

# Independent Regulators need scrutiny

The public regard Ministers as responsible for many things, including areas where independent bodies have been given wide ranging powers. The independent Bank of England is responsible for keeping inflation to 2% but the public blame the government if inflation takes off and nothing appears to be done about it. The recent failure of U.K. monetary policy to keep inflation around 2% was entirely predictable and was the result of policy error, allied to a bad economic model of the economy and very optimistic inflation forecasts from the Bank and Treasury. I have commented often on the troubles of too much money creation. Today my case is errors by other Regulators are all too common. The government will be blamed for what they do wrong. All of them are creatures of Parliament, with management appointed by government and their costs underwritten by taxpayers.

Let 's take the case of the Water Regulator. Ofwat controls profits, prices and investment programmes. There has been recent justified criticism of too many dirty water discharges into rivers. You can blame the companies, but they would argue financial controls limit the amount of investment in additional capacity they can put in. The solution to dirty discharges is large spending on bigger pipes to handle growing volumes, which requires regulatory approval of the additional money needed to pay for it and of the physical works.

The water Regulator also helps limit the amount of additional capacity there is to treat and store clean water. Despite high levels of inward migration which argues for substantial extra capacity there has been a reliance on the stretch from old reservoirs. As a result whenever we have a dry season the industry has to dust down rationing plans . Water is the ultimate renewable resource, passing from rivers to sea and recirculating through rain. The U.K. Water Regulator has not served us well over quantity of water supply and over cleanliness of water returned to rivers.

The Electricity Regulator and grid led system keeps us very short of domestic generating capacity. It means we are stupidly dependent on an energy short EU to bail us out in times of high demand and or poor supply. The Regulator has also presided over the bankruptcy of too many electricity supply companies, landing taxpayers with a big bill for the largest that went under. Doesn't this warrant a review? We could do with more private investment in providing reliable power from domestic sources, and reassurance that there will not be future large bail out bills.

The Regulator of Offshore oil and gas has interpreted their brief as rapid rundown of the U.K. North Sea in pursuit of net zero targets. Unfortunately this just means we import more gas from abroad which costs us far more and entails the production of more CO2 than burning our own. There are now indications of a welcome change of approach. Gas is a crucial transition fuel this decade. We need to do far more to produce our own at a time of gas shortage and the use of gas as a weapon by Russia. A good new policy will bring more U.K. private investment and more better paid jobs.

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## **Memo to an incoming Prime Minister** **Broadcasting and the digital** **revolution**

The BBC and Channel 4 are being outpaced and outgrown by Netflix and Amazon, Disney and Apple as people seek their entertainment from downloads rather than tuning into the same scheduled programme as their neighbours. As a result the budgets of these large corporations to commission films and seek new content are much larger than the UK state institutions. The traditional media are finding it difficult to hold their audiences.

Channel 4 should be sold to new owners. It needs to seek new capital to expand and needs new direction to compete successfully in this multi media world, with audiences beyond one country. I favour giving employees in C4 some shares in the organisation on sale so they have a stake in the business going forward and a greater sense of alignment of their interests with those of the new dominant shareholders or owners.

The BBC has a well known brand in many parts of the world and has some global reach in both tv and radio. It is being held back by dependence on Licence fee funding. More and more people are dropping their licences by not having tvs at all and not using BBC services, whilst the cost of competing for talent and new material is rising on a global stage. The BBC does need to look for additional revenues from selling its services outside the UK on a global scale. It does not help itself by its systematic global establishment bias and wokish preoccupations. The U.K. competition authorities need to watch to see if BBC subsidised services are preventing competitors emerging or flourishing.

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## **Memo to an incoming Prime Minister** **Social care**

There is no easy answer to the complex problems of social care. Nor is there any cheap fix. One of the problems governments have found in proposing changes of policy is many people do not understand the current rules over social care especially for the elderly. Many families never find out, as their relatives die whilst still living at home.

Many elderly pensioners continue to live in their own homes, paying for their

accommodation and food out of their pension income and any accumulated savings. If their income falls too low then the state helps out with benefits. They qualify for free care from the NHS for all their medical needs. If they need assistance in their homes with everyday living they may qualify for free social services or they may need to pay for support.

If an elderly person needs to go into a home then the state pays if they have little or no capital, but the elderly person pays if they have money of their own. This includes selling their home which they no longer need and using the proceeds for the care home which they now live in. If their home is still needed by their husband or wife then it does not have to be sold or taken into account. In a care home they get full free NHA medical care but have to pay for social care or claim it under the rules from the local authority. They of course pay for their board and lodging all the time they have the cash.

Some people think this is unfair. They think social care – helping with shopping or dressing or whatever – should be free like health care for all. Some think it is unfair those who worked hard and saved more have to pay themselves and those who didn't have free provision. Others argue that the elderly person no longer needs or can use their former homes as they are living in a care home for the rest of their life, so why shouldn't that money be used to sustain their care and pay their food and accommodation bills?

It is clearly the case we all believe those in need of care and accommodation without money should be helped by the state. The issue is how many universal benefits should there be. If more, which taxes will pay the bills? The social care tax put in by the outgoing PM and Chancellor will pay a small proportion of the total costs involved and is already dwarfed by the public cost of NHS treatment and care home costs for the elderly which the state meets.

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## **Memo to an incoming Prime Minister** **Public spending does not control** **itself**

The role of Chief Secretary needs strengthening as the Treasury's second Cabinet Minister. Working for and under the general direction of the Chancellor the Chief Secretary needs to probe and challenge the bids for additional funds and the way in which existing budgets are being spent. He or she should be the voice to greater efficiency and better value for money in everything government departments do.

The need to rein in public spending without damaging main services is obvious from the figures. The first target should be the huge welfare budget, where

we need to replace more benefits with work incomes so people are better off and taxpayers save money. It is good to see people now rejoining the workforce after covid. There is plenty more room to help people find appropriate work for their skill levels and health circumstances to reduce the welfare bill.

The second target should be to ensure better value for all the extra money going into the NHS. That requires the Health Secretary to work with the management to improve effective working and help employees deliver more with the right training, computer and automation back up where that can help. The phase out of special covid expenditures helps.

The third issue to examine is the capital cost of providing housing and public service provision for economic migrants. It might be better to reduce numbers granted work visas and do more to develop our own workforce, as making provision for new arrivals is expensive given the amount of capital sunk to support everyone of us already settled here.

The fourth issue is to assist UK businesses to make and produce more at home. This will help generate more jobs and assist in delivering more tax revenue

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## **Memo to an incoming Prime Minister** **It's not the amount of money you spend** **that counts**

Sometimes the outgoing government has adopted the Labour approach to public services, defining them by the amount spent. This says if I spend extra on a public service it will be better than if I do not. People are told they should be grateful whatever the actual level of service because a service is so expensive. A Minister faced with a public service problem reaches for the cheque book when it may need intervention over how the existing money is spent and the service is managed.

When I go shopping I do not seek to maximise the cost of what I buy. I do not automatically assume dearer means better. Sometimes the cheaper shop or the cheaper product is as good or better than the dearer. I make judgements of value, fitness for purpose and cost. So shouldn't we do the same for the public services we sometimes use? Shouldn't Ministers on our behalf as taxpayers and public service users be the voice for value for money, for quality and efficiency?

The public sector does contract in quite a lot of service and goods supply from the private sector. This can help the public sector by ensuring competitive tenders for the work to be carried out. The public sector needs to be a well informed customer. It needs to be clear about what it is trying

to buy with a proper specification. It needs contracts that do not transfer all the risk of non performance to the state. It should not normally be bankrolling any failure by suppliers, though given the size of orders it may need to assist with start up and working capital.

The NHS does not need a another top down management reorganisation. It does need a slimming of senior management and of the quango forest that has grown up around our hospital trusts and GP surgeries. Patients will judge the NHS by how easy it is to get access to diagnosis and care, and by how successful the care and treatment is. They will not judge it by how much it costs.

Before agreeing any sum the Treasury needs to establish exactly how the extra money will be spent, and ensure the base budget is also well directed. In successful organisations staff and cash resources are routinely switched from areas no longer in such demand to new pressure points. There is a need for continuous improvement to boost quality and value for money.