

Chief Secretary to the Treasury delivers his first speech in the role to thinktank Onward

The new radicals – how the Treasury can drive government change

It's a pleasure to be delivering my first policy speech as Chief Secretary to the Treasury, ahead of the Spending Review this autumn.

Today I will be speaking about how the Treasury can be an accelerator of change in government.

And so it is fitting to be hosted by Onward, who for the past year-and-a-half, have been leading the renewal of ideas on the centre-right of British politics.

A Spending Review is a significant moment in the lifecycle of any government.

We must not only conduct this review against the backdrop of the most challenging peacetime economic circumstances in living memory.

We must do so as a government re-elected a little over seven months ago with a strengthened majority and an emboldened mandate.

Now, these two factors are not mutually exclusive.

Over the past few weeks the Prime Minister, Chancellor and Chancellor of the Duchy of Lancaster have each delivered speeches outlining how our recovery from this pandemic can be a moment for national renewal.

But as Chief Secretary, my role is to talk less about the what and to focus more on the how.

So, today I want to explore how the Spending Review can act as the mechanism to deliver the Prime Minister's ambition to level up our country.

Now this practical approach is rooted in my experience at different stages of my political career.

As a constituency MP, I have on many occasions run up against a system that is slow and siloed.

In frustration, I've found myself asking why there is a seven year gap between funding being agreed for a road scheme and the first digger arriving.

Or why it takes a decade to decide to produce a full business case on whether to reopen eight miles of railway track – taking twice the length of time of the second world war.

Before becoming a minister, I sat on the Public Accounts Committee for four years, where reports repeatedly showed schemes where the outcomes did not reflect the inputs.

As an example, nine regional fire control centres were built at a cost of three quarters of a billion pounds. Not one of them worked.

The lack of upfront clarity on outcomes, the slow speed of delivery and the variable quality of data have been familiar themes during these years.

The Spending Review is an opportunity to challenge this.

Harnessing the lessons from coronavirus

But first, it's worth considering the context for what will be the first multi-year review since 2015.

Given my previous role, it won't surprise you if I start with Brexit.

For me, Brexit was a vote for change by people who felt the status quo was not delivering for them.

But now we must deliver, particularly for those who at the election lent us their vote for the first time.

And we must deliver differently in the wake of a crisis that has accelerated many trends within our economy and our society.

Take healthcare.

Before coronavirus, around 95% of GP consultations were face to face. By the end of April, this had almost reversed with more than 85% taking place remotely, either by phone or online.

And few GPs now say they want to return to the old approach.

Whitehall has also had to change.

The Furlough Scheme was announced by the Chancellor on 20 March and opened for applications just one month to the day later

Likewise, the Self Employment Income Support Scheme opened almost a whole month ahead of schedule.

Normally such schemes take months – years even – to deliver.

And HMRC achieved this with more than 80% of their staff working from home.

I'd like to put on record my thanks to the civil servants in the Treasury, HMRC and elsewhere for the speed and focus with which they have tackled these extraordinary challenges.

But if the wheels of government can be made to spin this fast in a crisis, with all the added pressures of lockdown, why can't it happen routinely?

For example, why did it have to take a pandemic to collect the right information to understand who the most clinically vulnerable people in our society are?

Indeed, would we have been able to collate the necessary data without the backdrop of a health emergency?

Answering these questions will not only help us to deal with the consequences of COVID-19.

It also cuts to the heart of this Government's defining mission – to level up investment and opportunity across the UK.

I think most people understand that the action we are taking to support businesses and jobs during this pandemic is the right thing to do, even though it comes at a cost.

Indeed, as the OBR have made clear, the cost of inaction would have been far greater.

The Prime Minister has made it clear that austerity is not the answer to navigating the changed economic landscape.

But departments will have to make tough choices in the months ahead.

These choices will be shaped by our commitment to review the Green Book.

To properly level-up the country we must ensure that Treasury decision-making reflects our country's economic geography.

Spending decisions cannot be based solely on cost-benefit ratios that are assessed in silos. There must be room for more balanced judgements which take account of the transformative potential of investment to reduce inequality and drive localised growth.

Levelling up also must be more than a mere shifting of resource from London to other large metropolitan cities.

It needs to work for the entire United Kingdom, including as part of our enduring commitment to the Union.

And it must recognise that that within a single bus journey different neighbourhoods in the same area can often be worlds apart.

Accelerating the UK's economic recovery.

Levelling-up opportunity throughout our country.

Improving our public services.

And making the UK a scientific superpower.

These are the priorities the CSR must drive forward.

And to do so, I am focussing on three areas which will shape our approach to the Spending Review.

The first is outcomes.

I want this Review to tie expenditure and performance far more closely together than has been the case up to now.

For decades the most innovative companies have made a habit of setting clear objectives and then relentlessly tracking, measuring and evaluating the outcomes of their work.

This approach should not just be confined to Silicon Valley.

We must not forget that the public will judge success not by how much is spent, but by what they experience in their daily lives.

The state of local roads.

The time taken to get a hospital appointment.

How safe the neighbourhood feels.

If funding decisions are to improve over time, we in the Treasury need to have clearer sight of both the intended outcomes and subsequently evaluation of their delivery.

We'll be publishing details on these outcomes at the Spending Review, thereby setting the priorities across government for the remainder of this Parliament.

Another key challenge to measuring outcomes is the divide between policy and delivery.

Bridging this divide is made even more difficult by the fact that some of the most complex policy challenges sit across multiple departments and arms-length bodies.

At last year's Spending Review, the government announced a new Shared Outcomes Fund to test innovative ways of bringing together the public sector.

The aim was to address cross-cutting issues in a way that improves outcomes and ensures value for money.

I'm pleased to announce today that I have approved the first round of pilots from this fund.

These pilots will use innovative approaches to address a wide variety of issues.

From tackling drug misuse in some of the worst-affected areas by better joining up local law enforcement agencies, healthcare and prisons.

To planting trees outside woodlands to help meet our climate change targets.

Or supporting GPs and other healthcare professionals to refer patients to outdoor activities in their local community to help manage complex health and social challenges, like mental health and loneliness.

While the various pilot schemes may seem eclectic, the one thing each successful bid has in common is that each is backed by a robust method to track and measure the delivery of outcomes.

I'm hoping we can learn from the success of these projects.

Indeed, we can learn from them even if they're not successful, because we'll have better data to understand why.

Closely connected to outcomes is speed, my second area of focus.

Speed is a hallmark of the digital era. Over half of mobile internet users will leave a site that takes longer than three seconds to load.

The early response to CBILS, and the delivery of Bounce Back loans shows Government can adapt and deliver schemes that work at speed.

When it comes to infrastructure we must not only foster a culture of pace, agility, and strong leadership.

We must also learn from the work of the Infrastructure and Projects Authority and the National Audit Office.

Programmes need to start with robust goals and we have to resist the temptation to repeatedly change plans.

Our maxim should be measure twice and cut once.

That way we can better address the sobering fact that our capital costs are typically between 10 and 30% higher in this country than in other European countries.

This is why a new Infrastructure Delivery Task Force has been established – known as Project Speed.

Led by the Chancellor, Project Speed will aim to cut down the time it takes to develop, design and deliver vital projects.

Another key element of building faster is utilising modern construction techniques linked to clearer standardisation across projects.

I want to explore how the same principles of standardisation and modularisation that delivered the first Nightingale Hospital, one of the largest in the world, in just nine days can now help deliver the Government's flagship commitment to build forty new hospitals.

It's not that government doesn't innovate when it comes to construction.

It's just that the innovation is unevenly distributed.

For example, how many of you are aware that the Department for Education has – over the last seven years – brought the cost per metre squared of a new school down by a third?

Yet government as a whole still has a long way to go in optimising the speed and value for money of our construction spend.

Take housing.

Eighty-four per cent of detached housing in Sweden use prefabricated timber elements.

Here by contrast the figure is just 5%.

No doubt it is still associated in people's minds with spartan post-war housing stock.

But the modern reality is very different, as typified by the so-called Japanese "dream factories" where a single factory can deliver around 20,000 units in a year.

Customers are able to personalise their future home to match their individual needs and aspirations – making buying a home closer to the experience of buying a car.

This is what we should be seeing in the UK.

Yet too often housing construction would look familiar to Victorian eyes.

As a result the Spending Review will seek to accelerate our adoption of Modern Methods of Construction and explicitly link funding decisions to schemes that prioritise it.

After outcomes and speed comes my third area of focus: data.

The proliferation of information is the story of our age.

As Onward's recent report, *Data to the People*, reminds us – more data was created in the last two years than in the previous five thousand.

Yet despite its importance, too often we have been behind the curve when it comes to obtaining, analysing, and enabling open access to data.

At its core we need to demonstrate how the better use of real time data delivers a better service to the public.

Take the National Shielding programme as an example.

By government departments coordinating and sharing data, the most vulnerable in our society were able to access the food and medicine they needed in a time of national crisis.

Data also drives better government decision making.

I've already spoken about outcomes, but it's important we draw the distinction between the decisions we make and outcomes those decisions generate.

The quality of a decision won't necessarily match the quality of the outcome.

In a world of imperfect information we can never perfectly predict outcomes upfront, but what we can do is improve the decisions we make.

Yet it remains the case that decisions in government still rely heavily on spreadsheets from departments rather than data directly sourced in real time.

Now this is my first Spending Review.

I'm keen to learn from the past experience of my predecessors.

But there is limited data available from previous spending rounds to use to provide useful insights.

Evaluation is too often insufficiently prioritised by departments.

A Spending Review should be an iterative process, not a standalone event.

Ministers should not have to face an array of unconnected spending requests, supported by differing standards of evidence, as is the case now.

I recently heard an example here from last year's spending review, where a department had failed to provide standardised and comparable datasets to the relevant spending team in the Treasury.

In response, a member of our Treasury team who happens to be a gifted coder took it upon himself to quickly code a solution that harmonised the data sets.

As a result, his team identified savings of £1.3 billion.

That's great to see.

But it shouldn't rely on the initiative of one individual.

This approach should be the norm.

Work has already begun to incentivise departments and importantly, arms length bodies, to supply higher quality standardised data and to support the Treasury to better interrogate this data.

A multi-year spending review allows for a deeper and more fundamental change.

A new public infrastructure is emerging to govern how we collect, share and exploit the vast datasets which are generated as a byproduct of 21st century life.

But building this will involve sorting out the data architecture as well as the data sets.

Remember, the average tenure of a Secretary of State is less than two years, and so it's no surprise that issues such as legacy IT are often deprioritised in favour of the new and exciting.

This is despite the fact that currently around half of central government IT spend is on servicing legacy IT.

Such an approach is not only expensive. It also poses cyber-security risk, and prevents agile ways of working and cross departmental interaction.

It also obstructs the use of new innovative IT solutions and the sharing of data more openly.

That is why a key focus of the Spending Review will be addressing legacy IT and investing in the data infrastructure we need to become a truly digital government.

Finally, we in the Treasury need to think differently about our relationship to data, and how we use it to make our own decisions.

Take, for example, the £225 million that the Government is allocating to local transport authorities this year to invest in new walking and cycling infra-structure.

The Government Digital Service and the Treasury have created a new tool to bring together disparate and novel data sources.

The insights will support value for money decisions right away.

But it will also help determine our approach to similar investment in the future as part of the £2 billion the Prime Minister has announced for cycling and walking.

It could, for example, help us speed up delivery, reduce costs or improve safety.

Or to ensure the development of cycling lanes is spread to better include those areas who in the past have missed out.

And while this is a project in itself, we are using it as a test case of how we reform data use in the Treasury.

Bringing together different datasets covering pay, pensions, and property can help determine future Civil Service workforce requirements, including which jobs we can move out of London.

Similarly, improved data could help better match new police resources to crime in communities.

Or to track the vast amounts we grant to local authorities to spend on social

care to ensure it better reaches those in need.

The possibilities are extensive, and exciting.

This is why I have established a small team of analysts and developers to provide more data science expertise and bring agile product practices to the Treasury both in the lead up to the Spending Review, and beyond.

However, we must not be afraid to acknowledge the limits of data.

Data can be biased and reductive, and alone it never tells the full story.

It can help close the information gap, but we will almost always be making decisions with imperfect information to guide us.

And it is in this vein I briefly turn to a final thought.

Speeding up projects, measuring outcomes, and using data to make better decisions represents a great opportunity.

But setting ambitious goals and experimenting with ways of delivery increases the risk of government falling short.

Indeed, we must accept that such an approach – one of starting small and failing fast – is an approach that will sometimes not deliver the outcomes we expect.

The real failure would be to only ever play it safe, and to never try anything new.

So, how will this autumn's Spending Review bring these things together?

It means departments sharing the data, models and analysis that underpins spending proposals, and rigorously agreeing outcomes with the Treasury as part of the process.

Now I don't pretend for a moment that data is a panacea.

Data won't make the difficult decisions any easier. There will always be a place for political judgement.

Nor do I pretend that we will get it right first time.

This Spending Review is an opportunity to experiment with new ideas. If they work, we'll look to build on them in the future and if they don't, we'll learn the lessons and move on.

But coming as it does in the wake of a crisis that has fully tested the machinery of government, this Spending Review is a moment to ingrain a new approach into the public finances.

Instead of being seen as a brake on progress, I want the Treasury to put its foot on the accelerator.

To move beyond a simple yes/no approach to public spending.

And instead bring together people, ideas, and best practice from inside and outside government.

This is an opportunity for the Treasury to capture the 'can do' attitude shown by civil servants during the Covid pandemic and make it permanent.

To be the new radicals, leading change across government.

Done well, we can move on from an era of spreadsheets.

We can create a smarter and faster culture in Whitehall.

And we can ensure that Britain does indeed bounce back from this crisis stronger and better than before.