making healthcare affordable should be the focus of policy makers, but the debate has become fixated on the Health and Social Care Bill. Rather than being honest about what health system England can afford, politicians and NHS leaders have argued about the role of Monitor and local authorities, which doctors should be commissioning medical care, and the benefits of competition versus integration. What a cost effective health service might look like has been lost.

Going forward politicians now need to champion a high productivity health service and to be honest about what that means. There is now an urgent need to address the sustainability of England’s hospitals, how to improve the productivity of doctors, and the role of individual contributions to healthcare. The alternative is the inevitable bailout of the NHS, something that the country simply cannot afford.

Thomas Cawston, 
Senior Researcher, Reform
Departments right across Government are facing a tough financial situation, and Health is no exception. Despite the Coalition Government’s commitment to ring-fence the budget, it is clear that the NHS faces a massive challenge.

Health costs are rising every year due to our ageing population, the development of new medicines and the challenge of “lifestyle conditions” such as obesity. So, even with the budget protected, it is imperative that we find ways of making the money go further, making the system more efficient. But we must not assume that this financial challenge cannot be met. Necessity, they say, is the mother of invention. The potential exists to achieve more with the resources available.

In terms of social care, we clearly need to address the funding issue following the helpful Dilnot report, but can we also be smarter in the way we commission care? Getting the financial incentives working more effectively to improve health and wellbeing, and promote independence is surely a real priority. For example, providers should be incentivised to install telecare rather than this being commissioned separately.

Across both health and social care, innovation in service delivery and more integrated care focusing on those with long term, chronic conditions will be key to securing both better care and more efficient use of resources. According to the last Government’s own figures, productivity in the NHS actually went down on their watch. The organisation NESTA makes the point that if the public sector managed to match innovation in the private sector over recent years, there is the potential to make significant savings. We must be open to new thinking.

Bringing care closer to home through integration between health and social care, with a focus on preventing ill health, will reduce costs as well as improving people’s experience of the system. We are tackling a major economic crisis. We have to respond to that crisis by encouraging creativity and engaging all those working in health and social care in the challenge of delivering more with the resources available.

Normal Lamb, MP, Chief Parliamentary and Political Advisor to the Deputy Prime Minister

Mark Simmonds MP: Difficult decisions ahead

The Coalition Government has protected departmental expenditure on the National Health Service but the “Nicholson Challenge”, demanding savings of £15-£20 billion by 2014, is rightly focusing minds. Despite universal political support, the NHS is not an efficient organisation. The last decade has seen poor productivity, especially in our hospitals, and ways must be found to deliver a greater proportion of the resource allocation to front line patient care. Resources must be refocused and realigned to drive quality and patient outcomes.

The Government has rightly started to tackle some of this; over powerful and large administrative structures, too little clinical engagement in commissioning, and the beginnings of expansion in patient choice via competition. All of these will help. The key component is
quality of service and outcome, not the type of provider.

The NHS must become more centred around the needs of the patient, allowing greater and faster access, more integrated care where appropriate (competition and integration are not mutually exclusive), much more focus on prevention and public health, and a greater emphasis on employer incentives strengthening workforce health. Serious attempts need to be made at reducing health inequalities and finding ways to allow patients to remain at home with appropriate support. All too often patients are unnecessarily treated in the acute sector.

Dramatically improving quality of care will require a relentless determination both by Government and clinicians to ensure that resources are finding their way to patient care. We will need focus in areas which have not yet seen any significant improvement; ineffective use of NHS real estate, a shambolic procurement system (where there are huge savings to be made by a more sophisticated and transparent approach), and much greater, easily accessible, communicable information driving patient choice and quality standards. There needs to be a focus on decommissioning poorly performing services, and commissioning alternative providers, where in some cases new players take over failing services, with clinicians playing a leading role. There needs to be a drive to reduce the significant wastage in medicines. Patients and GPs both have a responsibility.

The most difficult change to be made is to alter the culture to move away from the current risk-adverse atmosphere prevalent in too much of the NHS, and facilitate and encourage innovation, dynamism and allow openness to new ideas and working practices to flourish. This will involve some difficult decisions which clinicians will have to front, particularly as it relates to reconfiguration of services.

The NHS is a national religion and as such deserves our wholehearted support, but if it is to survive as a taxpayer funded service, free at the point of use, based on no need to pay, it must change. The Government must not be deflected on vital NHS reforms, and must deliver better quality healthcare to patient as well as better value for money for the taxpayer.

Mark Simmonds MP, Co-Chair, Associate Parliamentary Health Group

Dr Peter Carter OBE: Ideas with ambition to match

£20 billion, it’s a lot of money; no one can deny that. It’s approximately twice the annual size of the entire Home Office budget, including spending on policing and around ten times the size of the Foreign Office budget. Any organisation, no matter how well-run, would struggle to save that amount of money in just four years. The NHS has been tasked with doing just that.

Despite political rhetoric to the contrary, deep efficiency savings are being made across the health service, in all parts of the UK. The term “efficiency savings” is, however, a misnomer. There are undoubtedly parts of the NHS that are inefficient, show me an organisation employing 1.3 million people that isn’t, but it’s not inefficient to the scale of a fifth of its annual budget.

What we know, from analysing the state of the front line, is that cuts are currently being made that will impact on the standard of care. Cutting jobs, closing services and moving specialist staff away from their patients – all are being seen right now and all will hit patients hardest. If we’re to save money in the health service whilst maintaining the quality of care, we need to be radical. We think to throw out the rule book, think differently and, in some cases, start again.

We mustn’t be afraid of taking a long, hard look at the way we provide patients with the care they need. Take for example, diabetes, a disease which costs the NHS an astonishing, £1 million every hour, or £9 billion each year. Currently, vast amounts of money are spent on treating patients in hospital, a situation which is more expensive for the health service and less convenient for the patient. We know that specialist diabetes nurses, who care for patients in their home, save thousands of pounds every year because they prevent the need for re-admissions and reduce complications. The bespoke service they provide leaves patients feeling better and means that what might have been three hospital admissions a year reduces to just one, relieving the strain on the front line. More investment into community based, specialist services is a pragmatic and long term solution to reducing the vast amounts spent on acute-based care.

Whilst we have serious doubts that the intended level of savings is even possible, big problems require big solutions; and a target as large as the one presented to the NHS needs ideas with ambition to match. Investing in specialist services, empowering staff to innovate and looking at how we deliver non-urgent care are the order of the day.

Dr Peter Carter OBE, Chief Executive and General Secretary, Royal College of Nursing

Mike Farrar CBE: Upping our game to keep the NHS viable
When questioned in our annual poll this summer, NHS leaders said the financial challenge facing the NHS was either very serious or the worst they had ever experienced. Flat budgets and cuts to social care led many to warn that access to services was likely to be affected.

But they also said this was not a counsel of despair. NHS organisations have plans in place to hold on to and improve the hard fought gains they have made over the last decade. While access was a significant worry, most predicted an improvement in the quality of services offered by their organisation in the near and medium term.

Making these gains will mean changing the way we offer services so we use resources more efficiently. For example, many NHS organisations are planning to move services into the community so services are closer to patients. This will often mean closing down hospital capacity elsewhere. The NHS locally will need to make some very tough decisions about which services it might need to keep and which to close.

In making these tough decisions leaders in the NHS – and it is not just about managers as this includes senior clinicians – need to make the case for change more effectively than we have done in the past. Most importantly, however, we need politicians and policy makers to support us. In many parts of the country the case for change has been made – often repeatedly – for years.

If we are to keep the NHS viable, we all have to up our game. More efficient care is better care and together senior clinicians, managers and politicians need to work together to support change for the benefit of patients.

Mike Farrar CBE, Chief Executive, NHS Confederation

Dr Mark Britnell: Fresh thinking

The NHS is one of the highest performing health systems in the world but it has to innovate like never before if it is to truly thrive and not just survive over the next decade. The long term well-being of the NHS is inextricably linked to the competitiveness of the UK economy and we have the opportunity to create the most cost and clinically effective service in the world. This will require a different mind-set from politicians, policy makers and practitioners in the way we manage health.

First, the good news. The recent Commonwealth Fund report on high performance health systems ranked the UK highly, coming second only to the Netherlands on a range of indicators in equity, efficiency and effectiveness. Further, a recent report comparing 19 developed countries mortality rates suggested that the NHS was one of the most cost-effective systems over a 25 year period.

Now, the bad. Both reports noted above also suggest that there is ample room for improvement. The Commonwealth Fund points to our relatively low levels of “patient centred care” and the mortality rate report indicates that we can be better when compared to some European countries. We know that our cancer survival outcomes can be improved and the startling revelation that a person born in England today has a 30 per cent chance of living to 100 (compared to a 0.6 per cent probability in 1911) suggests that fresh thinking and better care and business models are vital.

Our healthcare systems were designed around a 20th century burden of disease and not necessarily one which is best suited to a dramatic increase in ageing, chronic disease and rapid technological advancement. Although a joke that “in America, some patients see death as an option not an ultimate destination”, we all know that most patients in developed economies expect more. We would demand nothing less for our loved ones.

It is possible to make the NHS more cost and quality effective and the £20 billion “efficiency challenge” is achievable. New care and business models that apply the best elements of integration and competition, public and private provision can boost our international competitiveness and make the NHS the envy of the world once again.

Dr Mark Britnell, Chairman and Partner, Global Health Practice, KPMG LLP

Amy Pott: Developing true partnerships - now is the time

We’ve all been through the listening exercise, but are we learning? There is no doubt that providing efficiency and delivering savings are driving the current behaviour of the NHS. Is the NHS all doom and gloom? Absolutely not. At Baxter, we believe now is the time. Now is the time to find long term solutions that provide quality patient outcomes and cost savings. Now is the time to develop true partnerships that can deliver the new reality of the NHS.

This doesn’t necessarily mean innovation on a grand scale. Often, it requires the ability to find existing solutions to recurring problems. It means understanding your patient base, designing clinical pathways that maximise health outcomes and opening your mind to the potential of building a strategic partnership – that can deliver all aspects of care.

Healthcare companies like Baxter understand the value a strategic partner can bring to aid transformational behaviour. Acceptance that industry can
play a critical part of healthcare transformation could provide the disruptive innovation that commentators believe the NHS needs to embrace, if it is to meet the Nicholson challenge. And it’s not a bad challenge. It’s not bad for industry to prove the value of their solutions, and demonstrate understanding of the wider implications of healthcare provision than just providing a drug or a device. It’s not a bad thing either that the NHS is having to explore different ways of delivering care and find ways to overcome perverse incentives, deliver choice, and meet the needs of an ageing society. True partnership means building solutions that benefit patients.

Baxter Healthcare has been a major supplier and partner to the NHS for over 50 years, providing products and services – be it in the home or in the hospital. Understanding the barriers to implementation and finding broad solutions for the NHS is core to our new “Evolving Health” programme. We want to build solutions that aren’t based in individual pilots, but that demonstrate whole system change. Healthcare is evolving. Let’s work together to deliver long term solutions. Let’s develop true partnerships together. After all, now is the time.

Amy Pott, Director of Market Access, Baxter Healthcare UK

Stephen Collier: Working side by side for better health

There is no shortage of indications that the funding model that has served the NHS for 60 years may not survive the next few terms of Government. In its 2011 Fiscal Sustainability report, the Office for Budget Responsibility shows a scenario where Public Sector Net Debt would have to rise to more than twice GDP if future governments were to raise per capita health spending by 3 per cent per annum (lower than historic medical inflation). Similarly, the recent social care report makes it clear that the State cannot alone afford to fund social care.

The choice faced by the current and future Chancellors is clear – ration consumption or tap alternative sources of funding – but in our view the problems of the NHS should not be seen as insurmountable. As an acute care provider and an observer of local healthcare markets across the UK, BMI endorses a mix of both options and flags the need for thought now, to ensure workable models for the future. Less treatment is not necessarily worse treatment. And greater spend doesn’t necessarily equal better outcomes: lifestyle factors aside, the OECD reports that Japan enjoys lower infant mortality and higher life expectancy than the UK (with 16 per cent higher spend), Norway (128 per cent higher) or the US (182 per cent higher).

Placing rationing responsibility in the hands of GP Consortia was a sensible step towards improving productivity. The first step, therefore, is to manage demand and optimise the effectiveness of current spending. But these measures alone won’t fill the £40 billion gap projected for 2041 by Reform in its paper Old and broke. To some extent, the health needs of an ageing nation can only be met with a larger purse. Happily there are two funding routes available which can and should contribute to the health needs of future generations. The Department of Health’s initial forays into co-payments for high cost drugs, and now personal health (and social care) budgets, look like the tender shoots of a pragmatic solution for policy makers. Co-payments offer the potential for enabling the individual’s wallet to supplement state funding. Provided quality outcomes remain available free at the point of care for those in need, the Government should not be afraid to explore topping up from those who are able.

Secondly, whilst personal health budgets for mental health and diabetes are still in their infancy, similar mechanisms are already in widespread (and relatively successful) use by local authorities for social care needs. Research from the NHS Confederation suggests they are attractive to a significant number of patients, even before details such as overspending consequences have been fully addressed. Some combination of these would give the individual some “skin in the game”, more control and accountability for their consumption of public healthcare, and an option of supplementing state funding with individual top ups.

As an independent provider, BMI is well placed to see how a continuum between private health insurance, social care insurance and personal payment might develop. The Government, working side by side with the NHS and the independent sector and local Government must now get to grips with these issues or risk losing control of the opportunity.

Stephen Collier, Group Chief Executive, BMI Healthcare

Mark Rogers: Preventative support needs continued investment

Specialist support services have long been established in education and for young people with special needs. However, they also have huge potential to allow older people and vulnerable adults to live independently in their homes without going into care.

“Floating support” often involves going into someone’s home, helping them with their shopping, ensuring they get three square meals and checking on their wellbeing and general health. At a time when the public finances are tight and the population is growing older and living longer, investment in these services can save the taxpayer millions by cutting NHS and care home costs.

At Circle, we provide these services in the community and we are also investing in telecare and telehealth. Telecare allows vulnerable and older people to live in their home, safe in the knowledge that assistance will come at the press of a button. These services can also provide regular “friendship” calls to check wellbeing, smoke detection, burglary protection and motion sensors for people with Alzheimer’s. In the future, we foresee the services expanding to telehealth which can help a diabetic to log their blood sugar level remotely with a surgery, or remind someone to take their medicine at the right time of day.

All of these support services were traditionally paid for by the “Supporting People” programme. In 2009, a report by Capgemini estimated that the £1.6 billion invested in these preventative services saved the taxpayer £3.4 billion. In April 2009 this funding was absorbed into general council spending where it now competes with all of the other priority areas.

So at this year’s conference we are making the case to councils to continue to invest in preventative support services. By using innovative methods and new technology we can save on the high costs of acute intervention. And through providing support to people in their homes we can also allow them to be independent and live fuller and more enjoyable lives.

Mark Rogers, CEO, Circle Housing Group
FAST PRIVATE TREATMENT FROM THE UK’S NUMBER ONE HOSPITAL GROUP

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STILL WAITING FOR AN OPERATION WITH THE NHS?
Reform comment

In one of his first speeches as Prime Minister, David Cameron set out a commitment to a more “balanced” economy, with greater growth coming from non-financial services sectors, including the creative industries. The Coalition has initiated a number of reviews to this end, and significant change could be on the horizon. The creative industries already make a substantial contribution to the economy and with the right policy framework could continue to flourish, creating jobs and prosperity in the UK. Ensuring the investment needed to drive future growth in the sector will be a major challenge in such financially straitened times.

Policy makers have an important role to play in creating the right environment in which the sector can capitalise on its already impressive strength. Piracy remains a substantial threat to investment in content creation - the Hargreaves review of intellectual property must be followed up with prompt action. Plans for a new Communications Bill must also not take so long that the changes become outdated before they are even implemented. A strong business environment more broadly will help to attract the investment needed in the UK creative industries.

Lucy Parsons,
Research & Corporate Partnership Director,
Reform
I have been involved in initiating and running a competition for small businesses across the UK called the Start-up Hub, and it is notable how many are drawn from the creative industries like fashion and textiles, branding and communications, online social networks, music technology and e-books publishing.

We know that the creative economy is worth about 6 per cent of UK GDP, employing over 2 million people and bringing in over £17 billion a year for its exports. This is not only an important sector but one of the most dynamic, with employment growing at twice the rate of the rest of the economy. It is also driving economic regeneration outside of London, with Manchester now Europe’s second largest creative, digital and media hub, growing faster than anywhere else in the UK.

The establishment of Media City in Salford Quays and the movement of five BBC departments there have supported this, along with considerable private investment. NESTA’s recent “Creative Clusters” report noted the growth of the advertising industry in Manchester and the “Sharp Project” has created 200,000 square feet of studio and incubator space for creative businesses, in the old Sharp Electronics works. In Birmingham the Custard Factory business incubator and Fazeley Studios have developed a new creative hub of hundreds of thousands of square feet, also helping to regenerate the Digbeth area of the city. And in my constituency former SAGA chairman Roger De Haan’s “Creative Foundation” is leading a multi-million creative regeneration of Folkestone’s old town and harbour.

So we have an industry that is growing, is important to the economy and is highly attractive to work in, but there are public policy considerations if we want to make the most of the potential that clearly exists.

Firstly, creative businesses cluster in places where people want to work, as well as where the infrastructure exists to support them. The new local enterprise partnerships and councils should consider how they can develop plans to encourage the growth of creative clusters. Market forces alone won’t necessarily create them, they need to be planned.

Secondly, because 94 per cent of creative businesses employ less than ten people they tend to be flexible and entrepreneurial. Tax incentives for investment, research and development can be highly effective, particularly in sectors where businesses can choose from a number of international locations. While the film industry is currently benefiting from tax relief in the UK, which in turn supports the leading post-production houses in London, our video games industry is losing market share to countries like Canada.

Finally, as the internet drives growth in the creative sector, new technology is facilitating the copying and distribution of original work. The creators have the right to receive rewards for their work, or else the incentives to produce new high quality and creative work will diminish. This requires action to be taken against people who seek continually to access and/or make money from illegally obtained content. It also means that there should be a fair system for licensing the use of “orphan works” should the original creator become known after the use of their material by a third party.

Damian Collins MP, Member of the House of Commons Select Committee for Culture, Media, Sport and the Olympics
In the 1940s and 50s, the term “creative industry” was used as a synonym for manufacturing. Though “creative industry” is still important, the term has since shifted. It now signifies the manufacture of high value creative ideas rather than low value physical goods. Today, such industries provide millions of jobs and their growth outstrips that of the rest of the economy. Any plan to get the UK economy going again will depend on them.

Realising the creative industries’ potential is no straightforward task. There are massive differences in the function and scale of creative enterprises, from BSkyB to a single self-employed photographer. This makes policy making tricky. Plans to improve the exploitation of online digital content, for instance, rest on devising a standardised system for managing rights that breaks down the silo walls between different types of content. This would be no mean feat but getting it right promises huge rewards, especially when the £530 million fund to roll out superfast broadband starts widening demand for digital content.

Encouraging creative businesses to develop will also require balanced regulation (not necessarily the same as no regulation), and limited barriers to entry. We see this across the industries – from the digital realm, where an open internet is key to encouraging innovation, to entertainment licensing, where coalition plans to reduce red tape will encourage more music performances and help up-and-coming musicians to flourish.

Also welcome has been the setting up of a Creative Industries Council, finally giving the creative industries a strong, combined channel to ministers. This is a much needed advocacy body which is helping to clarify what Government needs to do, as well as speaking up for underappreciated creative businesses.

Leaders in numerous creative fields point out that since the Creative Industries are knowledge based, we are only as good as the minds our schools produce. We might be world leaders now (such as in TV, where our exports are second only to the US). And yet, if countries like China are building design schools left, right and centre, we need to redouble our efforts at creative and cultural education to stay competitive.

But this and all the other initiatives aside, our most important task in coming years is to talk up the value of UK creativity. Our national penchant for understatement should be supplanted by a new, bolder spirit of salesmanship; we can no longer be so coy about being the best.

David Wheeldon: Investing in ideas, technologies and content

The creative industries play a significant role in the social and economic life of the country and have the potential to make an even bigger contribution to our economic success, given the right policy framework. Each year £13 billion of funds flows through the UK audio-visual sector alone and £4 billion is invested in home grown content production. Programme exports amount to £1.3 billion annually and more than half of all worldwide exports of English language format hours now come from this country.

The Government’s Communications Review provides a real opportunity to maximise the sector’s potential by encouraging further investment and innovation. However, we need to get away from the belief that intervention and state sponsored solutions are the only way forward for our industry. All the evidence points to the market as the main driver of growth, choice, innovation and public value in the creative industries. Just look at the contribution made by commercial broadcasters such as Sky, ITV and Channel 4, which have a long track record of investing in new ideas, new technologies, and new kinds of content. Sky alone invests over £2 billion a year in all types of content and we recently announced that by 2014 we plan to be investing £600 million a year in British programming, driven only by the imperative to meet the demands of our customers.

However, commercial incentives to invest in content are increasingly being impacted by the challenges thrown up by the internet. While new internet-based distribution networks offer the possibility to reach billions of customers around the world, they can make content harder to package securely, to value and ultimately to monetise. The challenge for the Government is to create a sustainable framework to preserve and enhance incentives to invest in content in the digital age. Sky has made five practical proposals to strengthen those incentives:

1. Make sure that content owners are free to choose how to distribute and monetise their intellectual property by providing a framework that enshrines choice and allows different business models to compete on the merits.
2. Underpin the value of content through a robust, fit-for-purpose intellectual property and copyright regime.
3. Take a balanced approach which ensures that the incentives to invest in content are not sacrificed in order to promote investment in infrastructure.
4. Resist the temptation to heap regulation on to emerging platforms in an attempt to replicate the way in which TV has historically been regulated.
5. Take a more flexible approach to existing broadcast platforms and channels, including the opportunity for measured and sensible deregulation as consumer behaviour and expectations change.

What we look for from Government is a new approach which recognises what the market is delivering today and its potential to deliver even more in the future. By preserving the incentives to invest, we can ensure that consumers in tomorrow’s digital economy continue to enjoy the wide range of quality content that we value so much today.

David Wheeldon, Director of Policy and Public Affairs, BSkyB

John McVay: A world beating sector

The independent production sector raised a glass – in relief – recently when we published the Pact annual census (covering the last 12 months). In these challenging economic times, the census gives us the clearest indication of how the sector is currently performing and the news is good.

One thing which struck me when we saw the figures – a 34 per cent increase in export growth (up to £590 million) – is that exports are now worth more than the whole independent
The creative sector needs a stable BBC committed to partnership and growth that complements the commercial sector. Given the shifting balance of industry funding, a successful focus on the creative sector also requires investment, the right digital strategies, and a supportive policy framework. As part of the Government’s communications sector review, there are a number of changes that could maximise investment in UK content, including the modernisation of the intellectual property regime and an end to re-transmission payments by free-to-air broadcasters.

John Tate, Director of Policy & Strategy, BBC

The growth of the sector has been truly dramatic over recent years – though not entirely unexpected. Pact campaigned hard to create a more competitive marketplace for intellectual property, recognising that by creating a dynamic marketplace (with incentives to create growth) a more profitable sector would be created.

Prior to independent producers owning their own intellectual property, there was little or no incentive to produce formats for an international market and very little enthusiasm on the part of the broadcasters to exploit the rights they owned. It is fair to say that UK producers created the market for intellectual property and have, since 2004, been extremely diligent in building the revenues year on year.

So, is the future looking bright for UK independent production? The answer – as Oasis might say – is a definite maybe. Clearly we now have a range of UK businesses reaching a global scale who are delivering great content. However, all success breeds emulation and others countries are rapidly learning the entrepreneurial lessons which UK producers have imparted. Other threats wait in the wings. Public Service Broadcasters (PSBs), notably as advertising revenue declines, are looking to find new funding models, including intellectual property ownership which may challenge the independent production sector.

Our industry has flourished over recent years – barely recognisable from the low-margin, low investment and low growth businesses of a decade ago. In that time we have created one of a few truly world-beating UK sectors. Three cheers to that.

John McVay, Chief Executive and Chief Operating Officer, Pact

Encouraging sustainable growth is central to the current UK policy debate and the Government has identified the digital and creative sector as a potentially key contributor.

Already the sector’s exports are worth £16 billion annually to the UK economy, over 4 per cent of all goods and services, with TV exports second only to the US.

The outstanding success of UK broadcasting is based on competition for quality between a range of public and commercial players with access to different sources of funding and with different institutional models. At its heart sits a BBC of scale and scope with public funding that offers stability for UK production at a time of volatility in commercial funding.

The BBC sits alongside other public institutions that both serve a public purpose and make a positive contribution to economic growth such as higher education and health. Its primary aim – to inform, educate and entertain, and fulfil its public purposes – contributes directly to growth: its schools and knowledge programming supports education and learning; its trusted news and high-quality programmes enhance the image of the UK overseas, supporting inward investment (e.g. tourism) and exports; it stimulates innovation in programming through its competitive commissioning. The BBC also creates value itself – over £2 of GVA for every £1 of licence fee – over £8 billion in total.

As importantly, BBC activities help condition the wider UK creative sector for growth. It enhances the productive potential – the “supply-side” – through investing in sector training and R&D, and by encouraging creative clusters that facilitate the exchange of information and ideas. It stimulates the “demand side” through the scale and scope of its commissioning from the indie sector, through its support for exports and by ensuring that UK consumers demand high quality content, new technologies and services. By helping create a more digitally literate UK population and by aiding the shift to – and expansion of – the creative industries throughout the UK, the BBC aids economic stability and supports rebalancing towards highly skilled, high technology sectors across the country.
Bridging the gap
Alongside structural changes like academies and free schools, and reforms to the teaching profession, the Government has put a great deal of emphasis on reforming the qualifications landscape in England. The introduction of the English Baccalaureate sent shockwaves through the school system - perhaps a surprise, given that all it does is measure how many 16 year olds get five core academic GCSEs. A plethora of other new league table measures will seek to better inform parents about how well their local schools deal with the highest and lowest achievers and with children from disadvantaged backgrounds. They will shine a light on the genuine outcomes of school education, such as employment and progression to university.

Professor Alison Wolf’s seminal report earlier this year highlighted the immense problems that exist concerning vocational education for 14-19 year olds. Major policy changes have been announced in response to her report, including a significant reduction in the importance of vocational qualifications in league tables, and a new emphasis on post-16 English and maths. The Government has also announced its intention to inject more rigour into qualifications, increasing universities’ involvement in A-levels and de-modularising GCSEs.

These changes are encouraging, but Ministers must remember that data is only good insofar as it empowers parents to make a change. To see the full force of its reforms, the Government must put genuine accountability in the hands of parents. Real school choice will give every child’s parents the ability to drive up standards in every school.

Dale Bassett, Research Director, Reform

Rt Hon Andy Burnham MP: The best they can be

The aim of any education policy must be to help every school become a good school and every child to be the best they can be.

We need a school system that reaches every single child, and where there is an incentive to stretch every child. That’s why Labour’s policy review is looking at whether it is possible to reform league tables so that schools are judged by the difference that they make with each individual learner, and why we believe that building the best teaching profession in the world should be a national mission.

Our National Challenge benchmark of five A* to C at GCSE was the right measure for the time and helped us to turn around over 1,000 failing schools. But sticking with it for as long as we did brought two problems with it: first, it judged schools by how well they did with some children, not all children; second, it did not provide sufficient incentive to stretch the brightest, to turn Cs in Bs, Bs into As, and As into A’s.

I believe there will always be a need for some measure of absolute standards in our schools. But in Government we were beginning to move away from five A* to Cs as a headline measure. By making the English Baccalaureate their gold standard measure for schools, the Government has ensured that turning grade Ds into Cs will remain a core focus for schools.

If we can reform league tables to focus primarily on the progress of every learner, it could align the political imperative to measure how schools are doing with the professional vocation of teachers to make a difference for every child.

It would be a crucial step in recognising the status of the teaching profession, but we need to go even further. International evidence is clear: the status, expertise and professionalism of teachers have an enormous impact on standards. Innovative approaches to get the best possible candidates into teaching are important – and I welcome moves to build on Teach First – but focusing solely on recruitment and initial training will take many years to make a difference to schools, neglecting the children in the middle of their education.

Isn’t there a case for working towards making teaching a masters-level profession, following the example of the best school systems around the world? Quality professional development with a focus on school improvement could be built in from the start of a teacher’s career, with the aim of eventually achieving a masters-level qualification. This could be part of a five-yearly revalidation process, or a “Licence to Teach” that Labour proposed and would like to come back to.

If we can find a way of hardwiring continuous professional development into the ethos of teachers and schools, we know remarkable results can be achieved. Only with the highest-quality, most professional teaching workforce in the world will we be able to deliver an education system that rewards hard work, reaches every child and is relevant to the modern world.

Rt Hon Andy Burnham MP, Shadow Secretary of State for Education
Graham Stuart MP: Accountability matters

Former Prime Minister Benjamin Disraeli once said, “The fool wonders, the wise man asks”. As the Chairman of the Education Select Committee I have tried to make sure we are asking the right kinds of questions of the people who come before the Committee so that we can get to the bottom of what we need to do to help all children achieve their full potential.

Recently we have been busy asking questions about how to fulfil the Coalition Government’s promise, laid out in the Schools White Paper last year, to place greater emphasis on the progress of every pupil and encourage schools to take responsibility for how much each child learns.

One thing that has become clear is that the previous Government’s focus on five good GCSEs as a benchmark for attainment was a mistake because it created a cliff-edge measure that focuses too much attention on those pupils closest to achieving it. This Government has recently compounded that mistake by saying that every school must have 50 per cent of pupils getting five good GCSEs.

You can imagine that hundreds of schools with only slightly better performance will be paranoid to the point of total distraction at the prospect of joining that group. I fear this measure risks having a high percentage of our secondary schools overly focused, at the expense of the true needs of all pupils, on avoiding being labelled as failing. This is not good for teaching or learning.

Successive Governments have failed to think about assessment and accountability in a coherent manner that ensures all children receive appropriate levels of attention. This must change. We need to ensure that we have a consistent overall system that creates incentives for leaders within schools to give equal priority to the progress of every child. Then we wouldn’t have to worry so much about admission systems and we could avoid creating perverse incentives to focus only on the pupils most likely to achieve whatever standard has been set.

I am hopeful that as we continue to look at the issue of accountability we can develop a more comprehensive, better coordinated policy and determine how measures like the 50 per cent floor for five good GCSEs can be reformed to benefit all pupils.

Graham Stuart MP, Chair, Education Select Committee

Simon Lebus: Taking a lead

Despite endless structural upheaval and reform, and an annual expenditure of nearly 6 per cent of GDP (£90 billion), the goal of ensuring that every child in England gets a good education remains elusive.

We look enviously at small countries like Finland, Hong Kong and Singapore, and wonder how we can emulate their achievements, ignoring the fact that they are relatively small (a population size of around 7 million seems optimal) and in the case of Asian countries at least, have different cultural attitudes towards learning.

How then do we bridge the gap, both with our own legitimate aspirations, and with some of our foreign competitors?

I would identify two issues which could help.

Although formal university matriculation requirements have been abandoned, the introduction of fees means that both universities and students now have a strong interest in ensuring that students arrive for higher study with the right set of subject specific skills and appropriate levels of academic literacy. We must therefore feel able to be explicit about what it expects of young people coming to study, without having to worry about whether to dilute its requirements because of political concerns about access. This would in turn create a strong incentive for schools, colleges and exam boards to raise their game.

More generally, we have become profoundly risk averse. Greater levels of autonomy and more opportunities for individual institutions to do their own thing will create a climate in which excellence can flourish. However the price of this is a lack of uniformity, always an affront to the bureaucrat and a source of anxiety to the politician. That is a risk that we should be ready to take if we are to bridge the gap with our competitors, and the political courage to accept this would have a positive impact that more explicit interventions have yet to achieve.

Simon Lebus, Group Chief Executive, Cambridge Assessment

Andrew Hall: Redefining success

Qualification design is a powerful lever to lift performance, shaping what and how pupils learn. Once the review of the national curriculum is complete, we will
have the opportunity to revisit the GCSE model, looking again creatively at its content, design and the way we view pupils’ achievements. The original aims of the GCSE system was to improve education quality and to raise standards of attainment by stretching and stimulating pupils throughout the ability range. Recently, perverse incentives have encouraged teachers to abandon GCSEs and enter less able pupils for vocational equivalents. But is there more to explain this behaviour? Has GCSE become, as some say, a straightjacket, restricting pedagogy, failing to stretch more able pupils and engage the less able? In revisiting the GCSE system we need to re-engage teachers and subject communities far more strongly in the design and development, ensuring they reflect and support best practice in the classroom.

But this alone will not raise attainment; we must also change our language and thinking. The aspiration that all pupils should achieve a grade C or higher is undoubtedly worthy but let’s not forget the GCSE grade scale scans eight grades from A* to G. After all, at least 9 per cent of pupils fail to achieve a grade C or higher in any GCSE. When or why did half the grade scale become equated with failure?

By labelling any achievement below a C as a fail, we fatally undermine our efforts to raise attainment. Assessment shapes how pupils see themselves and how and why they learn. They need to believe they stand some chance of success otherwise they will not invest effort. Self-efficacy is associated with effort, persistence and performance. Pupils with high expectations for success persist, even when they sometimes fail. We need to stop thinking about grades D, E, F and even G as failures, but as stepping stones to higher achievement – and find a language which makes that clear.

Finally, once we begin to succeed in raising attainment, we must resist the temptation to decry the increase in grades as being nothing more than inflation, a dumbing down of standards. When we see the consequences of huge efforts by our students and teachers, we must be willing to recognise those efforts and celebrate them.

Andrew Hall, Chief Executive, AQA

Brian Lightman: System-wide improvement

Even though standards of teaching and assessment have improved beyond measure during the last decade, every school and college leader in the country knows how much more we need to do. One young person who underachieves or fails to reach his or her potential is one too many and, as we have recently witnessed, can have catastrophic consequences for our society.

The challenge facing us is somehow to bottle and share more widely the recipes that have been leading to success in our best schools and colleges. New ideas for raising the performance of all schools and colleges already exist in rigorous academic research in universities, action research by practitioners and innovative, inspiring teaching in our classrooms. These need to be disseminated as widely as possible. At present too much of this is being lost, as policy is decided at the centre leaving the majority of teachers marginalised in this important debate. Two further challenges need to be addressed if we are serious about lifting the performance of all schools. The first is to return accountability to its rightful place. The learning process must be led and managed by professionals, not by a bloated accountability structure. We must end the stifling target culture which forces schools to teach to the test and focus unhealthily on examination performance as opposed to deep learning. Although the most creative and effective teaching does lead to examination success it is not harnessed to the narrow specification of a particular award. Secondly assessment needs to be positioned so that it actually leads to improved learning and performance. Whilst summative assessment has a role as an accountability measure, effective formative and diagnostic assessment are the key elements school improvement. Ensuring that pupils understand their relative strengths and weaknesses and know what steps to take in order to improve further, as well as using assessment data to inform curriculum and lesson planning, are at the heart of good teaching.

ASCL’s message to Government and policy makers is therefore to step back and trust the profession so that we can focus on this without distraction.

Brian Lightman, General Secretary, Association of School and College Leaders

Every teacher matters


politics.co.uk: “The new report published by Reform suggests that unless a series of quangos and regulations are scrapped the quality of teaching cannot improve.”

Press Association: “Reform says ministers should do away with regulations which prevent schools from improving the quality of teaching themselves.”

Greg Hurst, The Times: “The report by Reform argues that radical change is needed to the training and professional development of qualified teachers.”

www.reform.co.uk 23
Launching the Open Public Services White Paper in a speech to Reform in July, the Prime Minister said that the Government “is as committed to modernising our public services as we have ever been”. The principles set out in the White Paper - choice, decentralisation, diversity of provision, fairness and accountability - are the right ones (although a sixth, value for money, should be added). The question is whether these principles are being translated into practice. Across the public services there is a good deal of progress in some of these areas but stagnation or even reversal in others.

The NHS accountability structure actually seems to be a step backwards from the current position. There is no justification, we are told, for profit in schooling - despite its successful use to incentivise value elsewhere in the public sector. New providers are being brought into welfare-to-work and rehabilitation services, but only on a relatively small scale. There is still a danger that the model reforms to police accountability may not make it through Parliament without being watered down.

Yet there are encouraging signs. More health provision and more prisons are being opened up to competition. Academies are being freed from national prescription. There is a major review of police officers’ pay and conditions underway. The Government’s challenge for the next year is to build on these early successes to deliver an extensive, coherent programme of public service reform that really does put all public services in the hands of their users.

Dale Bassett, Research Director, Reform
While waiting in a long queue at my polling station during the 2005 General Election, I heard someone behind me declare that “this would never happen at Tesco”. I wonder whether the

These challenges make the need for strong central leadership even more urgent. The need to “do more with less” will also mean that even greater importance will need to be attached to the skills base of the civil service.

However, the civil service will also need not just to do more with less, but also to do less in certain areas. This is the implication of the Government’s “Big Society” agenda and the open public services White Paper. Departments will have to move more and more from a providing role to an enabling role, letting go of the control of public services. This is potentially a huge culture change for Government and how it goes about the business of Government. Our inquiry suggests that the Whitehall machine and the Civil Service have not yet really started to understand the implications of the change which is required. Yet the Government also needs to be aware of the limitations of the civil service as it puts forward its reform agenda. Previous Governments have been disappointed in their efforts to reform Whitehall and public services. It will take a huge effort if history is not to repeat itself.

Bernard Jenkin MP, Chair, Public Administration Select Committee

As part of our inquiry into good governance and civil service reform, the Public Administration Select Committee (PASC) recently produced an “end of term report” for the plans for structural reform in each of the Government departments. We found that the quality of leadership and management in Whitehall was the critical requirement for success in reforming the civil service.

We sought a paper from each Whitehall department and had them assessed by our specialist adviser, Professor Andrew Kakabadse of Cranfield University School of Management, who specialises in corporate change. He assessed that the centre of Government, most notably the Treasury and the Cabinet Office, is not providing the strategic leadership or the governance framework necessary to help departments manage their programmes of change. This is worrying because stewardship from the centre is essential for change to be implemented swiftly and effectively across Government. Relying on outstanding leadership from within each department is not enough.

This is particularly important as the civil service currently faces the twin challenges of enabling the Government’s plans for major public service reform and working with significantly reduced administrative budgets. The Comprehensive Spending Review commits the Government to reducing departmental administration costs by an average of a third.

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The public service landscape is changing rapidly. The Open Public Services White Paper has the ambition to open up public service delivery to a diverse range of providers, competing on a level playing field to offer a better service. Yet the fragmentation of existing bodies and the devolution of powers and resources to new or alternative providers, including free schools, GP consortia and private and not-for-profit organisations, have implications for how service providers are held accountable for their funding and outcomes.

This is a particular issue as the shift to a Big Society calls for more power to be given directly to individuals and communities, locally. The Open Public Services White Paper emphasises decentralising public services “to the lowest appropriate level” and promoting greater individual and neighbourhood control.

This is really where localism meets the Big Society, with uncertain consequences for who is really accountable to whom and for what. In a recent PwC/IPPR report, “Who’s Accountable”, we argued that public perceptions of accountability will change if decentralisation is well communicated, clearly enacted, and if real powers are transferred to highly accountable bodies.

Our research has found that for an organisation (or individual) to be held accountable for the delivery of services funded by the public purse, they must have “real powers”. This means power over decision making, delivery and performance and budget setting and financial control.

The great risk is that the Coalition’s reforms end up creating an administrative mosaic where no-one is really accountable for outcomes and outcomes deteriorate as a result. Services under most pressure from budget cuts are particularly vulnerable. On top of this, there is the risk that those given new powers do not have the capacity and capability to use them to deliver the outcomes expected. Financial autonomy is fine in principle, but not if those in control lack financial skills. The demise of the Audit Commission brings this into sharp focus: questions still remain around who will ensure that public money is spent well and that services are fully accountable to those who fund and use them.

Jon Sibson, Government & Public Sector Leader, PricewaterhouseCoopers
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shaping tomorrow with you
Plan for growth

Reform comment

The Government has set out its economic policy objective as achieving “strong, sustainable and balanced growth that is more evenly shared across the country and between industries”. In November 2010 George Osborne and Vince Cable launched the Growth Review. Phase One of this review reported at the same time of the Budget in March and Phase Two is currently underway. Meanwhile, growth remains slow in the UK, with 2011 forecasts recently downgraded to 1.5 per cent. As Mervyn King said in August, “headwinds to world and domestic growth ... are becoming stronger by the day”.

Current levels of low growth and higher inflation have led to calls that the Government is going too far and too fast with its fiscal consolidation programme. But the Government is right to stick to its deficit reduction measures to allow for private sector growth in the economy. What the current economic indicators mean is that fiscal consolidation will be harder than previously thought. A focus on rebalancing the economy is also misleading. Policymakers cannot and should not predetermine the structure and shape of the economy across sectors and regions.

Instead, growth policy needs to be about creating a better business environment. It is therefore welcome that Phase Two of the review is looking at foundational policies, such as how to encourage investment in infrastructure and the importance of skills in the economy. On infrastructure there are rightly concerns that the UK is lagging behind international competitors and that the proposals set out in the National Infrastructure Plan are not being met. A
focus on skills is also important, given the challenge of having a workforce fit to compete in a global economy.

The UK must improve on its declining position in the global economy if it is to meet the challenges of the future. The Government can provide the foundations for doing so through creating a strong business framework and attractive conditions for investment and entrepreneurship in the UK.

Mark Prisk MP: Tackling red tape, helping business grow

Across the length and breadth of our country, I meet business owners and managers frustrated by energy-sapping, competitiveness-busting Government bureaucracy and red tape. I want to free this great wealth of talent and innovation from form filling and box ticking so that Britain’s entrepreneurs can concentrate on what they do best – growing their business, creating jobs and driving forward our economic recovery. That is why tackling the regulatory burden is right at the top of the Government’s agenda and is a key part of the Growth Review.

The ultimate goal is to bring about a complete culture change across Whitehall – and inch by inch we’re driving it through. Crucially, Government departments are now required to identify and get rid of regulations before they can bring in new rules. Already, “One In, One Out” has reduced the net burden on British firms by £3.2 billion.

At BIS we’ve taken the lead by scrapping the planned extension of the right to request time to train to companies employing fewer than 250 people and dropping the proposed extension of the right to request flexible working to parents of 17 year olds. These regulations would have cost British business £350 million each year. Across Government, we’ve also exempted micro businesses and start-ups from new domestic regulation for three years and slashed 1,000 pages of planning policy to just 52 pages.

We know, too, that many regulations originate in Europe – so we’ve ended “gold plating” and stopped the early implementation of EU directives, and are pushing the European Commission to implement its own version of “One In, One Out”. I don’t want to see red tape threaten the recovery by putting British companies at a competitive disadvantage to their European counterparts.

These steps represent real progress – and with the red tape challenge in full swing we’re going further and faster all the time. Already, we have in place plans to scrap or simplify 160 regulations affecting the retail sector. I’m looking forward to even better results in the coming months as we get to grips with manufacturing, hospitality, transport, health and safety, and more.

I know that it can take time for changes to be felt on the ground, and that successive Governments have made all sorts of promises on tackling red tape. But we’re serious about freeing business to grow, compete and create jobs. Along with paying down the deficit, cutting business taxes, supporting entrepreneurs and boosting bank lending, it’s a key part of our multi-faceted plan to re-build and re-balance the economy – and I am determined to make it work.

Mark Prisk MP, Minister of State for Business and Enterprise

Kimberley Trewhitt, Researcher, Reform

Björn Savén: Kick-starting the economy

In 1993, the Swedish economy was in crisis and the budget deficit was 14 per cent of GDP. Today, there is a balanced budget and Sweden is flourishing. Of course, there was some tough medicine along the way but a number of measures were introduced specifically to stimulate growth – measures
which could easily be adopted in the UK.

In short, Swedish policymakers loosened the reins on our economy. They cut taxes selectively (and increased others), introduced competition into the public sector and encouraged investment in the private sector, particularly among SMEs.

Cutting taxes may sound counter-intuitive to a Government that is desperately trying to build up cash. But in Sweden, reducing the amount of tax paid by low and middle-income earners has continued to stimulate employment and boost both income and the overall tax take. Wage demands have decreased, labour relations are good and employers feel more confident about increasing staff levels.

Reducing corporation tax provided a further stimulus. Swedish corporation tax has fallen from about 50 per cent to 26 per cent and this has actively encouraged companies to make capital investments and take on more employees. Private sector growth has been buoyed too by a tax regime that allows entrepreneurs and business angels to keep more of the income generated by companies investing in start-up enterprises as well as all other private businesses.

In this regard, it is worth stressing the role private equity can play in a damaged economy. In the 1990s, many Swedish companies sold off non-core assets to private equity investors, who gave these businesses a new lease of life. This could and should happen in the UK but the investment environment has to be perceived as benign and secure. At the moment it is still uncertain and this needs to change.

Over the longer term, the UK would almost certainly benefit too from the introduction of more competition in health and education. In Sweden, private sector operators provide 10 to 20 per cent of services in these sectors, creating real competition and enhancing efficiency and effectiveness.

Growing an economy is not easy and it cannot be done overnight. But a liberal tax regime, a welcoming investment environment and a competitive landscape would all help kickstart the process.

Björn Savén, Chairman of IK Investment Partners, Board member of Nordea Bank, Deputy Chairman of the Royal Swedish Engineering Sciences Academy and Deputy Chairman of the British-Swedish Chamber of Commerce.

Mark Elborne: “Pick and mix” growth policies

The Office for National Statistics figures released before the summer estimated that the UK’s GDP grew by a mere 0.2 per cent in the second quarter of the year. Even as we await the next quarter’s results it is clear that our economy is still suffering from the aftershocks of the financial crisis and the recession that followed.

The Coalition Government set out a range of policy initiatives to help return the UK to the path of economic growth in their Plan for Growth. In this, Britain is not alone. Governments across the developed world are pursuing a range of growth policies designed to kick-start their flagging economies.

The advantage of working for a global company such as GE is the overview it provides on these different policies: what measures have successfully nurtured the right combination of a particular population’s natural talents, their geography’s natural resources and the needs of the global market to produce economic growth. Tax, R&D, regulation, energy and infrastructure – to name but a few – are all policy areas where different countries can learn from each other as to what drives growth.

A good example is the Coalition Government’s £200 million investment in six Technology Innovation Centres (TICs) which builds on Germany’s successful deployment of Fraunhofer Institutes which have helped Germany become a leader in low-carbon technologies. Similarly, Finland has Shoks – Strategic Centres for Science, Technology and Innovation – operating as Public Private Partnerships between universities, business and Government, conducting research to meet the needs of Finnish industry and drive economic growth.

In financial services policy there are also best practices to be shared. Countries that have introduced greater disclosure of small and medium sized businesses’ financial arrangements have encouraged competition among providers of lending facilities and so increased the flow of funds to SMEs. The Banque de France provides a range of information on how French businesses are coping with their financial commitments, enabling a wider
discover what works elsewhere, and unashamedly borrow, adapt and improve it.

Mark Elborne, CEO and President GE UK and Ireland

Finally, in the area of tax policy, a good consultative process and long term stability contribute to both fairness and growth. The UK has done well recently, but at the macro level political risk remains. New Zealand has a strong consultative process when proposing changes to the tax regime, which are made over three to five years, encouraging strategic investment and long term business planning. The best way for the UK to attract much needed inward investment and so grow our economy is to reassure investors that their carefully calibrated investment decisions are not going to be upset by political surprises.

No Government in any country has a monopoly on the policy wisdom that creates growth. In our globalized world, policymakers need to get used to doing what successful innovators have long done:...
GO EAST, YOUNG MAN?
Reform comment

The landscape of the global economy is changing. Over the last 20 years the world’s economic centre of gravity has gradually moved away from the developed west, towards the east and south. This trend will accelerate in the years ahead and cannot be reversed by UK policy makers.

The next decade will be shaped by the continued rise of Asia and emerging economies. With large populations, large manufacturing, high savings and low debts, the non-developed world will be able to sustain high growth. With a majority of the Asian population now middle class, Asian countries are now developing their economies in high value areas. Asia now spends more on R&D than either the US or Europe. India alone produces 2.3 million graduates each year.

Some forecasts show that by 2020, the BRICs (Brazil, Russia, India and China) will account for a third of the global economy. By 2030 non-OECD countries will account for 57 per cent of the world economy. It is now possible that China will become as big as the US by 2027.

While the dynamic economies of the East have quickly recovered from the global recession growth in the UK remains sluggish. According to the World Economic Forum the UK is now ranked as the 12th most competitive economy. The long term fiscal pressures of an ageing population will make it harder for the UK to remain competitive in a global economy.

However the shifting tectonics of the global economy brings opportunities for UK business and society. A larger global market, higher consumption, faster innovation and technological improvement, and greater diversity, will create benefits for the whole world, rich and poor.

Jeremy Browne MP: Being competitive in the world

There is a revolution happening all around us. Like the ageing process, it is a phenomenon you do not really notice from day to day. But it is constant, relentless and real. China is the biggest example, and its infrastructure development tells a stunning story. Before 1988, China had no motorways. By the end of 2010, they had built 74,000 kilometres worth, making it the second largest network in the world. Rapid progress is also happening across the so-called “emerging nations”. By 2050, China, India, Brazil, Mexico and Indonesia will all number among the world’s largest ten economies.

As Minister in the Foreign Office responsible for the emerging nations, I am often asked if I see their rise as a threat or an opportunity. The honest answer is that it is both. The task for a Government of an established power is how to minimise the former and maximise the latter. I do not agree with the argument that we should shut up shop, pull up the drawbridge and curtail our ambitions. True, Britain is predicted to slip from the sixth largest economy in the world to the tenth largest by 2050. True, as the emerging economies rise, their ability to project power will rise correspondingly. But Britain can have a positive and influential place in this new world, so long as we make the right policy choices now.

We need to overhaul our thinking and our attitudes. The alternative, even allowing for Britain’s existing areas of advantage, is benign decline. There is almost no part of our Government or public life that should be exempt from this national task. To be competitive in the world, we need to change at home.

First and foremost, we cannot live beyond our means. We are already getting close to spending £1 billion every single week just on the interest on our debt. That is more than we spend on education. More and more debt is a recipe for ruin and a risk to our national security. We also need to overhaul our education system to raise lower-level attainment and include a stronger emphasis on language skills. Finally, our Government is rightly addressing Britain’s inadequate physical infrastructure. Where Britain once led the world with the majesty of our train stations, Asia now does the same with its airports. Often, ironically, designed by British architects.

The energy in the East is impressive. It is surging forward. This new world order that is fast emerging has benefits. There is far greater global understanding and far less chronic poverty. But it is certainly very different and if Britain is not willing to think differently, and be different in its responses, we will not succeed.

Jeremy Browne MP, Minister of State, Foreign and Commonwealth Office

Thomas Cawston, Senior Researcher, Reform
Opinion / Go east, young man? / Autumn 2011

David Smith: Building on our comparative advantage

The world is changing before our eyes. Advanced economies, in Europe, North America and Japan, are struggling under the weight of fiscal and banking hangovers. The crisis, for them, persists, as we have seen in highly volatile financial markets in recent months.

For the rest of the world, however, it is a different story. Countries like China – the world’s second biggest economy – and India, have been trying to contain their growth not desperately boost it. Emerging economies, taken as a whole, are growing at three or four times the rate of the old industrial countries.

They are also driving the global economic recovery. When people get worried about the world economy, they are mainly worried about the advanced world. Last year, driven by emerging economies, the world economy grew by more than 5 per cent. Even though forecasts have been pared back over recent months, the world is still on course for 3.5 per cent to 4 per cent growth this year and next.

Between two-thirds and three-quarters of this growth is coming from emerging economies. Asia, in particular, is leading the way but growth is also being generated in Latin America and Africa.

Can it last? The key to it is China, and people have been predicting imminent economic disaster in China for years. But the proof of China’s success is in the record; average economic growth of almost 10 per cent a year since 1978. There is a lot of durability in a record like that.

So we face a future in which growth will be driven by the East, not the West. Should we be downhearted? Not in my view.

Over centuries Britain has been good at tapping into growth in the world economy, wherever it occurs. We have done so before, and can do so again.

It means building on our comparative advantages in business and professional services, advanced manufacturing, pharmaceuticals, aerospace and the creative industries. It means getting more small and medium-sized firms into exporting. Above all it means re-establishing Britain as a low tax, de-regulated and flexible economy, a model we have lurched a long way away from. If we want to succeed in this new world we have to get it back.

David Smith, Economics Editor, The Sunday Times

Miles Celic: Asian economies reward long term commitment

IMF data shows that Asia’s economy will be larger than that of the United States and European Union combined by 2030, with the region’s share of world GDP increasing from a little under 30 per cent to more than 40 per cent.

The UK has – economically, culturally and politically – maintained a positive outlook on the region, recognising the importance of strong relationships with Asian countries. It was encouraging to see that the first prime ministerial trade visits undertaken by the new Government were to India, China and South Korea.

India and China witnessed growth rates of 8.8 and 10 per cent respectively in 2010 and a great deal of energy has been focused on highlighting the economic potential of these Asian giants. But there is more to Asia than China and India. The vast potential of other economies in the region, such as those in South-East Asia, present powerful opportunities for trade and cooperation.

Indonesia’s economy, for example, is now one of the best performing in the region – posting more than 6 per cent growth. Malaysia, Vietnam, Thailand and others offer similar potential.

We must resist the impulse to describe Asia as one homogenous block of countries. Asia is comprised of highly competitive markets – each one of them dynamic, challenging and never dull. Prudential’s presence in Asia stretches back more than eighty years. Today, we have a presence in 13 markets and serve more than 15 million customers.

Asian economies reward long term commitment. That suits a company like Prudential: a business is built on long term thinking.

Miles Celic, Director of Group Public Affairs and Policy, Prudential plc
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Investments may fall as well as rise and you may get back less than you invested.
Home security
This Parliament will be one of the most challenging to date for those services involved in security and law enforcement. The police service, criminal justice system and Armed Forces all face a twofold challenge in the coming years: improving effectiveness in the face of new and complex threats, while simultaneously realising significant efficiencies in an era of budgetary restraint.

In defence, the Government commissioned the Strategic Defence and Security Review to explore how best to reconfigure the Armed Forces in order to meet the threats of the future while also tackling the £38 billion deficit that has developed within the defence budget over the past 12 years. Despite the SDSR, questions remain over the affordability of the defence budget and the sustainability of current capabilities. Indeed, as the Commons Defence Select Committee reported in August, spending cuts have left the army struggling to keep up with demand. It is here that the real reform challenge in defence lies: putting forward a realistic strategy that is reflective of Britain’s place in the world.

For policing and criminal justice services, these pressures are equally keen. The UK has the most expensive criminal justice system in the OECD, yet almost two-thirds of all adult prisoners reoffend within two years of release at an annual cost of £10 billion annually. Successive reviews of policing have found the structure and composition of the police service to be inflexible, poorly aligned to demand and providing poor value for money for taxpayers. The Government is rightly attempting to address these concerns, by introducing direct accountability and flexibility through new Police and Crime Commissioners and the Winsor Review of Police terms and conditions, and initiating an outcomes-focused “rehabilitation revolution” in criminal justice through the introduction of payment by results and Community Payback.

Yet public disorder, an unprecedented prison population and fresh international military commitments will stretch these services further over this Parliament. If the quality and quantity of provision is to be maintained, and indeed improved, more must be done to reform these services to make them fit for the 21st Century.

Will Tanner, Researcher, Reform
Rupert Cazalet: What more can you do with what you already have?

Airwave provides the world’s leading mission critical communications network, allowing the emergency services to talk to one another better than they have been able to before. The Airwave network delivers voice and data communications to the police, fire and ambulance services, and is also used by other public safety organisations including local authorities, health, utilities and transport providers.

The network was purpose built to meet the needs of emergency services – it is totally secure and covers 99.9 per cent of Great Britain. However, with this step-change in communications, further benefits building on the existing infrastructure can and should be exploited from the investment.

For example, Airwave using more data alongside voice communications is leading to genuine paperless working. Lothian and Borders Police have the world’s first fully functional electronic police notebook, delivered by Airwave. At an operational level this is a complete replacement for the traditional paper and pen police notebook. After two years’ use, the police report cashable savings of £600,000 per annum.

In Surrey and Derbyshire, the NPIA (National Policing Improvement Agency), in partnership with the CPS (Crown Prosecution Service), are undertaking a National Electronic Witness Statement and Digital Signature pilot project. The two police forces are using Airwave’s FUSION application alongside the electronic notebook and information management system already used north of the border to simplify many of their most common everyday business processes.

Another concept currently being trialled is Intelligent Resource Mapping (IRM). This tracks officers and vehicles via their Airwave radios, enabling better dispatching. But when fully developed, the initiative will allow forces objectively to match resource levels to demand, standardised performance monitoring, and lower vehicle fuel costs.

Pilot projects for IRM in Leicestershire and South Wales have so far delivered savings of 5 per cent (around £250 million if extrapolated across the national police budget) per annum. In Leicestershire alone, officers more than doubled time spent on the front line and removed 16 per cent of their vehicle fleet.

Rupert Cazalet, Head of Public Affairs, Airwave

John Shaw: How the private sector can help deliver police savings without compromising on standards

Senior officers’ minds are focused like never before on finding efficiencies. Those of us intimately involved in delivering services to the police know this has been under discussion for at least 15 years, but only now, as budgetary pressures bite, are we starting to see what this could really mean.

As one of the top providers of services to the Government, including the Home Office and several police forces, G4S has the experience and expertise to help forces apply efficiencies to preserve or indeed increase frontline services. It’s something we’ve been doing for some time, partnering with forces like South Wales Police, where our civilian custody suite staff have enabled the force to release 54 police officers for front line duties, and saved around £1.2 million a year in running costs. If every police force in the country was to follow SWP’s lead, at least £65 million could be saved each year.

This is only a glimpse of the scale of savings to be realised if forces grasp the opportunity to reform. Work we have undertaken shows that by opening up middle and back office services to competition – services which do not need warranted officers forces could deliver savings of between 25 and 40 per cent, even without collaboration between forces. Serving police officers could be returned to frontline duties, to deliver the “visible policing” the public and Politicians desire. Steps are already being made in the right direction, with Lincolnshire Police Authority’s Transformation Project, a shining example.

Collaboration between forces is to be welcomed, particularly for specialist areas where resources are now being pooled on crime scene investigation and forensic services. But even here, there are greater efficiencies that could be made. For example, rather than each force running its own forensic services, a national provision, modelled on the AA, could be made available 24 hours a day, which could deliver a better service and be 50 per cent cheaper.

Why not explore what the private sector can deliver? Only by establishing what services forces need, enabling both public and private sector to compete on equal terms, and then working together to provide them, can we be sure we deliver the best value for taxpayers, a better service for victims of crime, and the right solution for our society.

John Shaw, Managing Director, G4S Police Support Services

Homeland security is a phrase which challenges the security of our homeland more than it sustains it. Its current use creates an artificial distinction. For Norwegians the horrors of 22 July were the more profound because the perpetrator was one of their own, rather than an Al-Qaeda terrorist. If his acts are deemed to be criminal or lunatic rather than political, then the issues are indeed internal, not external. However, that is not how Breivik has rationalised his motivations. Reference a range of impressive political, and often liberal, thought, he has cited the links between immigration and national identity. For him, just as for a home-grown Islamic terrorist, the key relationship is that between external policy and domestic security.

Putting the security of Britain in a separate box from the security of British interests in the wider world denies not only the globalisation of our information networks but also our reliance on globalised markets and our vulnerability to globalised population movements. As home-grown terrorism shows, policies pursued abroad can weaken as well as strengthen domestic security. Policies pursued at home may weaken the public support for policies pursued abroad. Equally, treating as exceptional the sacrifices made by our armed forces in overseas operations may evoke public sympathy but does not promote public understanding of the necessity of what they have to do.

In one respect, however, there is a need to address the address the threat to homeland security. It lies in an area of
because it is unchallenged by Westminster. Unionists in Scotland (i.e. the majority of Scottish voters) are left without effective representation in an area of policy which is specifically British. In chasing terrorists, we need to stop using the phrase homeland security. When discussing our own constitutional arrangements, we need to wake up to its importance.

Professor Hew Strachan, All Souls College, University of Oxford

legitimate political activity. If the SNP wins its proposed referendum on independence for Scotland, it could tear up the current arrangements for British defence. At the last count, the SNP wanted to be out of NATO; it is opposed to the nuclear deterrent, which would have no obvious home south of the border; and the creation of separate Scottish armed forces would have massive consequences for basing, training and recruiting all three services, and particularly for the army as it withdraws from Germany.

The SNP’s defence and foreign policy is unclear, a combination of wishful thinking and unaccountability, not least
Ronald Reagan struck a blow in his 1980 Presidential campaign against Jimmy Carter by asking “Are you better off now than you were four years ago?” If this question was asked of UK families now a sizeable number would answer no. And the near term outlook isn’t much better with the squeeze in living standards to continue for years.

Part of this is the inevitable cost of the excesses of the “boom years”. Many families’ living standards were artificially inflated by poor quality Government spending and high levels of debt.

Government spending was of little benefit because it was largely matched by increasing tax burdens. Families were on a wasteful money-go-round. Lobby groups treated the welfare state as an ATM and politicians treated it as a vote buying machine.

Unsustainably high levels of debt meant that the UK was especially vulnerable when the global financial crisis hit. Inflating incomes through borrowing (for consumption) is no way to increase living standards. At some point bills must be paid and the “borrow now, pay later” culture end with belt tightening.

The longer term outlook is even more challenging. Population ageing means that already unaffordable programmes will be even more so while the UK will find it harder to earn its way in the world. Too many people are underprepared for the future and there is little political will to honestly engage the public on the need to take responsibility.

Instead the approach taken has emphasised short-termism and cheap shots - blaming “bankers”, ignoring evidence on poor value for money and delaying hard decisions. If the UK is to provide a decent future for families then this must change.
Welfare reform was the spectacular failure of the last decade. Now may be different. Iain Duncan Smith knows his stuff. And the philosophy and much of the detail of Government policy is excellent.

The Work Programme builds on clear evidence that welfare-to-work schemes should be outsourced and pay providers on results not process. This will lower costs and unleash innovation, competition and a focus on getting people into work rather than paying them to do nothing. The details of the scheme’s design also reveal real learning’s from global best practice. There will be two challenges. The first is that the economy makes it more expensive than modelled to find claimants work. The second is the politics. There were imperfections in the tender process. And I can guarantee that some providers will make big mistakes. However, the scheme’s power will come from performance transparency. The best providers must take over from the weakest. The risk will be that the Government will be too nervous to admit mistakes and that the Opposition succeeds in presenting any failure in the new “market” for welfare-to-work as an overall policy failure.

The Universal Credit is harder to assess. It is definitely right to simplify the system. There are 51 separate benefits compared to seven in 1948. Taper rates should be lower and simpler so that work always pays and so that claimants can understand this. Done properly this is a recasting of the benefits system. And the maths can work. But (and it is a big but) the state’s record of delivering major IT-linked change is poor. The political pressure for exceptions might prove irresistible –
The on-going reforms to welfare have, unsurprisingly, generated significant debate. I strongly believe that the welfare system should always protect those most in need. But it must also be recognised that future and indeed current welfare provision for the vast majority of people – households with an income of £18,000 upwards – does not and will not meet their financial needs during periods of illness or injury. Being unable to earn an income through illness or injury typically has a devastating impact on individuals and their dependents, particularly those without the means to cover their usual expenses while out of work.

Levels of financial protection remain worryingly low across the UK – only one in ten people have income protection, despite one in five people likely to experience long term sick leave during their working life. Recent research by The Guardian has shown how poorly prepared many of us are – 20 per cent of the population could only last two months if they lost their salary, with most of those people reliant on their savings during that time. Government benefits are not sufficient to ensure a proper standard of living. This situation clearly is not sustainable and more needs to be done to help individuals and families to build a backup plan.

This is why I think it is necessary to have a passionate debate on, and raise awareness of, income protection. Government, industry, employers and employees all stand to benefit from more prevalent coverage. Employers, through benefit schemes, can extend income protection provision to the workforce quickly, easily and inexpensively.
I was struck by a recent article in the papers charting how successful professionals, earning above £40,000, had faced bankruptcy due to illness or the failure of their business. The article was headlined “I never thought it could happen to me”, well the troubling facts of this current squeeze mean that it is likely to happen to many more of us. Only a quarter of us expect our personal financial situation to improve over the next six months. Converting worry into action, by seeking professional help, is the way to face up to the squeeze.

Frances Coulson, President, R3

remains high, running at just under half of the UK population (47 per cent) saying they are “worried about their level of debt”, according to R3’s Personal Debt Snapshot. In a sense there is some good news on this; the same survey revealed the proportion of individuals who do not have any savings has actually declined from 30 per cent in April 2010 to 19 per cent in July this year. For some at least this worry is being turned into action.

However, I remain concerned by a significant group who are struggling with their debt but not doing anything about it. This is nearly 1 million according to R3 estimates and dwarfs the numbers in a formal personal insolvency procedure (Bankruptcy, Individual Voluntary Arrangement or Debt Relief Order). This group might also fall into the 44 per cent who currently “struggle to payday”, typically 19 days after they receive their pay packet. Any slight increases in bills (higher fuel bills anyone?) or changes in circumstance would prove a challenge to this group.

and will benefit through better managed costs of absence, faster return-to-work and a more engaged staff. Employees who suffer the challenging period of long term sick leave will have the security of having up to 80 per cent of their income protected which will provide the means of meeting many of their financial commitments. The Government, through its personal responsibility agenda, can institute policies that encourage greater availability of these benefits, and work in partnership with industry to ensure that all citizens are adequately protected.

Promoting personal responsibility is not about state versus private provision. It is about informing and empowering individuals on how to financially protect themselves and their families. I fully recognise that for far too long the insurance industry has been quiet in this area. Industry has a responsibility, now more than ever before, to ensure it offers products that are clear-to-understand and transparent. That is why Unum has taken the lead in launching a dialogue with employers and employees on the merits of income protection.

Jack McGarry, CEO, Unum

Frances Coulson: Struggling to payday

The pressures on personal finances have been well documented, but the effects of “The Big Squeeze” will take longer to show up in the Government’s official personal insolvency statistics. This is worrying given that 2010’s annual total for personal insolvency was the highest on record (135,045 individuals), and we would not expect these numbers to come down anytime soon.

Concern about debt levels
Building the opportunity society is the most important task in British politics. Whilst repairing Britain’s deficit is the immediate short-term priority, enhancing social mobility must be the Coalition’s most enduring legacy. Better social mobility is crucial, not only to creating a fairer society, but also to improving Britain’s skills base and strengthening our economic competitiveness on the world stage.

Today, the life-chances of British children remain heavily dependent on the circumstances of their birth. Only 20 per cent of young people from the poorest families achieve five good GCSEs, compared to 75 per cent from richer families. Between 2007 and 2009, four schools and one college sent more students to Oxbridge than 2000 other schools combined. And whilst only 7 per cent of people attend independent schools, their alumni account for over 50 per cent of FTSE 100 CEOs. It’s unsurprising then that an LSE study found Britain lagging behind our competitors such as Germany, France, Canada and Australia in terms of social mobility. Britain can’t afford to waste talent in the global fight for the future.

Britain needs to be an Opportunity Society, where everyone has the chance to progress as far and as fast as their talents and ambition take them regardless of their family background, the school they attended or the postcode they grew up in. The Coalition has already made a good start: the new Pupil Premium to raise attainment for the most disadvantaged pupils; the Work Programme to help people from welfare into the labour market; a new generation of free schools and academies; and the publication of a cross-departmental Social Mobility Strategy. But it needs to go further. For example, Carol Vorderman’s recommendation that British students should study maths until 18 should be added, as should a new requirement to study a modern foreign language until 18, so our graduates can talk the language of business wherever they are in the world.

Now more than ever, Britain’s economy needs a deep pool of numerate, multilingual, innovative, commercially-savvy workers from which the nation can draw. In the era of globalisation, Britain has to be an Opportunity Society. It can’t afford not to be. The Sutton Trust puts the economic benefits of improving social mobility at £140 billion a year by 2050. The Government which fixes Britain’s public finances can rightly claim to have made Britain better for this generation, but the Government which builds the Opportunity Society will have achieved even more: it will have laid the foundations for Britain’s economic success and prosperity for many generations to come.
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In 2011 and 2012 our programme will continue to focus on public policy solutions to the fiscal crisis and reform of public services to achieve value for money and better outcomes.

Zoe Howard, Fundraising Director, Reform
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The Scottish elections last May produced a stunning and unexpected victory for the SNP. This gave them an overall majority in the Scottish Parliament, something considered highly unlikely given the PR system, and a mandate for real change.

The SNP Scottish Government has made it clear that this new political environment will lead to a referendum on Scotland’s constitutional future. Reform Scotland welcomes this debate because it is likely to lead towards a Scottish Parliament that is genuinely financially responsible and raises the vast bulk of its own revenue. This will be an important catalyst for change in Scotland.

However, this referendum will not take place until the latter part of this Parliament. There is a danger that this debate will crowd out other vital issues and this cannot be allowed to happen. Reform Scotland believes we need an urgent debate about how we achieve better value for money across the public sector in Scotland. Such a debate is needed in any case, but the financial crisis and budgetary constraints that have followed make it even more important.

The key to better value for money is fundamental reform which makes public services genuinely responsive to the people and communities that use them. That means devolving power downwards within our society so that services are delivered as close to those affected as possible.

There is a dangerous current trend which sees the centralisation of services as the way to reduce costs, exemplified by the drive towards a single Scottish police force. The idea that centralisation automatically leads to greater efficiency is a very dubious assumption and is not backed up by past experience, particularly in relation to nationalised industries. In any case, the aim, at a time of tight budgets, must be to deliver better value for public money and not just a cheaper service. The real problem with a single national force is that it would lead to less effective local policing and is, therefore, a false economy.

But real reform also requires the introduction of genuine choice from a more diverse range of providers. This is not a matter of public versus private, but monopoly versus competition. Competition is the key to more effective and higher quality services because providers have to satisfy the needs of users in order to gain extra revenue.

So far, we have only scratched the surface of this debate in Scotland, but how to ensure value for money in our public services needs to be far higher up the political agenda in this parliament.

Geoff Mawdsley, Director of Reform Scotland
Liberal Democrats

Monday 19 September

Steve Webb MP, Minister of State for Pensions
Being prepared: Helping families plan for the new state of welfare
Hyatt Regency, Scherzo Room, 7:45am – 9:00am
Kindly sponsored by Aviva
(By invitation only)

Tuesday 20 September

Norman Lamb MP, Chief Parliamentary and Political Advisor to the Deputy Prime Minister
Healthy choices: Reforming the NHS
Hyatt Regency, Scherzo Room, 8:00am – 9:00am
Kindly sponsored by BMI Healthcare
(By invitation only)

RT Hon Michael Moore MP, Secretary of State for Scotland
Going green: How to create a sustainable economy
Jurys Inn, Room 105, 18:15 – 19:30
Kindly sponsored by Lloyds Banking Group

RT Hon Don Foster MP, former Liberal Democrat Shadow Secretary of State for Culture, Media and Sport 2005–10
Creative growth: Helping the UK economy to recover and thrive
Jurys Inn, Room 103, 18:15 – 19:30
Kindly sponsored by Sky

Labour

Monday 26 September

Angela Eagle MP, Shadow Chief Secretary to the Treasury
Being prepared: Helping families plan for the new state of welfare
Hyatt Hotel, Room 3, 12:30 – 13:30
Kindly sponsored by Aviva
(By invitation only)

Stella Creasy MP, Member of Parliament for Walthamstow
Britain’s debt hangover: How can we protect the financially vulnerable?
ACC, Concourse Fringe Room 1, 1:00 – 19:00
Kindly sponsored by R3, the insolvency trade body

Tuesday 27 September

Helen Goodman MP, Shadow Minister for Justice
Innovation and efficiency in criminal justice
ACC, Hall 11A, 8:00am – 9:30am
Kindly sponsored by Capita Symonds
(By invitation only)

Liz Kendall MP, Shadow Minister for Health
Healthy efficiency: Value for money and quality in the NHS
ACC, Hall 13, 12:30 – 14:00
Kindly sponsored by Baxter Healthcare Ltd
(By invitation only)

Ivan Lewis MP, Shadow Secretary of State for Culture, Media and Sport
Creative growth: Helping the UK economy to recover and thrive
ACC, Concourse Fringe Room 1, 18:00 – 19:00
Kindly sponsored by Sky

RT Hon Andy Burnham MP, Shadow Secretary of State for Education
Learning lessons: Government’s role in qualification reform
ACC Convention Centre, Hall 13, 18:00 – 19:00
Kindly sponsored by AQA

Conservatives

Sunday 2 October

Mark Prisk MP, Minister of State for Business and Enterprise.
Unleashing entrepreneurship: How to create the most enterprising decade in the UK’s history.
Radisson Hotel, Parkhurst Room, 18:00 – 19:30
Kindly sponsored by Lloyds Banking Group

Monday 3 October

Lord Freud, Parliamentary Under-Secretary of State, Department of Work and Pensions
Being prepared: Helping families plan for the new state of welfare
Radisson Hotel, Peterloo Room, 8:00am – 9:00am
Kindly sponsored by Aviva
(By invitation only)

Penny Mordaunt MP, Chair, All Party Parliamentary Group for Ageing and Older People
Lean times and growing needs: Getting more from care and support
Radisson Hotel, Peterloo Room, 10:00am – 11:00am
Kindly sponsored by Circle Housing Group
(By invitation only)

Mark Simmonds MP, Co-Chair, Associate Parliamentary Health Group
Healthy efficiency: Value for money and quality in the NHS
Radisson Hotel, Peterloo Room, 12:45 – 14:00
Kindly sponsored by Baxter Healthcare Ltd
(By invitation only)

Jonathan Evans MP, Andrea Leadsom MP, Jesse Norman MP, Sayed Kamall MEP
The future role for financial services in supporting society and economic growth
Radisson Hotel, Hunt Room, 12:45 – 14:00
Kindly sponsored by KPMG and BVCA
(By invitation only)

Maria Miller MP, Parliamentary Under-Secretary of State, Department of Work and Pensions
From state dependency to personal responsibility: What role for the private sector?
Radisson Hotel, Parkhurst Room, 12:45 – 14:00
Kindly sponsored by Unum

RT Hon James Arbuthnot MP, Chair, Education Select Committee
Delivering qualification reform: What does history teach us?
Radisson Hotel, Pankhurst Room, 17:45 – 19:00
Kindly sponsored by AQA

Damian Collins MP, Member, Culture, Media and Sport Select Committee
Creative growth: Helping the UK economy to recover and thrive
Radisson Hotel, Stanley Livingstone Room, 18:00 – 19:00
Kindly sponsored by Sky

Tuesday 4 October

Anne Milton MP, Parliamentary Under-Secretary of State, Department of Health
Healthy choices: Reforming the NHS
Radisson Hotel, Peterloo Room, 10:00am – 11:00am
Kindly sponsored by BMI Healthcare
(By invitation only)

Nick Boles MP, Member of Parliament for Grantham and Stamford, and George Freeman MP, Member of Parliament for Mid-Norfolk
Back to business: The private sector and public service reform
Manchester Central, Exchange Rooms 4 and 5, 10:00am – 11:30am
Kindly sponsored by Citi
(By invitation only)

Bernard Jenkin MP, Chair, Public Administration Select Committee and Richard Bacon MP, Member, Public Accounts Committee
Open public services?
Accountability and transparency in the public sector
PricewaterhouseCoopers, 10:30am – 12:00pm
Kindly sponsored by PwC
(By invitation only)

David Gauke MP, Exchequer Secretary to the Treasury
Driving growth: Bouncing businesses back into profit
The Midland Hotel, Colony Restaurant, 12:30 – 14:00
Kindly sponsored by R3, the insolvency trade body

RT Hon J ames Arbuthnot MP, Chair, Defence Select Committee
Spending within means: Innovative ideas for the defence budget
Radisson Hotel, Peterloo Room, 12:30 – 14:00
Kindly sponsored by Capita Symonds
(By invitation only)