

Speech: “The spirit of 21st century Britain is not to oppose change, but to drive it”, says Chief Secretary, David Gauke

The topic I want to focus on is a broad one, and one that governments and societies across the world ignore at their peril.

And that’s how we prepare for the future.

Now there are clearly a lot of angles to that question.

And I am not going to attempt to provide a comprehensive answer.

At the moment, of course, most reports, discussions and column inches are looking at the question in terms of the future partnership between the UK and the EU.

And understandably so.

For both the UK and the other EU member states, this is an unprecedented question.

That’s why a huge amount of research and planning is already underway in governments, businesses and 3rd sector organisations across Europe, as well as the wider world.

But I’d like to use this opportunity today to look even further ahead.

To look beyond the negotiations to come.

In fact, to look beyond the scope of this Parliament, or the one to follow.

And instead, to consider how we can make the UK a success throughout the 21st century.

So I want to focus on three interconnected aspects of how we are considering that question in government.

You won’t be surprised to hear that for a Treasury minister, that starts with thinking about the future of our public finances.

But it also means thinking about the future of our public services.

As well as the impact of tomorrow’s technologies.

Plenty, I think, for us to discuss in the time we’ve got.

Public finances

So let me start with that most Treasury of preoccupations – the health of the public purse.

And I think the main questions on this come in two forms.

First, how do we address the immediate and medium-term challenges in respect of the deficit and debt? And second, what is our response to the longer term fiscal challenges faced by advanced economies across the globe?

Dealing with the deficit

Two big questions, so I'll take each in turn.

First – the fact that we are in a historically difficult financial position.

I won't downplay the challenges we face. Whatever your views on the causes that brought us here – whether that be the loose fiscal policies of the 2000s whilst overly relying on volatile sources of tax revenue, or the international financial crisis – the fact is that when we came to government in 2010, the public finances required serious remedy. The deficit the country was running was at its highest point since the Second World War.

And in consequence, the trajectory of our national debt was inevitably moving in the wrong direction – and fast. Even with the difficult decisions we have taken over the last seven years – which mean that instead of borrowing one in four pounds, it's now one in 10 – next year debt will stand at about 90% of our GDP.

To put that in perspective, that's its highest in half a century.

So those who argue that spending control and deficit reduction are yesterday's issues could not be more wrong. For all the progress we have made, we are not yet out of the woods by any stretch.

And unless you're prepared to leave the country vulnerable to future economic shocks, and create even tougher fiscal choices in the future, it is an absolute necessity to get on top of this legacy of debt and deficit. That is why we'll be continuing our work to do so and get the structural deficit to below 2% of our GDP this Parliament, and put ourselves on course to returning to balance as soon as possible in the next Parliament.

Dealing with our debt

But there is a bigger fiscal challenge at play too.

We're seeing seismic changes to our societies which will present long-term economic challenges for governments the whole world over.

For a start, we're getting older.

If I look just at the period of my own life time, when I was born in 1971,

the global life expectancy at birth was 59 years. That's now increased to over 71 years. And it's not a trend confined to developing countries. In the UK too, we saw a similar rise in that period from 72 years to over 81.

And one in three of all babies born here today can now expect a message from the Palace on their hundredth birthday, compared to the one in every hundred people born over a century ago.

So as people live longer and longer, public services have to meet the needs, first, of a larger older population, but second, of a more expensive one – with people nearing the end of their lives requiring much more support.

But our ageing population is just one challenge.

Consider too the increasing identification of long-term illnesses – for the young and old alike.

Research from the King's Fund, for example, suggests that the cost to the NHS of mental health disorders and dementia will increase by half between 2007 and 2026. We can also expect increasing rates of obesity to raise the number of people with conditions like cardiovascular disease and diabetes.

And the rise in the identification of illnesses carries a corresponding rise in costs. Not just in terms of what we spend on health care, but on social security too.

Look at how our spend on Disability Living Allowance has almost doubled as a share of GDP over the past 20 years – the largest rise associated with the increase in identifying mental health issues.

Then there is the fact that research shows people have increasingly high expectations concerning their standards of care, their engagement with medical professionals and their access to the very latest treatments.

And all those cutting edge treatments, those new drugs, complex procedures, and advanced pieces of equipment – they all come with a much higher price tag.

So there are a wide range of pressures that are driving up costs to the public purse.

An illustration of which can be seen in the fact that over the last 60 years, there's been a huge change in how much we are spending on the NHS as a proportion of government spending as a whole – from around 8% in 1955. To nearly 18% in 2015. So the implications of all of these pressures are far-reaching.

The recent report from the OBR, for example, gave a blunt assessment of what they could mean for UK public finances.

It projected that without mitigating action, in 50 years time, our debt would stand at 234% of GDP.

To put it another way, the kind of factors I have outlined are set to add to government debt by more than either of the World Wars did.

But without the prospect of spending pressures relenting once the war was won.

The UK is not, of course, unique in facing such challenges.

The reality is that responsible governments across the world will have to take steps to prevent such a fate.

Even if that means short-term unpopularity.

So it is in the context of this looming and growing challenge, that our determination to deal with the deficit and restore public finances to balance is hardened still further.

Public services

That brings me to my second point – the future of government services.

And so often, political debate on this subject is reduced to sheer weight of numbers.

Are we spending more than we did before?

Are we spending more than the opposition are saying they would spend?

Are we spending more than other countries are spending?

But the answers to any of these questions will only take you so far. The question we should also ask is not just how much, but how well we are spending that money.

It is in that spirit that I am leading a government-wide drive to make our public services more productive – quite simply, to get more for less.

That might sound idealistic.

Even simplistic.

But unless you think government services are already running like clockwork, and offering our taxpayers perfect value, I think you will agree that there is plenty of scope for us to improve how we operate.

And I'm not someone who subscribes to the view that the only way you can do so, is to throw money at the problems.

That's not how businesses operate, and it shouldn't be how governments operate either.

Instead, we should make a relentless effort to become ever smarter, ever more productive, and ever more efficient in the future.

That's why I'm working with all my Cabinet colleagues to look at how we do so – and we've set ourselves a target of saving the taxpayer £3.5 billion by the end of this Parliament.

It can certainly be done. Just look at the gains to be made in our Health Service alone – the Carter review has identified that by working more efficiently we can save £5 billion pounds a year by 2021.

A recent Radio 4 documentary highlighted how we are raising productivity in the NHS. It gave a good insight into just how much room for improvement there is – for both the patient, and the taxpayer.

One example came courtesy of orthopaedic surgeon, Professor Tim Briggs, who is also the National Director for Clinical Quality and Efficiency in NHS Improvements. Just looking at hip and knee replacements, he found standards varied wildly across the NHS – whether that was in how much any given hospital spent buying the joint replacements, the different rates of infection or the varying patient outcomes and costs of mistakes and litigation. By making changes to share best practice, whether in treatment or procurement, he showed we could not only raise care, but reduce costs – freeing up of millions of pounds to be used elsewhere.

In fact, he reckoned the money saved just from getting infection rates down to the level of the best performers, would be enough to pay for around 50-60,000 more such knee or hip operations – for the same amount of money. That's a staggering figure and I'm pleased to say he's now looking at what we can do in 30 other specialities, including diabetes and heart surgery.

This is exactly the kind of approach we can and should be taking across our public sector as a whole. Improving productivity and efficiency must become embedded in the culture of our public services if we are to meet rising expectations and cope with the long-term fiscal pressures.

And that's why I'm inviting experts from across our society – from within the public sector, from academia, 3rd sector organisations, and businesses – to look at how we can reform the ways in which we work, put our workforce to best use and invest in the technology and systems that will raise our productivity to another level.

Tomorrow's technology

And that brings me to my third and final point today – which is to consider the implications of the rapid technological advances of our age.

Because change is happening at an astonishing pace.

We're seeing artificial intelligence that can pass the Turing test.

Cars that can drive themselves.

Houses that can be printed out.

Hotels run by robots – and indeed robots that can care for the elderly, perform heart and brain surgery, or explore outer space.

And we shouldn't regard such advances with the hostility of 21st century luddites.

Nor should we seek to stifle them in a misguided attempt to protect jobs – don't expect to hear the Chancellor announce a new 'tax on robots' any time soon.

Because we take the view that the role of Government is to back and enable the science, research and innovation of the next generation.

This brings benefits both to our society, and our economy.

I saw an example of this last week, when I went to Oxford to celebrate investment from Novo Nordisk, a multinational Danish pharmaceutical company, in a brand new research facility.

Drawn by such a world-leading university, they recognised that the UK was the best place in the world to research how we address diabetes.

We have the talent, the expertise, and the culture of academic excellence to help advance global scientific understanding.

And in doing so, we can bring new jobs and foreign investment to British shores.

So we're putting science and research at the very centre of our industrial policy.

You'll have heard us announce £4.7 billion pounds of public R&D spending at last year's Autumn Statement – the largest increase in any Parliament since the 70s.

That's in addition to our commitment to protect science funding – to the tune of over £24 billion up to 2020. But beyond supporting our world-class research base, there's much more we're doing to embrace the future. We're modernising the way we provide public services through technology – such as the investment we're making so that people can complete their tax returns online.

The UN have already ranked us the most digitally advanced government in the world, with the UK coming out on top in their E-Government survey.

And today, Cabinet Office Minister, Ben Gummer, launched a new strategy to see us build on that further. We're also putting in place the digital infrastructure we will rely on – we already have one of the fastest 4G rollouts in Europe, and we announced in November a £1 billion investment in broadband, to spread fibre networks and 5G across Britain.

And just look at the advances we're making in the future of how we will travel.

Like investing millions in the world's first large-scale live testing system for connected and autonomous vehicles. Or supporting tests of driverless cars, using smart motorways to trial connected vehicle technology, or expanding the infrastructure for ultra-low emission vehicles.

Just this morning, in fact, the Science Minister, Jo Johnson, launched a competition to fund proposals that will establish the UK's first spaceport by 2020, and keep us at the forefront of commercial spaceflight. But beyond the investments we are making as a government, we're also backing our businesses to innovate, with a low and competitive tax environment and support for R&D.

So across the spectrum, we're encouraging new technology and embracing the benefits it can bring to our society, and to our economy.

And that's why the World Economic Forum has already ranked us in the top three countries worldwide for our technological readiness.

But we must also recognise that these waves of change will fundamentally alter our society in ways we must manage.

Whether that's the changing face of crime, with the dramatic rise in cyber offences.

Or the big changes technological advances will mean to the way we work, and the jobs that we do. According to some predictions, for instance, almost two thirds of children entering primary schools today will work in roles that don't currently exist.

And alongside that, one study estimates that over a third of all jobs in the UK are at high risk of replacement by tech in the next one to two decades, as AI and advanced robotics develop further. So we must be able to adapt.

To connect more people to the opportunities to up- and re-skill throughout their working lives.

To address the digital divide and help people adjust and take part.

And to give our young people the skills they will need to get ahead in tomorrow's world. Whether that's in terms of what they learn at school – and indeed, we were one of the first countries in the world to put computer coding on the national curriculum. The quality of technical skills they can develop. Or the way we help millions of people get on in their careers by doing apprenticeships that are really focused on the modern needs of our industries.

Conclusion

So in looking at just the three aspects of the UK's future I have focused on today, what we can see is that there are some very real challenges ahead of us.

The hard work isn't over when it comes to rectifying the UK's public

finances.

And on top of that, governments the world over will need to get to grips with some difficult long-term spending pressures, as well as handle widespread changes to the very fabric of our societies.

But just as we should be frank and realistic in facing up to these challenges...

...we should also be positive and optimistic about the opportunities we will seize to meet them.

Britain is a nation of shopkeepers and scientists. Coders and creators. Problem-solvers and innovators.

The spirit of 21st century Britain is not to oppose change, but to drive it. And it is by shaping and embracing the technological advances of our age, that we will set our course towards better public services, higher national productivity, and a wealthier, healthier, more prosperous society.

Thank you for listening and I look forward to hearing your questions.