

Speech: The freedom to deliver: smarter public services for a new age of ambition

When I arrived in the Chief Secretary's office in June, I was expecting to find a note telling me how much cash there was.

Instead all I got was a few pieces of cricket memorabilia and a rather sweet cat.

But what I did inherit were public finances in much better shape than in 2010. The deficit is down and the economy has enjoyed years of sustained growth.

On every street corner, I can see untapped potential. I see the ambition to succeed from the founders of firms to the leaders of social enterprises. In every business, school and hospital, we have huge talent.

I know that the best days of Britain are ahead of us.

In order to turbocharge our success, we need to unleash this potential within our economy.

And for that we must look to public services.

Why?

Because around a fifth of the economy is in the public domain.

And because:

Education

Infrastructure

Health care

Planning

Regulation

...are all under the control of the government.

Unlocking our potential is not about increasing the size of the state.

It's not about what you spend – it's about how you spend it.

We've made good progress over the last seven years, reducing the deficit while improving front-line services. Some say we can't go any further, but I don't accept that defeatism.

I know we can: it's about unleashing a new era in technology, creativity and ideas.

In Britain we have some of the best public servants in the world.

But we need to give our public sector leaders new freedom...

Robustly measure our output...and make sure we spend every penny well.

Achievements to date

We've made huge progress since 2010:

- 4 years of uninterrupted economic growth
- a record number of start-ups created: we rank 3rd, with over 650,000 founded in 2016 alone
- we now have 22 billion-dollar tech companies based in the UK, from St Ives to Inverness
- the unemployment rate at its lowest since 1975
- millions more children in good or outstanding schools, and more student choosing to pursue maths at A-level
- historically high cancer survival rates

We didn't achieve all this by losing control of the public finances.

We did it by harnessing the creative, innovative spirit that has driven Britain's success for centuries...

By shifting money to the front line in health, policing and education...And by giving those on the front line the power to transform what they do.

Moving from inputs to outputs

So why is so much of the public spending debate just about how much money there is?

No company would measure its performance by its cost base.

You don't see Sainsbury's saying we're doing better this year because we're spending more money on products we're buying to sell to our customers. Deliveroo didn't come up with their new operating model by deciding what the budget was first and then buying up bikes.

The reason we've got such a high number of start-ups and our businesses are so successful is because they are constantly finding new and better ways to deliver their services.

Why do we only ask:

How big is her Budget?

How much are we spending?

Is it more this year or last year?

Is it more in Manchester or Bristol?

What number is attached to that announcement? And to be clear, there aren't any spending announcement here today.

Of course, public services do require money. So let me set out the facts:

- public spending is currently 38.9% of GDP
- this year, it will hit £800 billion for the first time – that's around £29,000 per household, and in line with what other major economies are spending
- on education, we spend more as a percentage of GDP than countries like Germany or Japan, and our health spending is 9.7% of our GDP, more than the EU average
- our public services are important. We value them highly. And that is exactly why they have been, and will continue to be, well invested in

How do we make public services better?

Hard working taxpayers want to know that every penny that they pay is going to good use.

Lower productivity means less value achieved for every pound spent: fewer operations conducted, fewer children educated well, fewer bins collected.

And the result? A substantial budget deficit on the eve of the UK's biggest financial crisis in 80 years.

Let me be clear – there are some things only government can do.

But allowing the state to grow squeezes out the freedom and enterprise of the private sector.

It raises the tax burden on both individuals and businesses, slowing and

stifling the innovation which drives our economy and our success.

If we want to make sure our public services continue to lead the world, we shouldn't be losing control of the public finances or wrecking the economy.

We need a balanced approach – investing while driving productivity and value for money.

Productivity doesn't mean we're expecting people to work harder – people already work hard.

It's about giving people the means and the freedom to maximise the impact of what they do. And making sure public services are having the greatest impact on people's lives.

We have commissioned Sir Michael Barber to look at how we do exactly this.

For me there are three key areas:

Firstly, we need to continue to move towards a system that rewards the impact money has, rather than the amount of money spent.

Secondly, we must cultivate leadership in public services. We know what we want to see, but we should give those on the front line freedom to deliver.

And, finally, we must open up more of our public services to new ideas and disruptive innovation. We need to think big.

1. Impact

Firstly: we must rigorously measure the impact each pound spent has. If we can't measure results, people will talk about what they always talk about: money.

We're now much better at investing in economic infrastructure. With more sophisticated analysis we're making better decisions than ever about where we invest taxpayers' money. This means families and businesses see maximum gain when we spend money on roads or railways.

For example, in 2015, we were able to prioritise the dualling of the A11 to Norfolk, because it had a very high cost-benefit ratio compared to other projects.

Now we need to go beyond concrete and steel and use this approach to look at how government spending affects people.

We're already doing this in higher education. We've recently published data measuring the impact of a university course on students' prospects. It's a new tool for comparing the return on investment at different institutions and courses.

It shows, for example, that students taking engineering at the OU can earn well over £50,000 five years after graduating.

And our Teaching Excellence Framework is incorporating earnings data, and providing a measure of the overall value-add that universities and courses provide.

However, effective measurement is not just about holding ourselves to our own standards, it is also about benchmarking our performance against other countries – noting where we are better and when we are not, so we can improve. We know how to benchmark. We simply need to do it more.

Prioritisation

This measurement can help us prioritise.

We are already doing this by rebalancing public spending. For example, by helping people into work, we've reduced the Jobseekers Allowance bill by £2.1 billion since 2010. And we are increasing public investment to around £1 in every £8, as opposed to £1 in every £14 in recent decades. And we are reprioritising within our Budgets.

On Education, our prioritisation of funding to the front line has meant that we've been able to put £1.3 billion extra into core schools funding. The evidence shows that high quality teaching that is the key factor of educational performance.

But we need to go further.

We need to back brave leaders, like Simon Bailey of Norfolk Constabulary, who is reshaping his force to deal with the changing nature of crime: making difficult decisions so he can invest in the IT required to deal with increasingly complex crimes such as adult and child abuse, sexual offences and cyber-crime.

2. Leadership freedom

As Charlie Mayfield identified in his report on industry productivity, leadership is an area where the UK has much to learn.

To use his exact words: While we have world class, high performing businesses, in far too many UK firms of all sizes, management performance falls behind the best international standards.

Our public services are no different.

We need to move away from the idea that great leadership and management is something that you are born with. That someone is either Winston Churchill or David Brent.

Some of our most successful innovations like academies, foundation trusts and reform prisons have been about enabling and empowering leaders: giving them the freedom to lead and the accountability that comes with that.

Take the Michaela School, run by Katherine Birblesingh, that I visited in Wembley.

Katherine has reorganised the school day to eliminate the time normally lost moving from classroom to classroom.

Over time, it means hours – days – of time spent in the classroom instead of wasted in the corridor.

Taken together, seemingly insignificant changes can have a huge impact on children's lives.

The Michaela School was recently rated 'outstanding' in every category by Ofsted.

Or take Worthing Hospital, where trust leader, Marianne Griffiths, has embraced the Japanese concept of Kaizen – continuous improvement.

This has been adopted by the brilliant team on Beckett Ward, led by deputy Sister Sue Grace.

Instead of lodging a complaint to senior management and waiting six weeks for a response, the team gather each day for an "improvement huddle".

One such improvement was a nurse's suggestion to move admin desks onto the patient bays. This would mean nurses could supervise patients while doing paperwork. Otherwise known as "BayWatch".

Once put into practice, falls by frail patients dropped by 80%. We know our nurses are working their socks off.

The problem is, there are often too many barriers to making the small changes that have a big impact.

As a government, we must do more to empower our public servants, remove these barriers and provide them with the means and support to unlock their potential.

In the way we design frameworks and spending controls, the Treasury – whilst protecting public money – must make sure we are allowing leaders to lead and giving them freedom over how to achieve results.

3. Disruption is good

Finally, I want to take on this notion that the public sector should resist outside influence.

The public sector does not exist in a bubble and business should not be treated as the enemy.

Don't critics realise that the cheap flights they take – the lattes they sip – and the smartphones they post their dubious comments from are all results of free enterprise.

Rather than ignoring or denying the virtues of enterprise we should be harnessing it for the public good.

Both of my parents worked in the public sector in Leeds, my dad as a university lecturer and my mum as a nurse and then teacher. In fact, my father is still working as a mathematics lecturer today.

The institutions that they worked in – Leeds University and the Infirmary – emerged in the city's days as a wool town, and were paid for and heavily influenced by the industrialists of the day.

Fast forward to today, and we can easily see the huge contribution made by entrepreneurs and business people – like Lord Harris and Paul Marshall – to our public service. Both have brought their energy and drive to the academies and free schools movement, where performance is outstripping other schools in the state sector.

Public private partnerships, like the Docklands Light Railway, are some of the most effective and popular public services in the UK.

From Ask the Midwife, an app which is helping expectant mothers to access NHS services quicker and more effectively...

...to the brilliant IT company Reveal Media that supply bodyworn cameras to police, saving time and speeding up prosecutions

...to the transformative effect that digital flood information is having on coastal towns and villages vulnerable to flooding – technology only available because of the innovations of world leading software companies.

We must champion a rich, vibrant, creative, enterprising public sphere where all ideas are welcome.

Looking forward

We want to see new ideas challenging the status quo of our public services.

Government doesn't always have the answers, but we can create structures to empower people – liberating our public servants and making the most of those opportunities.

This idea that some monolithic planned state will solve Britain's problems in our rapidly changing and incredibly diverse world is ludicrous.

The best ideas often come from those on the front line. We need a public sector open enough to harness new ideas for the public good.

Conclusion

We've come a long way in understanding how to get the most from public services.

It's not about spending money we don't have.

It's about championing the ambitious and the enterprising.

It's about rigorous measurement of what we do and being willing to reprioritise.

It's about opening up more of the public sector to new ideas and innovation, unleashing creativity in the way we approach our day to day delivery of public services.

In this way, we can harness the untapped potential of the public sector and its people to help drive our economy and put us in a strong position to thrive.