

# 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 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.