More for Less
Cutting Public Spending, Protecting Public Services

The Rt. Hon John Redwood MP
&
Carl Thomson

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__The Rt. Hon John Redwood MP__ has been Member of Parliament for Wokingham since 1987. A businessman by background, he has been director of NM Rothschild merchant bank and chairman of a quoted industrial Plc. In the mid-1980s he was Chief Policy Advisor to Margaret Thatcher. He joined the front bench in 1989 and has held a number of ministerial and shadow ministerial positions. Most recently he was Chairman of the Conservative Party's Economic Competitiveness Policy Review. He is currently a Visiting Professor of Middlesex University Business School, and in 2007 he was elected a Distinguished Fellow of All Souls.

__Carl Thomson__ is Senior Parliamentary Assistant to the Rt. Hon John Redwood MP and was previously Research Assistant to the Rt. Hon Theresa May MP. He has a Master of Arts in Modern History and Political Science from the University of Dundee and a Master of Philosophy in Russian and East European Studies from the University of Glasgow. He was the Conservative Party candidate for Glasgow East at the 2005 General Election. This is his first pamphlet for The Bow Group.

Introduction: An end to boom and bust in public spending

It is unfortunate that, for many years, the Government encouraged an attitudinal rigor mortis about public spending. Thankfully, in the last few years, and in particular with the onset of the financial crisis, there has been some movement in this hitherto unsatisfactory debate.

It has become undeniable that not every pound spent in the public sector has been a pound spent well, or in a way which has met with the approval of the majority of voters. Leaving aside the rhetoric of party political spin doctors, it has also become a matter of clear consensus that any government would wish to increase spending on public services, on teachers, nurses, doctors, and police officers. No one comes into politics wanting to sack teachers, nurses and doctors. Indeed, the amount that is spent on all frontline workers in the crucial public services represents only a small portion of total public spending.

The Government itself admitted as much by appointing a review committee under Sir Peter Gershon to examine how wasteful and unnecessary expenditure could be removed from the public spending totals. Its report before the 2005 election concluded that there was £22 billion of annual expenditure which could be cut without damaging important frontline services. A similar exercise carried out by the Conservative Party concluded that as much as £34 billion could be trimmed from public spending without any adverse impact on public services.

During the last parliament the Government admitted, after years of telling us all that public spending was sacrosanct and there is no waste, that it accepted the findings of its own review exercises and had come to the view that there is considerable scope for reductions in spending and for improvements in efficiency. They now plan £35 billions of cuts in the year 2010-11 as part of a value for money programme. This is quite a turnaround. During the 2005 election campaign, Alistair Darling, who was then Secretary of State for Transport, claimed that reducing public spending by the same amount was the equivalent of sacking "every teacher, every GP and every nurse in the country".

The Government's conversion to the view that efficiency, quality and productivity can and should be raised throughout Whitehall is to be welcomed. However, the dangers are twofold. The first is that the Government will not deliver as promised. The second is that the base figures for spending are so inflated that the targets are in some cases too low. The gap between the private and public sectors' average performance is big, and the gap between the best of the private sector and the worst of the public sector is colossal. We need more demanding targets for improvement, and more ministerial involvement in delivery.

The Government has in the past year gone on a spending splurge in the form of quantitative easing, bank guarantees, equity purchases, borrowing and bailouts totalling more than £750 billion. It has announced a raft of new schemes and initiatives, apparently with little thought to how this money is to be paid back. There needs to be a proper review of all departmental spending, to find more economies more quickly, before the debt mountain crushes us.

The main choice at the next election will be between centralised inefficiency and those who can provide value for money. This pamphlet will look at the main departmental budgets and identify what the Government is spending, how much they think they need to cut to balance the books, and what can be done to deliver greater efficiencies and value for money without harming essential front line public services.

The Department for Work and Pensions: Not work and pensions

The Department for Work and Pensions presides over the biggest budget by far, and unfortunately the fastest growing one, owing to rising unemployment. It is a huge clerical factory, employing 100,380 staff to give out a wide range of different benefits to a large number of people. There are another 12,000 staff identified as helping with these tasks but now accounted for elsewhere in the public sector.

Experience in private industry tells us two things. You need to manage quality well, and keep staff morale high. If you see the error rate rising too far you have problems. You need to improve your systems, upgrade your equipment, and idiot proof your processes. You need to involve and motivate your staff, and get them to buy into doing things right first time, taking a pride in a job well done. It needs to be worth their while. To be world class these days you aim for an error rate of 100 parts per million. We should be seriously worried about anything above 500 parts per million. If sickness and absence rises above 3 days per staff year in the offices you have a morale problem.

At the DWP the apparent error rate has come down a lot, but is still a massive 6,000 per million transactions. The absence rate is 9 days per staff year. In other words, the taxpayer pays for almost a million staff days when employees do not turn up. Some are genuinely sick and deserve their break. It is unlikely, however, that sickness rates across such a large workforce can be so high compared to private sector organisations without there being something wrong with the culture and incentives.

In 2008-9 the department spent around £100 million on external consultancies, and a total of £174 million on external consultancies, temps and interims. This is far too high for comfort. The existing staff should know how to run the place better. The senior management and ministers should try asking them and engaging with them, rather than calling in so many outsiders to reorganise. They might also get a bonus with more of the staff coming in for more of the working days, reducing costs further. If absence fell from 9 days to 4 days, that gives the taxpayer an additional 500,000 days of work each year, or a saving of around 2,000 staff.

The department does not fail to spend on information technology. That budget should be better used to idiot proof, streamline and improve systems. The current budget runs to £873 million. You could probably do it for less in this climate and get more out of the enhancements.

The Government has said the DWP can only manage a reduction of £1.4 billion despite being the big spender. This is to be delivered through better staff efficiency. The best cut of all would be in getting out of work benefits down by getting more people back to work. The total budget of £156 billion includes £50 billion in benefits for people who are unemployed. This is rising alarmingly. We need to tackle this before it overwhelms us and the public accounts. Welfare reform is an urgent priority. Clinton style reforms worked well in the States. What has been stopping reform here?

The Department of Health: A not very healthy budget

Under the Government's plans, the NHS has to find £10.5 billion of cuts. Their ideas include shorter stays in hospitals for patients, lower prices for pharmaceuticals, more efficient back offices and sharper buying of other supplies.

The Department of Health currently spends £117 billion. £5.5 billion of that is on new buildings and equipment, and £12.5 billion is on pensions. The new GMS contract has cost an extra £8 billion. The department has an administrative budget for itself and its helpers of £218 million. This buys us 2,245 staff, including 17 staff paid more than £150,000 a year and 54 staff paid between £100,000 and £150,000. There are a further 3,536 staff in agencies.

Beneath the department are the Strategic Health Authorities. Their budgets run to £6 billion. The national quangos include:

- The Office for Strategic Co-ordination of Health Research
- The National Institute for Health Research
- The National Institute for Health and Clinical Excellence
- The Care Quality Commission
- The NHS Litigation Authority
- The Medicines and Healthcare Products Regulatory Agency
- The NHS Purchasing and Supply Agency
- The Council for Healthcare Regulatory Excellence
- The Health Protection Agency
- The National Patient Safety Agency
- The NHS Business Services Authority
- The NHS Institute for Innovation and Improvement

There are far too many of these agencies and there should be plenty of scope to amalgamate, streamline and remove bits of them. The Litigation Authority now has a budget of £1.1 billion. Raising quality would cut the costs of this very large complaints department. Maybe we should ask whether it is wise to have so much litigation against ourselves, as it is our NHS. Wouldn't it be possible to have a cheaper and simpler independent adjudicator who made quicker and cheaper settlement of grievances against the NHS? We also need to ask whether we require the top heavy administrative systems we currently have with Strategic Authorities as well as PCTs.

When one of this pamphlet's authors ran the health service in Wales as Secretary of State, he streamlined the top of the system and saved substantial sums by doing so. For example, he removed the pay twice approach he inherited of having both a Permanent Secretary to the department and a CEO of the NHS, by amalgamating the posts and getting rid of one of the offices. He asked the pharmaceutical companies to deliver the drugs directly to the hospitals, to remove the need for an expensive purchasing and warehousing business within the NHS itself. Cutting out central warehousing and a supplies department saved money, cut stocks, and meant the hospitals were using more recent pharmaceuticals. We still got the drugs at the same prices.

The drugs bill is large, amounting to £8 billion for GP prescribed drugs and £3.5 billion for drugs in hospitals. We do not want to deny people drugs they need, and may need to add a few more to the list. What we need to do is to cut down the waste which comes from over-prescribing or prescribing to people who do not want to take them all. We need infection control systems which rely more on thorough cleaning and less on drug taking in hospitals. We need to use good generics where possible, and we need to remove waste that comes from having to throw away out of date medicines from stock.

The Department of Communities and Local Government: Nationalised and centralised local government

Local government has to find £5.5 billion of cuts to meet the Government's projections. The Department for Communities and Local Government has an apparent annual total budget of £39.6 billion including capital. This, however, leaves out the main financing of schools through the new centralised schools grant, another £23 billion. There are other discontinuities and recharges in the figures which mean the budget does not capture the full picture of local government spending.

The department's annual report does not make good reading. Between the department and local Government they are making heavy weather of Departmental Strategic Objectives and Public Service Agreements, the highly centralised target systems this Government has put in. DSO3, "to build prosperous communities", has not yet been assessed, which is perhaps just as well in the middle of a recession which is doing lots of damage to prosperity. We are told there is no progress with DSO5, to provide "a more efficient, effective and transparent planning system". The PSA target to improve the "effectiveness and efficiency of local government" is "not met". PSA target 21 to "build more cohesive, empowered, active communities" has not been assessed.

Doesn't it just go to show how absurd this entire top down effort to control and direct local government has become? If they want to run everything, why do we pay for councillors and Chief Executive Officers in councils to do it as well? Wouldn't it be better to sweep away the panoply of central targets and controls, and let local government get on with it? We can always kick out councillors when the local authority doesn't perform or wastes too much money. When this was costed for the Conservative Party's last election manifesto, it would have saved £1 billion of central overhead. It will be much more four years on.

The department has 123 staff earning more than £100,000. It has 75 staff in communications. It spent £54 million on consultancies and interims last year. Councils spend £1.58 billion on economic development, on top of the regional and national budgets.

There is considerable scope here for savings at the national level. Individual councils also need to decide how many corporate strategists, networkers, strategic partnerships and all the rest they really need, as they now have a small army each to talk the talk with the crazy language of Whitehall bossiness, interference, advice and targets. There are too many box tickers on both sides. Central government can show the way by having fewer boxes to tick. We need fewer strategic partnerships and more concentration on each council's core functions.

Looking at many a council's management structure the viewer is mesmerised both by the very large numbers of well paid senior officers, and by the array of job titles which tell you nothing about what if anything they really do. They need these people to conform to Whitehall's wasteful and jargon filled view of how councils should work. If they don't do it this way they get black marks and lose their stars.

Whitehall treats councils like primary school pupils. Gone are the days when there was a head of education, a head of social services, a finance head, and a few other sensible titles and roles. Now there are heads of strategic partnerships, heads of corporate strategy, all sorts of roles for networkers and "business services". These need to be simplified, streamlined and amalgamated.

DEFRA: Home of quangos and the management consultant

The total spending of this department is in the budget at £3.1 billion for 2009-10.

DEFRA is a dab hand at spending on consultants. Last year spending on professional services and consultancy reached the height of £573 million. This includes Warm Front spending which can do some good insulating people's homes and cutting fuel bills. The core department spent £37 million on consultancy and professional services.

DEFRA's quangos include:

- Animal Health
- The Centre for the Environment
- The Central Science Laboratory
- The Government Decontamination Service
- The Marine and Fisheries Agency
- Regulatory Science Agency
- The Rural Payments Agency
- The Veterinary Laboratories Agency
- The Veterinary Medicines Directorate
- The Commission for Rural Communities
- The Consumer Council for Water
- The Environment Agency
- Food From Britain
- The Gangmasters Licensing Authority
- The Joint Nature Conservation Committee
- Natural England
- The Sustainable Development Commission

DEFRA has been criticised for its financial management generally, and especially for its poor management of the single payments scheme for farmers. Over one third of all the claims cost more to process than they were worth. The scheme was much delayed and the error level was high.

The Environment Agency is one of the largest government quangos. It has plenty of senior staff to argue how little resources they have, and to ration the real work it needs to do to reduce flood risk. There appears to be more men and women with pens hiring consultants than there are men in diggers clearing and improving drainage channels. Like many quangos the Environment Agency is good at writing memos, drawing up plans, increasing licence fees at faster rates than general inflation, cluttering the riverside with signs and instructions, and issuing warnings based on risk assessments. This is the body that thinks the way to tackle flood risk is to draw maps showing who is at risk, to put up their insurance premia, and then issue regular warnings when it rains that they might be flooded.

What the public want them to do is to get on with putting in the schemes that would remove the flood risk. Many of these are small and cheap, entailing some dredging or clearing of existing water channels, or adding a few more land drains. Many would like to see less spent on management and lawyers, less spent on stating the obvious and making up endless risk assessments, and more on practical work to keep people's living rooms dry. It would also help if they were more robust in opposing over development in areas prone to flooding. Many of the flood problems have been brought on or made worse by permitting building on flood plain and water meadow.

The other mixed bag of quangos should be subject to review. We do not need so many of them. Their useful work could be given to a few amalgamated bodies or to elected local government.

The Cabinet Office: Pensions with a government department attached

The Cabinet Office weighs in as one of the cheaper departments. Its total spending for 2009-10 is an apparently modest £7.5 billion. £360 million of this is the administrative cost of the place, whilst the bulk, £7.1 billion is the civil service pensions bill.

The Cabinet Office employs 205 higher paid employees and a total staff of 1,279 full time equivalents. It also accounts for the intelligence agencies, whose staff have shot up from 8,984 in 2003-4 to 12,633 for 2009-10. Their budget had doubled over the same time period. Let's leave this to one side, and turn to the really big spending that goes on under the eyes of this department.

If the Government had a proper balance sheet, it would show the accumulated pension deficit as a liability. The civil service scheme is totally unfunded - there is no money saved to pay future pensions. Along with the other unfunded schemes (e.g. teachers), and the deficits in the funded public sector schemes (e.g. those of local authorities), the total liability is now around £1 trillion - yes, that's right, £1 trillion, or more than the hundreds of billions in debt and obligations the state has acknowledged in the recent borrowing figures. That's another £1 trillion on top of all that borrowing.

The private sector has long since decided it has no option but to cancel, limit or otherwise modify defined benefit (final salary based) pension schemes. We live in a world where most people are denied access to good final salary schemes these days. Even members of some final salary private sector schemes are finding they are blocked from saving more under them, and may have to agree to a reduction in benefits. The public sector has made far fewer moves to limit the costs. It is true the MPs' funded and contributory scheme is now consulting members on how to worsen its terms to cut its future deficit, and there have been some modest moves to reduce costs on the unfunded civil service scheme.

The country cannot afford to go on making these generous promises to new comers. These schemes, like their private sector counterparts, have to be closed to new members. New employees need to be helped to save for a defined contribution scheme, where they will get a pension based on what they and their employer has saved and the investment returns made on the money.

We need to ask if we should go further. One option is to stop existing members accruing extra pension from future service on these terms, and whether they too need to go over to defined contribution saving for the remaining years. As the MP consultation shows, there are numerous ways in which the cost of such a scheme can be lowered. It would be right to consult members of these schemes and seek agreement to changes, based on more affordable levels of employer contribution.

One way to cut future costs would be to agree a higher retirement age. The Conservative Party has already said it will bring forward plans to raise the state pension age to 66. Another help would be to be more careful about granting early retirement, which has become common in parts of the public sector.

The Department for Children, Schools and Families: Paying for a top heavy education budget

In 2009-10 the education budget runs to £66.7 billion. £10 billion of that goes on teachers' pensions. £6.5 billion is spending on new and improved buildings.

The Government has mandated that there will be £5.14 billion of cuts. Each school is to find a 1% efficiency cut, whilst the quangos have to find 3%. A hefty £1.94 billion is to be saved by further education and higher education, through a mixture of less administrative cost, better buying and delay in offering grants. The further education capital programme is an early casualty and presages general cuts in capital spending elsewhere.

The department itself spends £182 million on administration, with 2,842 staff. All this in what is meant to be a decentralised service, run by local education authorities, boards of governors and head teachers! 20 staff members are paid more than £95,000 a year.

As if the central team were not enough, there are numerous national quangos. Amongst others, there is:

- The British Educational Communications and Technology Agency
- The National College for School Leadership
- The Qualifications and Curriculum Authority

- The Training and Development Agency for Schools
- Ofsted
- The Sector Skills Development Agency

There is substantial overlap between central staff, regional staff in offices of the regions, and the local education authorities. There is also scope for amalgamation and reduction of the national quangos. We should move to a more decentralised service, where the demand for central highly paid staff is much reduced.

The Government has managed to combine large increases in centralised bureaucracy, circulars, regulations and requirements with overlapping layers of government and intrusive national quangos. The aim should be to free the state schools from much of this burden, leaving them freer to make their own decisions, and to attract pupils by their excellence.

Healthy competition between schools, giving parents and pupils more choice, is the best way to drive standards up. We could then save much of the money spent on Labour's top heavy top down bureaucracy. We need to end the apartheid in English education. All schools should be independent, with free places for all in independent schools that offer a good standard and good value for money. There should be more effective choice for parents, and especially for those on lower incomes. The rich could still choose to spend more of their own money on schools of their choice.

The Department of Energy and Climate Change: Can we keep the lights on?

The Department of Energy and Climate Change is the department chiefly responsible for the Government's attempts to meet PSA 27, to "lead the global effort to avoid dangerous climate change". Further down the list of priorities in their annual report is DSO 2, "to ensure the reliable supply and efficient use of clean, safe and competitively priced energy". According to the report, participation in the Poznań conference– when two ministers and 45 civil servants flew to Poland to tell us that we should stop making so many journeys by plane – was one of their top achievements in 2008.

The amount of cash required to fund the department's activities during 2008-09 was £2.9 billion, compared with £3.4 billion in 2007-08. It spends £51.6 million on staff and £39.5 million on other administration costs. The department divides its net expenditure according to three categories: £712 million on "tackling climate change", £170 million on "ensuring clean, safe and competitive energy" and £2 billion managing energy liabilities.

They have 348 staff members working on tackling climate change, 476 on securing clean, safe and competitive energy and 66.7 full time equivalent staff members working on managing our energy liabilities. The department has 62 senior civil servants earning over £55,000, and 8 of these earn more than £100,000. In 2008-09 the average number of working days lost due to sickness was 3.3, which is favourable when compared to the public sector average of 9 days per annum per employee.

The travel and accommodation costs for the department are hefty. In 2008-09, £2.9 million was spent on travel and subsistence, £7.9 million on accommodation and £2.9

million on conference facilities. There is scope for savings within this budget. It is extraordinary that the Government spends so much money telling us that we need to reduce our energy costs and fly less, when they are so bad at ensuring the public estate is energy efficient and fail to reduce their own travel. They fail to see the irony that so many climate change conferences involve flying delegates from all over the world to watch presentations on giant plasma screen televisions in energy inefficient buildings.

The Government could do more to cut its carbon footprint on the world, by reducing the amount of air travel that ministers carry out, improving thermal insulation of public buildings, and introducing energy saving light bulbs throughout the public estate. As one of its top priorities, an incoming government will need to do more to secure energy supplies by making the necessary decisions so that the private sector can respond, guaranteeing a plentiful supply of energy at affordable prices for both consumers and business.

The Foreign and Commonwealth Office: Finding cuts overseas

The main responsibilities of the Foreign and Commonwealth Office are to support British nationals overseas, help keep Britain safe, and build relations with other countries. To do this, they had 4,521 civil servants and a resource budget of £2 billion in 2008-09.

The FCO's total administration expenditure was £417 million. They have 30 senior heads of missions who earn more than £90,000 a year and 14 top mandarins who earn more than £100,000. FCO expenditure on external consultants and contractors in 2007-08 amounted to £30 million. The majority of this expenditure was associated with major IT and estate construction programmes. FCO staff members are apparently more healthy and happy than in other departments, with only 3.3 working days lost per employee. This compares well with other departments, but is still poor by the standards of the private sector.

The nature of the FCO's work means it is difficult to measure its performance against their PSAs, which are largely meaningless. PSA 30 – to achieve a "downward trend in the number of conflicts globally, in particular in Sub-Saharan Africa, Europe, Central and South Asia, and the Middle East and North Africa", is "unlikely" to be met, owing to last year's war between Russia and Georgia and renewed hostilities in the Middle East, as is the target to "reduce the impact" of conflicts in these regions. The benefits of trying to measure abstract targets like these are questionable. British mandarins can do little to prevent two countries in a far away region about which we know little from going to war if one or both sides are determined to do so, and a failure to prevent a conflict or reduce its impact does not necessarily represent a failure on the part of the UK Government.

The situation with the FCO's more practical targets, such as processing visa applications, is a little happier. They were just 1% away from meeting their target on the length of time it takes to process non-settlement visa applications, which have traditionally been processed at post by the more competent FCO than the Home Office in Croydon, and they anticipate the target of 90% will be met when the final figures are calculated. It will be interesting to see if they can maintain this performance in the face of yet another reorganisation of the immigration system and the centralisation of visa applications away from individual embassies and high commissions to regional processing centres.

The UK spends £93 million in contributions to the United Nations system. The bulk of this comes from the £74.5 million contribution to the UN regular budget. The various organisations that receive funding from the Foreign Office include:

- The UN Office on Drugs and Crime
- The UN Development Programme
- The UN Development Fund for Women
- The UN Office of the High Commissioner for Human Rights
- The International Tribunal for the Law of the Sea
- The UN Children's Fund
- The International Labour Organisation
- The UN Relief and Works Agency for Palestinian Refugees in the Near East
- The UN Tajikistan Office of Peacebuilding
- The UN Centre for Human Rights and Democracy in Africa
- The Economic Commission for Latin America and the Caribbean
- The Counter Terrorism Implementation Task Force

The UN needs to be made more efficient and accountable, and there is considerable scope to amalgamate some of these organisations. However, reform is only likely if there is a concentrated, international effort to make it happen, and there are no indications that this will be forthcoming.

Another area that deserves attention is our contribution to the European Union. Britain will make a net contribution to EU coffers of £6.4 billion a year – a 60% increase on previous years. This is testament to the Government's incompetence during EU negotiations. We need to have more control over these EU budgets and be capable of weeding out wasteful, less desirable and unaffordable spending.

The Ministry of Defence: Civil servants and soldiers

British soldiers are deployed in 28 locations around the world, including Chad, Sudan, Sierra Leone, Congo and Liberia, as well as the more prominent missions in Iraq and Afghanistan. The principle objective of the Ministry of Defence is to deliver security for the people of the United Kingdom and protect against international terrorism or other threats to our way of life.

The MOD's figures show net expenditure for 2008-09 of £36.7 billion. £2.2 billion of this was spent on administration costs and the remainder spent on programme costs. £2.1 billion was spent on the navy command, £6.3 billion on land forces, £2.5 billion on air command, and £15 billion on defence equipment and support. £2.8 billion was spent on peacekeeping and operations.

During 2008-09 the number of UK service personnel deployed in the gulf region remained constant at around 6,500. The number of personnel in southern Iraq also remained constant at around 4,100, the majority being based at the Contingency

Operating Base at Basra Airport. 70 civil servants were also based there, providing commercial and media advice, as well as scientific support. The net cost of operations in Iraq was £1.8 billion, compared to £1.46 billion in 2007-08.

In Afghanistan UK forces rose progressively from 7,800 to 8,300, and the cost of operations there has risen substantially, from £1.5 billion in 2007-08 to £2.6 billion in 2008-09.

The average number of full time equivalent persons employed during the year was 192,270 service personnel and 78,550 civilian personnel. Aggregate staff costs, including grants and allowances paid, was £8.9 billion paid to service personnel and £2.8 billion paid to civilian employees. A separate document outlines civilian staff absences from the MOD, which is high compared to other departments at 8 average working days lost per person per year due to sickness. The bulk of these absences were due to short-term, rather than long-term illness.

The Conservative Party has said it will hold a full-scale strategic defence review upon coming into office. Having secured an exit from Iraq, we should now aim for an early withdrawal from Afghanistan by training the Afghans to handle their own security. We need to ask what our long-term interests are and how we can afford to pursue them with effective military force. There is a danger that, with the UK economy so weak, we cannot afford our current defence commitments and we are vulnerable thanks to the lack of a cogent energy policy. We need to be careful about committing British and NATO forces to maintain borders and regimes that we cannot enforce in practice and at an acceptable military cost, and be more realistic about the limits of what we can do in the world.

The Home Office: The office of expensive databases

The Home Office budget for 2008-09 is £10 billion. The department generates an additional £1 billion in income from fees and charges on top of this.

The Home Office has 26,016 employees, including staff from the various agencies. 18,204 of them work for the UK Border Agency. They hire 506 people to handle human resources. More curiously, the function of 92 members of staff is listed as "unknown". 46 civil servants earn more than £100,000 a year.

In 2008-09 the administration budget was £368 million. The lion's share of this - £191 million, was spent on central administration and services. The next biggest cost was the administration bill for the UK Border Agency, which spent £105 million Of the Home Office's expenditure, £6.7 billion is spent on crime and policing, £1.5 billion is spent on immigration, and £89 million is spent on "safeguarding people's identity and the privileges of citizenship", something this Government has shown itself to be rather poor at given how careless they are with our personal information.

The Home Office believes it is making "strong progress" in meeting PSA 3, to "deliver controlled, fair migration that protects the public and contributes to economic growth". It has not yet made any assessment on PSA 23, "to make communities safer", which is surely one of the Home Office's main reasons for being.

In order to meet the Government's spending plans, the department will have to find £1.69 billion to cut. The police are to use more technology to save police time, whilst the UK Border Agency is to use iris and facial recognition to cut costs. They could have saved a lot of money and staff time had they not insisted in going through with costly police reorganisations. We could cut down on the cost of the Border Agency by placing a limit on the number of people allowed to settle in the UK each year, and by looking again at the convoluted and complex immigration rules which take so much time and effort to administer.

Most constituency MPs will have stories of cases where an applicant has exhausted all his rights and appeals, only to submit a fresh application knowing full well it is unlikely to be accepted, but that it will take many years to work through the system. This is not only costly in terms of resources and staff time, but is a wholly ineffectual approach to immigration control. The massive ID card scheme and National Identity Database, which will fall under the remit of the Home Office, should also be scrapped. They are unpopular and will do nothing to protect us against terrorism or illegal immigration.

The Ministry of Justice: Putting a cost on cutting crime

The Ministry of Justice is one of the largest central government departments, with around 95,000 people and 2,700 building across the United Kingdom, and a budget of more than £10 billion in 2008-09. The ministry and its various agencies manage offenders throughout their custodial and community sentences, dealing with around 260,000 offenders a year. There are 135 prisons – 124 run by the public sector, and 11 by private contractors, as well as 42 probation boards and trusts. As of March 2009 the department was responsible for a prison population of 82,893.

In 2008-09 the MOJ spent £455 million on administration. They have 74,915 full time employees and 1,428 casual employees. They have spent £53.6 million on external consultants in the last year.

The MOJ is responsible for the following non-departmental bodies, office holders and other office holders:

- The Legal Services Commission
- The Tribunals Service
- The Information Commissioner
- The Land Registry
- The Office of the Public Guardian
- Prisons and Probation Ombudsman
- The Office of Social Security and Child Support Commissioners
- Official Solicitor
- The Legal Complaints Service
- The National Archives
- The Advisory Council on National Records and Archives
- The Court Funds Office
- The Immigration Appellate Authority
- The Judicial Appointments and Conduct Ombudsman

They are also responsible for the National Offender Management Service, which brings together the probation and prison service into a single agency. The resource budget for NOMS in 2008-09 was £4.9 billion. Their biggest expense is running prisons in England and Wales. 50% of the department's near cash expenditure was on public prisons, with a further 5% spent on private prisons. 23% was spent on probation services and 2% on electronic monitoring. The majority of this expenditure is committed to salary costs and major contracted-out services. Within NOMS there are 28,278 full time or equivalent positions, including senior management, in administration.

The MOJ is not ambitious regarding staff absences. Their target of 11.5 days off a year within the public prison and probation service was met, with average levels of staff sickness absence at 10.8 days and 11 days respectively, but they are in danger of failing to meet even this inadequate aspiration.

The Government has been criticised for not having enough prison places. It could help itself – and the public finances – by being a lot tougher on how many criminally inclined migrants it lets into the country and then puts in prison, and by reaching agreement with overseas countries concerning their punishment.

Perhaps we should ask whether locking so many people up for minor or financial crimes makes a lot of sense. If it is clear that an offender is unlikely to commit any other crimes and presents no danger to others, it might be best to make them stay at work or get a job, so they can pay full reparations to the victims of their crime and recompense the state for the police time and court work involved in bringing them to justice. It is most unfair that if someone is burgled, they not only lose their possessions to the burglar, but they then have to pay towards keeping him in idleness in prison. This only makes sense if the burglar refuses to co-operate with any sensible programme of rehabilitation, and refuses to work and pay recompense.

The Treasury: Speculating with other people's money

The Treasury Group consists of HM Treasury in Whitehall as well as the UK Debt Management Office and the Office of Government Commerce. The Treasury formulates and implements the Government's financial and economic policy. The DMO is an executive agency specialising in policy advice and acts as a gateway to the wholesale financial markets. The OGC is an office of the Treasury tasked with procurement across central government. The OGC has an executive agency and trading fund called Buying Solutions.

The Treasury has two DSOs: to maintain sound public finances, and to ensure economic growth with wellbeing and prosperity for all. On the DSO outcome of "meeting the fiscal rules", the Treasury's performance is "not assessed". On "ensuring the tax yield is sustainable and risks managed", the outcome is "not assessed". On "managing public spending", we are told "no indicators have improved". On "promoting the efficiency and fairness of the tax system", the report tells us that "less than fifty percent of indicators are showing improvement".

The Treasury also leads on PSA 9 – "ending child poverty". The annual report trumpets Gordon Brown's tax credits scheme as progress towards halving child poverty by 2010-11 and abolishing it altogether in 2020. If the issue of child poverty was so simple that it could be legislated out of existence by setting government targets, then any sensible government would have abolished it already. The issue here is parent poverty, not child poverty. The solutions are many and complex, and require welfare reform and a back to work culture.

In 2008-09 the Treasury had £21 billion of net resources but a net cash requirement of £89 billion. The main components of the net cash requirement were to provide the Treasury with:

- £46 billion to re-finance the loans initially provided by the Bank of England to Northern Rock, the FSCS and Bradford and Bingley.
- £37 billion to purchase shares in the Royal Bank of Scotland.
- £6 billion to pay over amounts to cover deposits in Bradford and Bingley, the Icelandic banks and London Scottish Bank.

The Treasury estimates that government losses through the provision of an Asset Protection Scheme for banks to be £25 billion. In February the Treasury made arrangements to draw upon an additional £20 billion of resources to cover the reduction in the market value of certain financial investments and loans. The value of government shareholdings in the Royal Bank of Scotland and Lloyds Banking Group fell by some £17.3 billion between the dates of purchase and the date on the balance sheets. This amount has now been written off, following normal accounting practice.

As of March 2009, the Treasury Group had 1,569 permanent and casual employees. This is expected to rise to 1,796 by 2010, a 14% increase. They received bonus payments of £1.4 million in 2008-09, similar to the amount paid out in 2007-08. Individual bonuses paid to senior management range from £10,000 to £15,000. There does not appear to be any information in their annual report about staff absences.

The Department for International Development: Spending the third world out of poverty

DfID leads the UK Government's effort to promote international development and aid to the third world. It was created in 1997 after administration of the UK's aid budget was removed from the Foreign Secretary's remit and transferred to a new International Development Office.

The Government is committed to dedicating 0.7% of national income to international development by 2013. By 2010-11 our aid budget is expected to be higher than the 0.56% of national income target set by the European Union. By next year we will have trebled our bilateral and multilateral aid to Africa since 2004.

DfID has 7 strategic objectives and leads on a number of cross-departmental PSAs relating to international development, climate change and foreign policy. The department works from two UK headquarters in London and East Kilbride, and over 50 offices overseas. They have over 2,300 staff, almost half of whom work abroad. Their report outlines a number of achievements in developing countries, including training over 100,000 teachers, delivering 7 million anti-malarial bed nets, vaccinating 3 million children against measles, providing 100,000 ARV drugs to people with HIV, and handing out half a billion condoms.

In 2008-09 DfID was directly responsible for £5.7 billion of UK public expenditure. Almost all of this is classed as Official Development Assistance – official financing or other forms of assistance given to developing countries to implement development projects. In total, including spending by other government departments, UK ODA was £6.3 billion in 2008, or 0.43% of Gross National Income. In 2009-10 DfID expenditure is expected to be £6.8 billion and in 2010-11 it is projected to be £7.8 billion.

The £5.5 billion that DfID spends on aid projects can be divided into bilateral aid (£3.3 billion) and multilateral (£2.2 billion). Of the bilateral aid budget, £1.5 billion is spent on projects in Africa and £1 billion spent in Asia. The rest of the world gets £85 million. £1.1 billion of multilateral aid goes through the European Commission, £574 million through the World Bank, £254 million through the UN and £297 million through other international agencies. The bulk of DfID's efforts are focused on Sub-Saharan Africa and South Asia.

DfID have been better at controlling staff numbers than other government departments, having reduced full time equivalent posts every year since 2005. They had 2,359 full time equivalent positions as of March 2009 – down from 2,872 in 2005. Including part-time staff but excluding agency positions, they had 2,586. The department has 93 civil servants earning between £57,300 and £107,299, and 5 earning more than £107,300 a year.

One of DfID's long term targets is to halve, between 1990 and 2015, the number of people living on less than a dollar a day in 21 named countries. Of these 21 countries, only 6 are on track to meet this aspiration. Three are classed as "off track", four are classed as "severely off track" and 8 are classed as having insufficient data to record progress. Progress is better in increasing the number of children enrolled in school in these countries, ensuring a roughly equal number of boys and girls are enrolled in school, and at halting or reversing the spread of HIV/Aids.

The criticisms we can level at these targets are the same as those directed at the Foreign Office. We should spend less time monitoring and recording progress against a set of benchmarks that the British Government ultimately has no control over. Surely the Ugandan Government is more able to fight poverty in Uganda than the UK Government, and their failure to do so effectively does not necessarily represent a failure of British aid policy. We need to think more carefully about how we distribute aid, and whether a form of "tied aid" linked to improvements in human rights and responsible governance would be better for all concerned.

The Department for Transport: Paying for gridlock

Britain has a serious problem with its transport infrastructure. Our trains are overcrowded, airport approach paths are fully stacked and our roads and motorways are congested.

Although road traffic levels in 2008 were down by 1% on the previous year, the long-term trend is clear. The number of journeys made on our motorways and rural roads has increased by around 20% since 1997. Total passenger kilometres travelled on the rail network are up from 8 billion in 1996-97 to around 12 billion in 2008-09. The number of journeys on the London Underground has also increased over the last ten years. Over 1 billion journeys were made by tube in 2008-09, compared to 772 million in 1996-97. In 2008-09 the Docklands Light Railway carried 66 million passengers, almost 25% more than in 2005-06.

The DfT has five DSOs. They are:

- To support national economic competitiveness and growth by delivering reliable and efficient transport networks.
- To reduce carbon emissions from transport.
- To contribute to safety and security by reducing the risk of death or injury from transport.
- To promote greater equality of opportunity for citizens.
- To improve quality of life for transport users.

The DfT's accounts are more complicated to decipher than other departments because many transport services are funded locally, with the Government providing revenue support for individual councils' total spending across all services. Funding for transport projects and repairs can also be met from a number of different budgets. The department's resource budget in 2008-09 was £10.3 billion and its capital budget was £8 billion.

In 2007-08 the net total cost of roads and transportation, highway maintenance, concessionary fares, parking and public transport payable to local authorities by the DfT was £6.6 billion. Net local authority revenue expenditure on structural maintenance for principle and other roads was £368 million. They spent £994 million on environmental, safety and routine maintenance, £128 million on water maintenance, £53 million on structural maintenance of bridges and £433 million on street lighting. £2 billion went on support to operators of bus services, £1 billion on support to operators of rail services, and another £1 billion in support to other operators. Local government capital funding by the DfT reached £1.74 billion in 2008-09. This is projected to increase to £1.93 billion in 2009-10 and £1.99 billion in 2010-11. Total railway expenditure was £4.1 billion.

The department and its agencies have a total staff of 18,545. The 2008-09 total administration cost of the department was £276 million. They have 40 senior civil servants who earn over £100,000; 5 earn more than £150,000 and three earn more than £175,000.

The agencies of the Department for Transport are:

- The Highways Agency
- The Government Car and Despatch Agency
- The Maritime and Coastguard Agency
- The Vehicle Certification Agency

- The Driver and Vehicle Licensing Agency
- The Driving Standards Agency
- The Vehicle and Operator Services Agency

The Non-departmental public bodies, advisory organisations and public corporations associated with the DfT are:

- The British Transport Police Authority
- Passenger Focus
- The Railway Heritage Committee
- The Renewable Fuels Agency
- The Commission for Integrated Transport
- The Disabled Persons Transport Advisory Committee
- The Traffic Commissioners and Licensing Authorities
- The Civil Aviation Authority
- The Northern Lighthouse Board
- Trinity House
- Trust Ports
- The British Railway Board

Highways Agency spending has increased from £4.3 billion in 2003-04 to £6.5 billion in 2008-09, and is projected to increase to £7.6 billion in 2010-11. The Government Car and Despatch Agency spent £16 million in 2003-04. This year it spent £20 million and in 2010-11 the figure will be £21 million. In fact, the general trend for most of these agencies is that their budgets are increasing inexorably. By now the trend should be clear. There are far too many non-departmental agencies and public bodies, each with their own expensive offices and communication teams. These need to be streamlined into something more affordable and manageable.

On a practical level, the report tells us that 9.4% of journeys by train in 2008-09 were not "punctual". This figure is 9% for London and South East sector operators and for long distance operators the figure is 12.7%. According to the National Passenger Survey, 17% of rail passengers were not satisfied with their journey, and 19% were dissatisfied with the punctuality of their service.

The UK has failed to regulate railways for better safety and fuel efficiency in the way it has regulated road travel for these requirements. We could save money by switching to lighter, more fuel efficient trains and by looking at staffing numbers in ticketing and inspection. Better regulation and emission standards applied to engines as well as road vehicles would drive fuel savings and help cut costs too.

Conclusions: How to cut public spending and improve services

As we have gone through the accounts of the main departments, certain themes are common to all. They have too many quangos, they have too many expensive top staff, they bloat their advertising and spin budgets, and too much is done in the centre. A purge at the top would be a good start for any cost cutting exercise. Far too much is spent on overheads. The error rates are too high, quality is too low. Too much time is spent on spin, PR, advertising, recruiting people to do non jobs, needless regulation, and endless bogus consultation.

We need a change of approach to public sector management. We need to call an end to the idea that each year's budget has to be automatically higher than last year's, an end to adding up all the things you think you need to do that are new or extra and claiming them as unavoidable commitments on top of last year's budget. Each year each department has to set out to do more with less, or less with less, depending on political priorities. It needs to understand that quality has to rise, but this does not always require extra spending.

Each department should set out to reduce the overhead, in some cases by a lot. Schemes can be amalgamated and abolished, quangos amalgamated and abolished, committees reduced and glossy brochures and memos culled. There should be an automatic presumption that work can be done in house given the large staffs and the wide range of skills available. If there is a need for consultants from outside, the case needs to be made and a minister should sign it off.

The conventional way of debating public spending is to ask for a parade of "bleeding stumps". No-one in such a world is a serious cutter of spending unless they name services they wish to reduce or remove. This is a very public sector way of looking at things. A manufacturing company does not start by asking which things it can stop making. It starts and often finishes its cost review by seeing how it can make what it has been making more cheaply and efficiently, with higher quality as well. Getting things right first time cuts costs. Raising quality enables you to reduce the complaint department. Higher quality often sells better. There is no irreconcilable tension between quality and cost in many cases.

Given the imperative to curb spending to cure the deficit, any incoming government should take the following actions in its first week to start to get on top of the problem.

- Impose a freeze on all external recruitment, excluding front line posts in teaching, medical, and security forces.
- Set out slimmed down senior management structures which departments should work towards as people leave.
- Halve the advertising budget.
- Ban all new consultancy contracts, unless a minister agrees to one based on a good case which shows how the work cannot be done in house, and why it offers value for money.
- Make a substantial reduction in the numbers of special advisers.
- Abolish unelected regional government, including the regional assemblies, development agencies, housing and planning quangos.
- Abolish the superstructure of targets, advice and guidance and cross cutting programmes that Whitehall visits on councils, allowing them to cut their overhead of box tickers and form fillers at the same time as cutting the departmental costs.
- Stop "government talking to government" by reducing the amount of glossy brochures published by quangos and stopping them from holding so many receptions in parliament and at party conferences.

- End expensive centralised computer programmes and scrap the National Identity Database.
- Start renegotiating the pension plans, and close them to new members.
- Publish a bill abolishing and amalgamating quangos.
- Publish the first deregulatory bill.

A staff freeze could yield savings of 200,000 posts or more after a year of operating it on the non front line jobs in the public sector. A quango cull, the abolition of unelected regional government, the ending of many of the controls and monitoring of town halls by Whitehall, the ending of centralised computer schemes like ID cards could save billions by the end of the first year.

Over a longer term, welfare reform must be at the top of the agenda, to cut the costs of government in the best possible way by getting more people into productive jobs. Cutting spending will cut the interest burden on government, as it will mean less borrowing and cheaper borrowing.

As this pamphlet demonstrates, there is plenty of scope to do more for less throughout Whitehall. Start at the top, and let the message find its way into every benefit office, every education authority, and every other branch of government.