Taxpayer Value is a philosophy which envisages that our political leaders guide government expenditure to deliver improved public services at less cost. The burden borne by the wealth-creating sector of society needs to be sharply reduced. Hence, Taxpayer Value seeks to realise value for money with the onus on the quality of government provided services. The key challenge is to eliminate waste and duplication, which adds to the total bill and often impairs the service provided.

This paper updates “Withering the State”, a London Business School working paper published in 2001, and an unpublished, but widely circulated revision in 2003: “Taxpayer Value: The Blueprint”. Our paper focuses on UK central government along with Regional Development Authorities and the activities of the myriad UK quangos. It does not deal with public entities reporting to the Scottish and Welsh Executives and those in Northern Ireland; nor does it deal with local authorities and their quangos.

Today’s financial climate requires government to find major public expenditure savings. However, in identifying these savings the general public will need to be satisfied that bona fide services will not be significantly damaged as a result. Obviously those who have taken advantage of the laxity of government spending in the 2000s will be worse off, but the country as a whole will gain. In retrospect, our earlier papers appear to have been on target but the political parties demonised “cuts” so that the public was in no mood to listen.

The Overall Picture

UK Total Managed Expenditure (TME) for 2008/9, before accounting adjustments and debt service, was £622.34bn. Table 1 shows the potential savings by department and quangos taken in aggregate, both in money and headcount terms. No reduction in staffing is taken for front line public services, e.g. doctors, nurses, teachers, or police. Clearly no government could make all these savings in one year: they would need to be phased over the life of the parliament both on grounds of feasibility and to manage the transition of redundant civil servants into the private sector workforce.

The suggested reduction of public servants should be seen as an opportunity, not a cost. When China reduced their civil servants by a much larger number in the 1990s, they funded MBAs for all those who wanted them. Our total of 265,782 should be seen against the 235,000 reduction proposed in the 2005 Conservative Party manifesto and the 1m additional public servants recruited by the last administration.

This introductory section is followed by summaries for each main spending department and the quangos taken as a whole. After making some general points, this section covers:

1. Do we need so many departments?
2. A general approach to departmental spending.
3. A general approach to NDPBs.
4. Does Britain need to save the world?
5. Public sector pensions.
6. EU payments.

It is inevitable that some of the scope for Taxpayer Value savings has to arise from policy changes increasing the efficiency of unchanged service delivery. This is particularly the case with the Ministry of Defence and the Department for Work and Pensions, but in both cases the major policy proposals streamline, but do not change the end delivery of, welfare payments and the necessary armaments.
Making Taxpayer Value the guiding light for government is a logical development of the “Next Steps” and privatisation programme of the 1980s. These initiatives saw three quarters of the Civil Service transferred from traditional administrative roles to semi-independent agencies with specific goals or fully into the private sector. “Next Steps” was intended as an interim development. When the Conservatives gained power in 1979, they had little idea of how difficult it would be to achieve the savings they had promised, even though many Cabinet Ministers had previous ministerial experience. The Rayner initiative saw a top businessman employed to streamline the government machine but it was frustrated substantially by the Civil Service. It took several years before privatisation and Next Steps agencies evolved further. The key lesson learned was that these reforms have to emerge from similar minded, top civil servants working within the system.

Our figures papers face two tests: accuracy and plausibility. Whilst the figures should be as accurate as such estimates can be, it is also important that the savings outlined are credible. Some reassurance should be taken from opinion research surveys in 2003 which showed that the public believe that the government wasted about 18% of its total expenditure – approximately the same as estimates made by the European Central Bank.

In 2004 the Gershon Report claimed that government would be making “efficiency” savings of £21.5bn p.a., £15bn centrally and £6.45bn in local government. The National Audit Office review poured cold water on the achievements but that was a criticism of management and measurement, not of the targets which were considered plausible. David James’ Taxpayer Value analysis for the Conservatives in 2005 announced potential savings of £35bn although they had far more up their sleeve. The Taxpayers Alliance has suggested cuts/savings of £50bn, on a broad-brush basis which combines one-off and annual savings. Following the 2010 election, the Chancellor has been calling for suggestions to total £60bn p.a. in cuts. Some additional potential savings have not been included and should be worth at least another £10bn p.a.:

- IT. This has been a continuing area of waste and it seems likely that about five percent of annual IT spending, i.e. £3bn. p.a. at current expenditure levels, is available from better IT management, itself linked to the reduction in central bureaucracy.
- Regulators. The numbers employed by the offices of the regulators grew over the first six years of the Labour administration by 157%, with direct costs going up by 261%. Simply returning regulators to the 1997 headcount would have saved £0.3bn. p.a. in 2003 figures and at least £0.5bn on 2010 figures. These direct costs exclude compliance and indirect costs for industry as well as the negative impact on innovation and the distraction for senior management.
- Other regulation. The burden of regulation since 1998 is about £11bn p.a., of which £6bn is the responsibility of the EU. Eliminating UK regulation in areas already regulated by the EU should add about £2bn to government finances through the tax system.
- Advertising. Government advertising was about £250m in 2008/9. In 1997/98 it was £111m.
- Ineffective projects such as paying for buses to run empty. Subsidising real passenger needs is one thing but using public money to add to jams and pollution, notably in London, is quite another.
- Consultants. One of the dangers of making payroll cuts is that those made redundant are immediately...
re-employed at higher rates as consultants. In 2006, the National Audit Office reported “We estimate that spend across the Public Sector on consultants increased by 33 per cent between 2003-04 and 2005-06, taking it up to £2.8 billion, largely due to a rise in spending in the National Health Service.”

- Public sector pay levels and pensions. See comments below.

Transferring more public servants to areas of high unemployment. A number of departments already have large numbers of staff outside London, e.g. DWP in the North East. Quantifying the potential for savings under this heading is outside the remit of this report, but departments with large numbers of core staff, e.g. the Home Office, are prime candidates for relocation.

These projected savings do not allow for improvement in overall GDP from returning the wealth reducing public sector employees to the wealth-creating private sector. Nor do they allow for the economic growth expected from lower taxation and less government intervention. It is tempting for some to dismiss the savings from reducing the headcount of Whitehall departments as being an insignificant part of total public expenditure. It can be further argued that there is a need for Civil Servants to manage the reductions and the new policies of an incoming government. But the key point is that reducing bureaucracy should have a multiplier effect on the economy overall.

<table>
<thead>
<tr>
<th>Department</th>
<th>D.E £bn</th>
<th>Proposed Savings £bn</th>
<th>Savings as % of D.E</th>
<th>Headcount5</th>
<th>Proposed Reduction</th>
<th>Reduction as % of Dept. Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIS</td>
<td>21.22</td>
<td>0.826</td>
<td>3.89</td>
<td>11,500</td>
<td>1,600</td>
<td>13.91</td>
</tr>
<tr>
<td>CO</td>
<td>9.43</td>
<td>0.445</td>
<td>4.72</td>
<td>2,306</td>
<td>1,443</td>
<td>62.58</td>
</tr>
<tr>
<td>DCLG</td>
<td>36.95</td>
<td>5.057</td>
<td>13.69</td>
<td>5,376</td>
<td>3,785</td>
<td>70.41</td>
</tr>
<tr>
<td>DCMS</td>
<td>6.23</td>
<td>0.026</td>
<td>0.42</td>
<td>618</td>
<td>500</td>
<td>80.91</td>
</tr>
<tr>
<td>MoD</td>
<td>46.14</td>
<td>5.67</td>
<td>12.29</td>
<td>270,820</td>
<td>100,000</td>
<td>36.92</td>
</tr>
<tr>
<td>DfE</td>
<td>63.38</td>
<td>0.131</td>
<td>0.21</td>
<td>2,812</td>
<td>2,312</td>
<td>82.22</td>
</tr>
<tr>
<td>DECC</td>
<td>7.29</td>
<td>0.089</td>
<td>1.22</td>
<td>891</td>
<td>391</td>
<td>43.88</td>
</tr>
<tr>
<td>DEFRA</td>
<td>3.01</td>
<td>1.298</td>
<td>43.12</td>
<td>10,807</td>
<td>2,049</td>
<td>18.96</td>
</tr>
<tr>
<td>FCO</td>
<td>2.15</td>
<td>0.532</td>
<td>24.74</td>
<td>14,090</td>
<td>3,382</td>
<td>24.00</td>
</tr>
<tr>
<td>DoH</td>
<td>110.11</td>
<td>2.333</td>
<td>2.12</td>
<td>221,628</td>
<td>27,572</td>
<td>12.44</td>
</tr>
<tr>
<td>HO</td>
<td>9.99</td>
<td>0.24</td>
<td>2.40</td>
<td>26,691</td>
<td>2,669</td>
<td>10.00</td>
</tr>
<tr>
<td>DfID</td>
<td>6.1</td>
<td>0.187</td>
<td>3.07</td>
<td>2,400</td>
<td>1,920</td>
<td>80.00</td>
</tr>
<tr>
<td>MoJ</td>
<td>10.52</td>
<td>0.787</td>
<td>7.48</td>
<td>98,149</td>
<td>7,176</td>
<td>7.31</td>
</tr>
<tr>
<td>DfT</td>
<td>16.83</td>
<td>0.757</td>
<td>4.50</td>
<td>---</td>
<td>7,868</td>
<td>---</td>
</tr>
<tr>
<td>Treasury</td>
<td>85.65</td>
<td>1.017</td>
<td>1.19</td>
<td>87,687</td>
<td>25,086</td>
<td>28.61</td>
</tr>
<tr>
<td>DWP</td>
<td>143.53</td>
<td>23.63</td>
<td>16.46</td>
<td>108,058</td>
<td>54,000</td>
<td>49.97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>578.53</strong></td>
<td><strong>43.025</strong></td>
<td><strong>7.44</strong></td>
<td><strong>871,019</strong></td>
<td><strong>241,753</strong></td>
<td><strong>27.76</strong></td>
</tr>
</tbody>
</table>

| NDPBs      | 38.366  | 9.9                  | 25.81               | 111,129    | 24,029            | 21.62                            |
| EU Funding | 5.45    | 2                    | 36.70               | ---        | ---               | ---                              |
| **Total**  | **43.81** | **11.9**           | **27.16**           | **111,129** | **24,029**        | **21.62**                        |

**Grand Total** | **622.34** | **54.925** | **8.83** | **982,148** | **265,782** | **27.06**
1 Do we need so many departments?

The numbers around the Cabinet table have grown with the years. The Coalition has a particular difficulty in that they need to make space for the political leadership of not one but two parties. Nevertheless, smaller government can be delivered in part by fewer departments and Cabinet members.

Updating these numbers has been complicated by the reshuffling of department by the Labour administration. It may not be possible to show, as one suspects, that mergers in the name of efficiency are counter-productive. Conversely, division such as the bifurcation of the Home Office does not reduce numbers either. Any form of reshuffling always runs the danger of triggering empire building. An exception is straight abolition: in our view the two prime candidates are DFID (Department for International Development) and DCLG (Department for Communities and Local Government). We explain our reasoning in those departmental sections later. The Department for Transport is another possibility.

Regarding International Development, the countries with which we have relationships can be divided into three groups: (a) the rich and powerful with whom we have to negotiate, (b) the also-rans whose support we solicit and (c) the poor and weak where we should focus our foreign aid. It makes little sense for the UK to send aid to the world’s second richest country and second largest market, namely China. The UK’s overseas posts in category (c) countries should deal with aid and development matters. That is the best rationale for missions in those countries.

DCLG was set up as an inflated sinecure for John Prescott. Now that he is ensconced in the House of Lords, the pretence can be removed. Inspection of the department’s six objectives reveals them to be a sham. Local government means local government, not branch offices of central government. This is an easy area for the Coalition to “roll back the state”.

2 A general approach to departmental spending

Changing the philosophy of government from regulation and micro-management to policy and delegation has profound implications for central staffing and associated costs. The questions that need to be asked are: if the department no longer did this, who would notice? Who would care? How much would have to be re-instated?

Some departments, notably the Department of Culture, Media and Sport, are simply channels for dispensing public funds. The government cannot and should not manage the national culture, media and sport. The taxpayer value provided by the funding of ‘public art’ projects is highly dubious.

At the same time, we need some mechanism for responsibly managing the public finances given to such activities. But that needs very few civil servants, perhaps no more than a dozen. One method is for those hoping for funding, e.g. museums, to submit their plans annually. These plans should be clearly set out with comments from a small secretariat, and peer reviewed with the reviewers instructed to balance the grants with the available funding. The peer reviewers, who would have a vested interest in reducing funding for others to ensure available funding for themselves, can be expected to take a robust approach. The process would be repeated at the higher level, i.e. museums competing with all arts and all sports. Officials would monitor, via auditors, actual expenditure to ensure public funds are responsibly used.

The departments which are primarily channels for dispensing funds include: DCMS, DFID, DCLG, DfE and DoH.

3 A general approach to NDPBs

According to the Cabinet Office, on 31st March 2009 there were 766 NDPBs (quangos), of which 192 were executive bodies, employing 111,129 staff. It is worth highlighting that employment costs including pensions are where most of public expenditure costs lie. The total expenditure of Executive NDPBs was £46bn, £38bn of which was borne by government.

It would seem sensible here to review Executive NDPBs and later to review advisory bodies, half of which report to the Ministry of Justice. One approach would be to serve notice on all Executive NDPBs that they will be closed down in one year’s time if they fail to justify their existence, or that of some similar body, in the next nine months. To be re-instated, a five year plan with budgets would be required; a statement of objectives; and what goals will be achieved by the end of the five years together with annual measures of performance. Thereafter sunset clauses would be agreed
of suitable length so that each NDPB’s existence could be reconsidered at due intervals.

4 Does Britain need to save the world?

Some of the activities we are reviewing, notably in the British Council, FCO, MoD and DECC appears to be linked to a nostalgic view of our colonial past. UK governments have long seen Britain as setting an example to the world. The reality is that we are merely a constituent part of one of the global triumvirate, namely the USA, the BRIC countries and the EU. UK taxpayer value should be the guiding philosophy: this certainly requires Britain to look to world solutions but not to waste money supposedly “punching above our weight”. A classic example of this post-imperialism is the Westminster Foundation for Democracy which tells backward countries how they should govern themselves.13

We would do better to model the size and scope of our government on a culturally similar but much smaller country such as Ireland or the Netherlands. The highest tier of the government of any EU country has much the same things to do (policies, laws, regulations, negotiations) irrespective of the size of the population. Clearly some things are scale dependent but the top echelons of policymakers are not. It should take no more people to advise a British minister or to frame a regulation than they need in Dublin. We should use these smaller EU country models as templates for what is needed in Whitehall and jettison the delusions of empire and the massive public buildings associated with that.

5 Public sector pay and pensions

The total number of civil servants, according to the Cabinet Office, currently stands at 520,000 but that definition of “civil servants” is too narrow. Our analysis concluded that central government employs 1m in round numbers. We argue there is scope to reduce this headcount figure by over 25% without reducing front line staffing. Clearly such a reduction would, as well as increasing taxpayer value in the short term, have a huge impact on government pension liabilities and thus increase taxpayer value in the coming years.

Civil service pensions are generous, outstripping the pensions of private sector employees considerably. The government paid £3.44bn to civil service pensioners in 2008/09. This sum was paid to 581,000 ex-civil servants, implying an average annual pension just below £6,000.14 On the basis of the headcount reduction in Table 1, we can pro rata the savings to £1.21bn in present money even though the effect would be slow to emerge. The current civil service pension liabilities are £115.7bn according to the National Audit Office. Consequently, over time, this liability should be reduced by over 25%.

In June 2010 the Office for Budget Responsibility announced that the £4bn payout in 2009/10 is expected to reach £9bn in 2014/5, an increase of 20% p.a. in real terms. In other words, it is likely we can increase the costs and savings in the paragraph above by 20% p.a.

EU payments

Margaret Thatcher’s government secured an annual rebate to reduce UK contributions to the EU to an equitable level, not least in view of CAP rebates which favour France and Germany relative to the UK. Under pressure from newly joined EU members, who wanted to know why “they” should pay for Britain’s rebate, the Blair administration relinquished it on a deferred basis.15 Consequently the pain began to hit as they were leaving government. Table 2 shows that UK–EU payments follow no obvious pattern but in view of the upturn negotiated by the Blair government, it is realistic to assume the present level of contribution will continue unless a rebate of, say, £2bn is negotiated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross £bn</th>
<th>Net £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>7,496</td>
<td>2,460</td>
</tr>
<tr>
<td>2004/05</td>
<td>8,461</td>
<td>3,208</td>
</tr>
<tr>
<td>2005/06</td>
<td>8,139</td>
<td>3,685</td>
</tr>
<tr>
<td>2006/07</td>
<td>8,685</td>
<td>2,812</td>
</tr>
<tr>
<td>2007/08</td>
<td>9,786</td>
<td>3,495</td>
</tr>
<tr>
<td>2008/09</td>
<td>7,561</td>
<td>2,256</td>
</tr>
<tr>
<td>2009/10</td>
<td>9,112</td>
<td>3,168</td>
</tr>
<tr>
<td>2010/11</td>
<td>12,021</td>
<td>5,452</td>
</tr>
</tbody>
</table>

Now we turn to the departmental analysis. Quangos are discussed in their own section following the departments.

Department for Business, Innovation and Skills

Departmental expenditure in 2008/09 for BIS was in the region of £21.22bn.16 The total headcount was 11,500.18 The following savings are driven by matching the Government’s plans to improve efficiency in the department, reducing
central staff, and scrapping plans to build a new building for the UKCMRI.

Table 3: BIS

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiencies and ‘Refocusing’</td>
<td>529</td>
<td>2.49</td>
<td>1</td>
</tr>
<tr>
<td>Central Staff</td>
<td>64</td>
<td>0.3</td>
<td>2</td>
</tr>
<tr>
<td>UKCMRI</td>
<td>233</td>
<td>1.1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>826</td>
<td>3.89</td>
<td>-</td>
</tr>
</tbody>
</table>

Total Headcount Reduction – 1,600.

1 This paper mirrors the government plans to save, in total, £529m from efficiency savings and rationalisation across the department.\(^{19}\) This is the total of £200m from refocusing the Train to Gain budget on apprenticeships and college buildings, £200m from efficiencies from the Higher Education budget, £100m in efficiency savings across the department and its partner organisations, £11m from the UK vocational reform budget, and £18m including the Institute of Web Science, a proposal still under development, as well as low priority projects like the SME Adjudicator.

2 By comparison with the Irish equivalent ministry’s 1,000 central staff, the central BIS department would appear overstaffed at about 3,000.\(^ {20}\) The departmental strategic objectives are:

- **DSO 1:** Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research, and better use of science in Government.

- **DSO 2:** Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions.

- **DSO 3:** Deliver free and fair markets, with greater competition.

- **DSO 4:** Ensure that Government departments and agencies deliver better regulation.

- **DSO 5:** Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society.

- **DSO 6:** Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence.

- **DSO 7:** Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government.

Some elements of those are clearly vital for the economy. Most of it, however, is meddling in business when the best assistance would be to let the market develop using its own initiatives. It is difficult to put a precise saving, mostly headcount, that would result from this repositioning, but refocusing on policy and priorities and discontinuing micromanagement should provide reduction of 1,600, saving £64m at £40k per head.\(^{21}\)

3 The plans for a new UK Centre for Medical Research and Innovation building can be postponed and reassessed, saving £233m as suggested by the new Coalition Government.\(^ {22}\)

### Cabinet Office

Departmental expenditure in 2008/09 for the CO was £7.5bn, but £7.156bn of that was for Civil Service Pensions. Thus the Cabinet Office narrowly defined (without the National School of Government and the Central Office of Information) was £387m. The total headcount was 1,305.\(^ {23}\) The following savings are driven by reductions in central staff numbers and in the costs of two expensive departmental bodies.

Table 4: Cabinet Office

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Staffing</td>
<td>53.2</td>
<td>62</td>
<td>1</td>
</tr>
<tr>
<td>NSG</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>COI</td>
<td>392</td>
<td>72</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>445.4</td>
<td>0.047</td>
<td></td>
</tr>
</tbody>
</table>

Total Headcount Reduction\(^ {24}\) – 1,443

1 The Cabinet Office’s 1,305 central staff are numerous relative to the 2,000 staff in The Executive Office of the President of the USA, which has a much wider remit and includes the Office of Management and Budget. The Cabinet Office produces no tangible service to taxpayers and could be seen as meddling in departmental matters. The average pay level is high: dividing the payroll (£85.9m) by the number of staff gives an average pay of approximately £65,600
per year. Scaling the department back to a staff of 500 would not significantly dent the CO’s objective of ‘helping government to work effectively’. A reduction of 805 staff (62%) would, pro rata, save £53.2m. It is arguable that in addition to the staff on-costs shown, other net administrative costs should be added, which would give a saving of (62% of £161.6m) £100.9m. We have taken the lower figure.

2 Although the National School of Government was officially separated from the Cabinet Office in 2008, it does not appear on the Cabinet Office list of NDPBs so we deal with it here. It could, and perhaps should, be contracted out to a university e.g. The Kennedy School of Government which is part of Harvard, with a reduction of 232 staff. However the whole operation only appears to cost £2m after £29m income from charge-outs. No savings are taken.

3 The Central Office of Information has developed into a large bureaucracy with 688 staff at an average per capita £63,410 salary. Individual departments already have their own advertising and communications teams. Furthermore, the government has already announced a large reduction in advertising and other marketing expenditure. Its budget could be reduced from the current £542m to £150m in order to maintain liaison and essential, non-departmental communications functions through a small staff of 50. This would present taxpayer value savings of £392m and a staff reduction of 638 from the current 688. A smaller budget of £140m would be maintained for essential non-departmental advertising.

4 No savings have been taken for MI5 or MI6. The Cabinet Office 2008/9 annual report (Tables 8 and 9) asks us to believe that staffing increased from 8,967 in 2004 to 12,838 in 2009 but per capita average salaries decreased from £60k p.a. to £42k p.a.

Department for Communities and Local Government

Departmental expenditure in 2008/09 for the DCLG was £37bn. The total headcount was 5,376. This section is structured around the six Departmental Strategic Objectives (DSOs), taking each in turn and assessing how taxpayer value could be improved in each area. The following table details the spending, staff costs, staff numbers and proposed savings allocated to each DSO.

The savings are analysed by departmental objectives labeled DSO 1 etc.

1 DSO 1 – “to support local government that empowers individuals and communities and delivers high quality services efficiently”. Of the actual program costs for this DSO, the majority is earmarked as grants to local government, of which no savings are taken. The remaining funds are primarily related to ‘managing’ the performance of local councils. It is right to expect local councils to be accountable and publish performance in a comparable way, but both Conservative and Liberal parties have claimed that they will restore power to local government. Of course financial probity must be maintained, not least because central government picks up most of the bill. But the truth is that Whitehall meddling does not work. Local councils continue to make politically correct but useless appointments. They continue to pay local officials more than their national opposite numbers. However, these should be matters for the Audit Commission, which needs to get much tougher about misspending. As noted earlier, the business of dispensing public funds against peer-reviewed annual plans should require a staff of no more than a dozen or so. Cutting staff by 456 would save £22.4m.

2 DSO 2 – “to improve the supply, environmental performance and quality of housing that is more...
responsive to the needs of individuals, communities and the economy”. While it is true that the UK needs more houses built, it is not clear that the best taxpayer value is provided through this ‘government are the builders to the nation’ philosophy. The market would judge the nation’s housing needs more spontaneously and efficiently than central bureaucracies can. Leaving aside a cautious £4bn for potential subsidies, the remaining £2.585bn could be saved, including a headcount reduction of 640.

3 DSO 3 – “to build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation”. The taxpayer value provided here is highly suspect. Economic performance and deprivation would be tackled more effectively through voluntary groups financed by local people and businesses. The total £2.398bn can be saved, including a headcount reduction of 2,380.

4 DSO 4 – “to develop communities that are cohesive, active and resilient to extremism”. Again, the taxpayer value here is minimal. The government should not attempt to micro-manage community relationships. The total £52m, including a headcount reduction of 309, is taken as saveable.

5 DSO 5 – “to provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government’s objectives in relation to housing growth, infrastructure delivery, economic development and climate change”. While reform of the delivery of this objective is desirable, it provides good taxpayer value in principle. No savings are taken here.

6 DSO 6 – “ensuring safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies”. No savings are taken here.

Certain expenditure programmes would remain to be handled by the DCLG or its successor body, perhaps the Treasury. As with all other dispensing agencies, we envisage a small secretariat for that purpose based on peer reviews of annual plans. Local authorities are audited by the Audit Commission. This role does not need to be duplicated.

Department for Culture, Media and Sport

Departmental expenditure in 2008/09 for the DCMS was in the region of £6.23bn. The total headcount was 618. The following savings are driven by reductions in central staff.

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Staffing</td>
<td>16</td>
<td>0.26</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>0.26</td>
<td>-</td>
</tr>
</tbody>
</table>

Ministry of Defence

According to the resource accounts, MoD expenditure in 2008/09 was £46.1bn. The total headcount was 270,820. Table 7 sets out the savings that would arise from the removal of the bureaucracy between the armed forces and their suppliers. For 40 years or more MoD procurement has been notorious for being over budget and years behind schedule. Numerous reforms of the system have proved ineffective because it is the interface itself which is the problem. Career civil servants and rotating uniformed personnel continually re-specify requirements, to the frustration both of the armed forces and suppliers. Military
suppliers should be recognized as knowing their business, and the armed forces should be recognized, like any other consumer, as being able to make informed choices for themselves.

Table 7: MOD

<table>
<thead>
<tr>
<th>Saving</th>
<th>£bn</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing</td>
<td>4</td>
<td>8.7</td>
<td>1</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>0.84</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>Eurofighter</td>
<td>0.83</td>
<td>1.8</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>5.67</td>
<td>12.3</td>
<td>4</td>
</tr>
</tbody>
</table>

Total Headcount Reduction – 100,000

1 This paper assumes no reduction in active armed forces or their supplies, apart from Eurofighters. Huge savings are potentially available from reducing our nuclear submarine capability but this issue is outside the terms of reference of the paper. The scope for major increases in taxpayer value flows from returning the procurement and supply functions to a direct interface between manufacturers and the armed forces, rendering much of the central MoD staff redundant, and leaving just a small staff for strategic/policy issues and to channel money and review spending. To cover the lead times in supply and personnel deployment, service units would bid three years ahead of the year of funding except for large capital items which would have bid lead times in line with procurement feasibility. Lead times aside, this would be much the same system as used in education and culture. The armed forces would be mostly supplied by the open market, with responsibility for development and marketing returned to manufacturers. According to the 2009 Resource Accounts, the MoD employs 270,820 in total, 78,550 of which are civilian staff (civil servants and others) and 192,270 are armed forces. The previous Labour armed forces Minister Bill Rammell claimed “Over the last four years we have reduced the number of civil servants from 109,000 to 85,730.” 36 37 The same source indicated that 28,000 civil servants were dealing with procurement alone. The confusion in staffing figures here is due to the classification of civilian forces and staff, which have steadily replaced armed forces in certain areas, e.g. guarding UK bases. A large part of the claimed armed forces are, in fact, seconded to the MoD in various procurement and administrative, i.e. bureaucratic, posts often in tandem with civil servants. 38 This double-manning was created to retain political control and to ensure the secondees who may have minimal experience in the function and no long term interest in it, comply with the permanent secretary’s requirements. But it is also a recipe for continuous change with unfortunate consequences for long term procurement. Another major reason for procurement being late and over budget is that the MoD meets its budgets, and especially capital budgets, by postponing expenditure. Since suppliers need to recover their costs, heavy penalties ensue.

We have allowed for a central staff of 4,000 to deal with policy and strategic matters, specialist services and the dispensing and monitoring of public funds in line with the procedure described earlier for dispensing agencies. In other words, the active armed forces would be divided for financial control purposes into “battle groups” which would supply themselves and annually bid competitively, peer reviewed, for resource. This is what the armed forces traditionally did. One of the authors of this paper, in 1956 in the Royal Armed Service Corps, can recall doing so in the Far East where the MoD was, happily, too far away to bother us much. We were largely left to our own devices. Indirect discussions with recently retired flag officers confirm the feasibility and the desirability of this approach.

In addition to the major savings from removing the procurement stage from supplies, R&D can be transferred to suppliers or shared with other countries, notably France. Since R&D leads to supply, those R&D savings would be multiplied by better value for money supplies through longer production runs. The Eurofighter was a model for how this should not be done but those lessons are valuable.

It is not without interest that an army of about 100,000 personnel finds it difficult to put 10,000 into the UK’s only current combat zone, Afghanistan. Another 20,000 are explained by rotating tours of duty, home leave and training but where are the other 70,000? The argument here is not about ensuring a higher percent of the armed forces are available for active service, valuable as that may be, but about making better use of the 90% who are not in combat zones. That is where the opportunity exists for meeting with suppliers, assessing alternative materiel used by foreign armed forces and preparing strategic and expenditure plans.

Starting with a zero base, analysis indicates that some units of the civilian MoD would remain, e.g. the Meteorological and Hydrographic services (2,820 staff)
although they should be self-financing. Where the armed services can contract out to civilian firms, e.g. for base security, they should do so. From this analysis, 70k civil servants and 30k non-active armed forces could be released, i.e. 100k at £40k per head, £4bn.

One advantage of using the market for procurement is that the cost of materiel should decline dramatically. At present suppliers have to recover the costs of all the aborted specifications and those which are unique to MoD requirements, leading to short runs. We have not taken this issue into account for lack of firm data but, anecdotally, we have been told that a Danish frigate costs about 50% less than a British one. No doubt the specification of the latter is more sophisticated but the extent of required sophistication is open to question. There has been only one occasion of sea-borne warfare in 65 years.

2 The MoD holds £14.1bn in ‘fixed assets and stock’, comprising raw materials and capital spares but that is only a small part of the total tangible assets of £132bn, up £7.6bn from the previous year. Some of these assets result from giving suppliers longer production runs and may never be used as the spares belong to superseded hardware. In a market purchasing system, some of this will remain but much of it can either be pushed back to suppliers to hold or eliminated as the armed services buy off the shelf. The interest on reducing those stocks of materiel and storage costs amount to £0.38bn and, say, £0.12bn respectively.

According to the MoD’s 2009 Resource Accounts:

“The MOD is one of the largest landowners in the United Kingdom, with an estate of some 240,000 hectares, about 1% of the UK mainland. Some 80,000 hectares of this comprise a varied built estate including naval bases, airfields, living accommodation for nearly 200,000 military personnel, scientific facilities, storage and distribution centres, communications facilities and offices. The rural estate (some 160,000 hectares) comprises mainly of training areas and ranges. The MOD has rights to use a further 125,000 hectares in the UK, mainly for training. In addition, the MOD manages an overseas estate comprising the garrisons and training facilities in Germany, Cyprus, the Falkland Islands and Gibraltar, as well as facilities in Ascension Island, Belize, Brunei, Nepal, Singapore and the United States. The Armed Forces regularly use major training facilities in Canada, Cyprus, Germany, Norway, Poland and Kenya. As at 31 March 2009 estate related Defence assets were valued at some £19.5Bn (£19.8Bn in 2008).”

These fixed and leased assets have not declined in proportion to the decline in numbers of armed forces or world role. The built estate on those numbers provides about an acre for each member of the armed forces to live and work. The interest on reducing that by one-third amounts to £0.34bn, i.e. £0.84bn for this section.

3 With respect to further updates and orders for the Eurofighter, Vincent Cable MP has argued, in a report for the think-tank ‘Reform’, that this is unnecessary and wasteful. The paper gives a saving of £5bn over 6 years, implying £833m of savings for any one year.

4 The MoD is the largest and most radical of the proposals in this paper but we have rehearsed it anecdotally with senior, well informed people who after the initial shock, have expressed confidence in the philosophy if not the detailed numbers. On that score it is noteworthy that the MoD has accepted a 2010/11 target for savings of £3.15bn and which excludes the radical pruning of the administrative tail outlined above. Maybe the form of it will differ but we are confident in the total proposed savings.

### Department for Education

Departmental expenditure in 2008/09 for the DfE was in the region of £63.38bn. The total headcount was 2,812. The high cost of this department is due to the funding of schools. The increased autonomy for schools should decrease central and local authority bureaucracy. Most of their function is as a dispensing channel for public funds, peer-reviewing completing plans as described above.

<table>
<thead>
<tr>
<th>Table 8: DfE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving</td>
</tr>
<tr>
<td>Central Staff/Admin</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

| Total Headcount Reduction – 2,312 |

1 The number of central civil servants at the DfE (previously DfES and DfCSF) has steadily declined since 2002, partly because of a diminished brief. The increased devolution of powers to individual schools outlined in the coalition proposals should deliver, in combination with efficiency savings, further cuts to central staffing and administration.
costs. Currently, over 1,000 civil servants alone are employed under the brief ‘to lead and manage the system effectively’\textsuperscript{47}. This can be seen as Whitehall code for ‘bureaucrats’. 500 staff should be adequate for policy and funding allocation, giving a saving of 2,312 staff @ £40k, i.e. £92.5m. ‘Other administration costs’\textsuperscript{48}, including consultancy, leases and asset depreciation among others, totalled £78m in 2008/09. Half of this figure - £39m – could be saved by giving the central Whitehall department a reduced role combined with general efficiency gains. In total these measures amount to and increase of £73m in taxpayer value, identified through staff reductions and consequential overhead cuts.

Department of Energy and Climate Change

Departmental expenditure in 2008/09 for the DECC was £7.29bn.\textsuperscript{49} The total headcount was 891.\textsuperscript{50} The following savings partly express the reality that the UK, although influential, is a small country in global climate terms and not the leader of international responses to climate change. We need to be realistic about the returns to global campaigning in terms of taxpayer value.

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Deal on Climate Change</td>
<td>49</td>
<td>0.67</td>
<td>1</td>
</tr>
<tr>
<td>Central Staff/Admin</td>
<td>40.2</td>
<td>0.7</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89.2</strong></td>
<td><strong>1.37</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Total Headcount Reduction – 391**

1. The DECC spends a significant portion of its budget on ‘developing an international agreement on climate change’. The taxpayer value of this initiative is debatable. Britain is no longer the nation all other nations seek to emulate. Inevitably, decisions will be hammered out between the USA, EU and BRIC countries, as reflected in the Copenhagen Summit. Currently, roughly £49m is spent on this objective.\textsuperscript{51}

2. The central department employed 891 staff in 2008/09, at a cost of over £51.6m, implying an average cost of over £58k per head p.a.\textsuperscript{52} ‘Other’ administrative costs at £40m imply 75% on-costs.\textsuperscript{53} 500 staff should be adequate for policy, UK regulation and funding. Reducing the payroll and on-costs pro rata to numbers employed would save £40.2m. Note that only £100m out of a total expenditure of over £7bn is expended on staff and administration.

Department for Environment, Food and Rural Affairs

DEFRA total headcount, in March 2009, was 10,807 of which 2,689 were core department.\textsuperscript{55} That makes an interesting comparison with DECC, DEFRA has 12 times the manpower to deal with 42% of the budget. Part of the explanation is that DEFRA’s gross expenditure of £6bn is offset by £3.24bn income, largely from the EU (p.48). However on p.55 of the same set of accounts, the net cost is shown as £4.873bn. The difference may lie with NDPBs. Looking only at the central core department, DEFRA has over three times the manpower of DECC.

DEFRA does however have wide ranging, and probably too wide ranging, objectives (p.48):

“DSO 1: A society that is adapting to the effects of climate change, through a national programme of action and a contribution to international action;

DSO 2: A healthy, resilient, productive and diverse natural environment;

DSO 3: Sustainable, low carbon and resource efficient patterns of consumption and production;

DSO 4: An economy and a society that are resilient to environmental risk;

DSO 5: Championing sustainable development;

DSO 6: A thriving farming and food sector with an improving net environmental impact;

DSO 7: A sustainable, secure and healthy food supply;

DSO 8: Socially and economically sustainable rural communities;

DSO 9: A respected department delivering efficient and high quality services and outcomes.”

DSO1 (cost £25m) should be with DECC which was created in October 2008. It is hard to see how DEFRA could convert the UK’s economy and society into one resilient to environmental risk (DSO4) and yet they spend £925m supposedly doing so. The main purpose of DEFRA (DSO6) costs £3.2bn gross but only £393m net of EU contributions. If it was not for the wildly
inefficient rural payments scheme, it would probably
cost nothing at all. The lead author of this paper lives
in the rural community. If DEFRA has done anything
towards DSO8 in recent years, he has failed to notice
it (net cost £69m). And finally (DSO9), a government
department should not spend net £272m promoting its
own reputation.

Table 10: DEFRA

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSO1, 4, 5, 8 &amp; 9 Programs (p.48)</td>
<td>1,298</td>
<td>46</td>
<td>1</td>
</tr>
<tr>
<td>Staff/Admin</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,298</strong></td>
<td><strong>46</strong></td>
<td></td>
</tr>
</tbody>
</table>

Total Headcount Reduction – 2,049

1 Since the creation of DEFRA in 2001, farmers have
complained about excessive regulation and double
inspections. DEFRA has different ‘teams’ for each
area of farming and, as a result, visit haphazardly and
more than is necessary. However, we have made no
reduction for farming activities. The acceptance of all
farming related costs may be generous but that should
offset a tough approach to the objectives in Table 10.

2 Administration and staff costs make up a large
proportion of DEFRA’s Departmental Expenditure. At
roughly £555m, such costs are equivalent to more
than a sixth of departmental expenditure.6 The central
department seems overstaffed at 2,689 (out of the total
10,807 employed by the department). However, to take
staff savings as well as the DSO savings above is likely
to lead to double counting. Therefore we have limited
the headcount reduction to 46% of core staff, namely
1,237 and a token 10% of other staff (812), i.e. 2,049.

Foreign and Commonwealth Office

Departmental expenditure in 2008/09 for the FCO was in
the region of £2.15bn.57 The total headcount was 14,090.58

Table 11: FCO

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilton Park</td>
<td>0.85</td>
<td>0.04</td>
<td>1</td>
</tr>
<tr>
<td>Efficiency</td>
<td>136</td>
<td>6.3</td>
<td>2</td>
</tr>
<tr>
<td>Staff</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>British Council</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Conflict Prevention</td>
<td>396</td>
<td>18.4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>532.85</strong></td>
<td><strong>24.74</strong></td>
<td></td>
</tr>
</tbody>
</table>

Total Headcount Reduction – 3,382

1 Wilton Park Conferences receive funding from the
FCO in order to help ‘influence international decision
making’ ‘off the record’.59 WPC could be privatised,
saving the total FCO funding of £1m as well as almost
£700k of asset depreciation.60 We have offset that by
50% to allow for the booking of Wilton Park or other
conference centres on an ad hoc basis.

2 It is difficult to assess the taxpayer value from FCO
operations at home or abroad. They perform a
limited function in supporting trade and obtaining
international intelligence, and the main overseas
intelligence department, MI6, is not included as it is
charged to the Cabinet Office (see note 6 below). In
an age of digital communication and with EU posts
undertaking much of the traditional FCO function,
radical restructuring seems appropriate. Of course
the FCO has subjected itself, or been subjected, to
numerous efficiency audits over the years. The 2007
programme forecast a total value-for-money saving
if £136m (6% of expenditure) but much of this was
vague, e.g. “Reduction of time spent by defence
attachés on non-defence activities” would save
£12m.61 We know from personal conversations that
the use of IT in the FCO is primitive with basic training
only taking place in recent months. The Consular
Service in particular needs simple, PC-based systems
for visa management. Rolling back the government’s
perception of Britain’s role as a world leader and a
reduction in overseas posts which cannot show clear
taxpayer value or demonstrate a need for international
development should create significant savings (see
also items below). For the purposes of this paper, we
take the £136m efficiency savings as a realistic total
target. That was already accepted, but now it needs to
be made substantive.

3 Foreign Office staff totalled 14,090 in 2009. The
concept of ‘frontline services’ in the FCO includes
consular services abroad, which are under considerable
pressure, notably for visas under more restrictive
UK entry conditions. Many of these staff are locally
employed and a valuable source of local intelligence.
We considered proposing a reduction but decided
against doing so.

4 The FCO resource accounts (Table 5, 2008/9) show
a net £195m for the British Council but this is a
NDPB and we consider their expenditure later under
“Quangos”.

12 | Adam Smith Institute
In addition to the ‘Conflict Prevention’ objective of DFID, the FCO also spends heavily in this area. The note on p.17 of the 2009 Resource Accounts is illuminating:

“Outturn figures show total FCO expenditure on conflict prevention. 2009–10 plans are underestimated because the Treasury will make further resources available for peacekeeping in the Winter and/or Spring Supplements. DFID, FCO and MOD have set aside £627 million for conflict funding in 2009–10, £171 million of which is for discretionary conflict activity. This will fund all discretionary conflict prevention, stabilisation and peacekeeping activity. It will be managed through five strategies: the SAF Afghanistan and CPP South Asia programmes have been merged; so too the SAF Iraq and CPP Middle East and North Africa programmes; a new Wider Europe programme funds activity in Russia/Commonwealth of Independent States and the Balkans (previously individual programmes); the Africa programme continues; and a separate programme has been earmarked for thematic work, including support to international institutions. The strategies continue to be managed tri-departmentally.”

The main conflict prevention area is the Balkans. Sierra Leone was certainly a success but Afghanistan has been, perhaps, more of a conflict creation than prevention campaign. Be that as it may, all such conflicts should be over within the four year time frame of this paper, and no similar sorties engaged in. The total £454m is here taken as saveable. Britain no longer has to act as the world’s policeman.

Department of Health

Departmental expenditure in 2008/09 for the DoH was £110bn. The total headcount was 221,628. The Coalition government has set itself the target to reduce the number of NHS managers to 1997 levels. The Secretary of State has begun (June 2010) with a requirement to save £250m from that process.

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Staffing</td>
<td>107.5</td>
<td>0.1</td>
<td>1</td>
</tr>
<tr>
<td>NHS ‘Middle-Management’</td>
<td>126</td>
<td>0.12</td>
<td>2</td>
</tr>
<tr>
<td>NPfIT</td>
<td>1,181</td>
<td>1.07</td>
<td>3</td>
</tr>
<tr>
<td>PCTs</td>
<td>919</td>
<td>0.84</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,333.5</strong></td>
<td><strong>2.13</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

Total Headcount Reduction – 27,572

1 The central DoH employed 2,889 staff in 2008/09. The DoH largely duplicates the management of the NHS, which is also open to reduction as the two units spend so much time together. In other words, a reduction in DoH staff will give the NHS fewer bureaucrats to talk with and thus enable a reduction in NHS bureaucracy. A reduction in central DoH staff to 1,500, equivalent to a headcount reduction of 1,389, would save £58m based on £40k per head. This reduction should also be matched by a similar NHS saving (see Note 2). The Coalition Programme for Government takes a third of the administration costs of the central department as saveable, but a more ambitious target of the non-staff administrations costs is achievable. ‘Other administration costs’ stood at £99m in 2009; a pro rata to headcount reduction would save a further £49.5m, or a total of £107.5m. The challenge here is whether the policy and dispensing and monitoring of public funds though the process outlined at the beginning of this paper could be managed by about 1,500. Dispensing funds only requires, as we have seen, a handful of staff but, unlike education and local authorities, central monitoring of performance and usage of funds will likely continue to be required. On the other hand, the deluge of paperwork and micro-management will not.

2 Taxpayer value in this NHS could be improved primarily by removing much of the ‘marzipan layer’ of health authorities between the central department and hospitals/local surgeries. Strategic Health Authorities, for instance, “manage the local NHS on behalf of the Secretary of State” and “provide an important link between the Department of Health and the NHS”. They have been steadily reduced in numbers since their introduction in 2002. Abolishing Strategic Health Authorities’ total staff of 3,149 is taken as a starting point for reducing the amount of middle-managers clogging up the NHS, saving...
£126m based on £40k per head.\(^9\) This leaves central NHS staff untouched.

3 The NHS National Program for IT provides very poor taxpayer value, not to mention the ethical issues in relation to breaches of patient confidentiality. The Taxpayers’ Alliance estimates the potential savings from abolishing this scheme at £1.181bn starting this year.\(^70\) Staff reductions would also flow from the removal of this colossal project, but no savings are taken here.

4 Primary care trusts (PCTs) were created in 2002 to manage primary care (i.e. doctors, nurses and surgeries) but the main effect has been to create a marzipan layer of management and waste considerable surgery time and resources with respect to dealing with the local PCT and providing members for PCT committees. Surgeries could perfectly well apply, as they used to, for direct grants like school academies. The NHS had 55 years without PCTs and could once again cope without them.

The costs and headcount in Norfolk indicates that their PCT is a good template for England as a whole. Multiplying the Norfolk figures by the Norfolk/England population ratios gives approximately the costs for England (Scotland, Wales and Northern Ireland have their own arrangements). Of the 3,234 employed in 2009, 2,854 staff were involved in home care. They could be transferred to local authorities where they provide home care for other reasons, or to local doctors’ surgeries. 295 staff are administrative and 85 in support services. Local doctors nurses and surgeries are not included. Grossing up to England as a whole gives a saving of 22,978 staff saved by abolishing PCTs, or £919m.

Home Office

Departmental expenditure in 2008/09 for the HO was just below £10bn.\(^71\) The total headcount was 26,691, of which 22,043 are core department.

Table 13: HO

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>UKBA</td>
<td>100</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Central Staff</td>
<td>107</td>
<td>1.07</td>
<td>2</td>
</tr>
<tr>
<td>Central Admin</td>
<td>33</td>
<td>0.33</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>240</strong></td>
<td><strong>2.4</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Headcount Reduction</strong></td>
<td><strong>2,669</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 As recognised by the HO, the UK Border Agency (an executive agency of the department) is a prime potential source of efficiency savings. £650m of value-for-money savings having been made up to 2009.\(^72\) This can surely be increased, given the large budget of the agency, £1.3bn.\(^73\) The HO plans to cut spending on the UKBA by £56m in the coming year, our paper takes the figure up to £100m.

2 HO civil servant numbers fell dramatically with the transfer of key areas of responsibility to the MoJ. However, further civil servant reductions could be justified in line with reducing bureaucracy and new regulations. A 10% reduction in staff numbers would bring a reduction of 2,669 staff and savings of £107m, based on payroll costs of £40k per head.\(^74\)

3 ‘Other’ administration costs rose by almost a third between the 2008 and 2009, from £244m to £325m,\(^75\) in stark contrast to falling staff costs and numbers. This was partly due to the ‘no expense spared’ new offices in central London. Reducing administrative costs by 10% would save £33bn p.a. This should be the minimum target for the government. Further savings could be realized by moving more HO staff out of London to areas of low employment.

Department for International Development

Over the last decade this department has seen a massive increase in both its budget and its headcount. In 2008/09 for DfID expenditure was £6.1bn.\(^76\) The total headcount was 2,400.\(^77\) The following savings, driven by returning the department’s functions to the FCO and terminating the flawed ‘Conflict Prevention’ program, would improve overall taxpayer value.

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Dissolving DfID</td>
<td>145</td>
<td>2.38</td>
<td>1</td>
</tr>
<tr>
<td>International Aid</td>
<td>-</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Conflict Prevention</td>
<td>42</td>
<td>0.69</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>187</strong></td>
<td><strong>3.07</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Headcount Reduction</strong></td>
<td><strong>1,920</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 DfID was created out of the FCO. It should now be re-integrated. The FCO, DfID and MoD seem unable to coordinate their activities, notably in Afghanistan where
the development money needed to support troops in the south of the country was directed to the north. It can be argued that member nations of the UN fall into three groups: (a) those rich enough to give aid; (b) those poorest countries that should receive it; (c) the middle group that should neither give nor receive. FCO overseas posts in (a) and (b) countries would not be affected by returning international development to the FCO. FCO posts in type (c) countries have little trade and diplomatic business to conduct. Consequently, our diplomats could get on with ensuring development money is optimally spent. The dissolving of DFID and the returning of its key functions to the FCO would present taxpayer value savings primarily in the decreased administration and staff costs flowing from the economies of scale of the larger FCO. For the purpose of this paper, pending a more detailed analysis, an 80% reduction of the current 2,400 staff and an 80% reduction of the non-salary departmental administration costs is taken to be achievable. This would reduce staff by 1,920, saving £77m on the basis of average payroll costs at £40k per head. Non-salary administrative costs of £85m would shrink by £68m.78 In total, the staffing and administrative savings flowing from dissolving DFID would total £145m.

2 It is evident that DFID has spent money inappropriately, notably by its funding of UK trades unions and its continued development aid to China, which is about to be ranked the world’s second richest country.79 The new government is addressing DFID’s misconstrued role. Yet the total aid budget remains ring-fenced at 0.7% of our GDP (some £10.5bn). Accordingly, no savings are assumed in aid but only in administration.

3 As discussed in the FCO section, it is debatable whether Conflict Prevention is providing taxpayer value. In any case, this duplicates the FCO and MoD objectives and budget. Unilateral action of this kind is most likely insignificant in comparison to multinational efforts and the underlying causes of conflict. It would be better if the earmarked budget of £42m were discontinued.80

Ministry of Justice

According to the resource accounts, departmental expenditure in 2008/09 for the MoJ was £10.52bn. The total headcount was 98,149.81 The following savings, driven by increasing prison governors’ budgetary and managerial discretion and scaling back the MoJ’s centralised functions, would improve taxpayer value.

Table 15: MoJ

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOMS</td>
<td>287</td>
<td>2.73</td>
<td>1</td>
</tr>
<tr>
<td>Access to Justice</td>
<td>500</td>
<td>4.75</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>787</td>
<td>7.48</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Headcount Reduction – 7,176**

1 By increasing the autonomy given to prisons, analogous to the increased independence of secondary schools and hospitals, and using the dispensing agency process described earlier, the staff numbers of the National Offenders Management Service could be cut by approximately 10% from the current total of 71,763.82 Cutting staff by 7,176 would save £287m based on £40k per head.

2 Legal functions, falling under the strategic objective ‘Access to Justice’ can be cumbersome and expensive. For example, the Crown Prosecution Service (CPS) should not be required for offences dealt with by magistrates’ courts. Without that stage in the process, proceedings could be speeded up, especially if self-representation is encouraged. Legal aid unfairly penalises middle incomes and should be employed as a benefit in appropriate cases, not a right. Unjustified absence by the defendant should be treated less leniently. Most cases should be dealt with within a week of arrest.

It is reasonable to assume that 10% of costs for this objective could be saved by rationalisation and the contracting out of some tasks to private firms. This particular objective commands annual spending of over £5bn, making savings of as much as £500m possible.83

Department for Transport

Departmental expenditure in 2008/09 for the DfT was in the region of £16.83bn.84 The total headcount was 7,186.85 As noted in Table 1, this total headcount appears to underestimate the true number, possibly because some agencies have been excluded. The following savings, driven by reforming the department’s key agencies, reducing central staff levels and abolishing the Bus Services Operators Grant, would improve taxpayer value.
### Table 16: DfT

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways Agency</td>
<td>162</td>
<td>0.96</td>
<td>1</td>
</tr>
<tr>
<td>Driving Agencies</td>
<td>143</td>
<td>0.85</td>
<td>2</td>
</tr>
<tr>
<td>Central Staffing</td>
<td>37.2</td>
<td>0.22</td>
<td>3</td>
</tr>
<tr>
<td>Bus Services Operators Grant</td>
<td>415</td>
<td>2.47</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>757.2</td>
<td>4.5</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Headcount Reduction** - 7,868

1. The Highways Agency (HA) is responsible for the expansion and upkeep of the UK’s road network, a huge and cumbersome bureaucracy with poorly aligned incentives. Anyone driving on our motorways and main roads can witness the inefficiency of untended works and miles of cones protecting empty tarmac. Contractors are incentivised to maximise repair times, works and costs. The HA currently employs 3,563 staff. However, through competitively contracting out individual regions, a staff of around 200 could oversee the entire system, allowing an immediate reduction of 3,363 staff, equivalent to £135m based on £40k per head. In addition, as much as 75% of the £36m non-salary administration costs, i.e. £27m would be saveable through such measures. In all likelihood, contracting out the services would also reduce program costs, but no savings are taken into account here. In total, the staff and administrative savings add up to £162m.

2. A cluster of agencies including the Driver and Vehicle Licensing Agency, Driving Standards Agency, Vehicle Certification Agency and the Vehicle and Operator Services Agency all provide services that are chargeable. In 1999, the agencies were grouped together in order to improve efficiency; yet staff levels have risen in all four agencies, despite relatively unchanged requirements and demands. A reduction of 3,575, to 1999 staffing levels would save £143m based on an average payroll estimate of £40k per head.

3. Core departmental staffing for the DIT totalled 1,930 in 2009. Given the extensive delegation of responsibilities to agencies, this number seems high. Cutting the number of central staff by 930 would save £37.2m based on £40k per head.

4. The Bus Services Operators Grant reimburses ‘local services’ for excise duty paid on fuel. This is an unnecessary transaction: there is no evidence to suggest that such services are struggling, nor that taxpayer value is provided by this grant. Accordingly, £415m could be saved by eliminating it. No staff savings are assumed from the administering of this grant but there should nonetheless be plenty of scope for these to be achieved.

### HM Treasury

Historically the Treasury has been one of the smallest Whitehall Departments. Its staff were traditionally the best and brightest but alas, many left dejected during the course of Gordon Brown’s tenure as Chancellor of the Exchequer. The exodus began with Terry Burn’s resignation as Permanent Secretary and grew as the years passed. Many of their replacements were inexperienced and lacking in knowledge of the world outside Whitehall.

Departmental expenditure in 2008/09 for HMT was in the region of £85.65bn. The total headcount was 87,687. Most of those staff, however, work for HMRC – a boom sector in our overtaxed times. Over £80bn of 2008/09 expenditure was buying bank shares to deal with the financial crisis. HMT usually costs about £4.8bn. The following savings are driven by reductions in HMRC staff and abolishing the Office of Government Commerce.

### Table 17: HMT

<table>
<thead>
<tr>
<th>Saving</th>
<th>£m</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRC Staff</td>
<td>1,000</td>
<td>1.17</td>
<td>1</td>
</tr>
<tr>
<td>OCG</td>
<td>16.5</td>
<td>0.02</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,016.5</td>
<td>1.19</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Headcount Reduction** – 25,086

1. Her Majesty’s Revenue and Customs employs 85,846 staff, of which 82,003 are located in the core department. The tax system needs to be simplified to the point where all taxpayers can calculate and pay their own taxes online. While this is already the intention, in practice it is undermined by poor systems and over-complex tax structures. Appropriate simplification of the tax system would enable HMRC to monitor returns through computerised checking, leaving staff to tackle fraud and evasion. Where advice is required, it should be accessed via computer systems which, as airlines have shown, can handle the great majority of user queries. This will not happen overnight, but the HMRC should set a target of reducing to staff so that 60,000 are ‘customer facing’, with no more than 1,000 in policy and management. This implies a reduction of 24,846 staff, saving £1bn at £40k per head.

2. The OGC should be unnecessary if procurement officers in individual departments were adequately trained.
Abolishing the OGC would provide an increase in taxpayer value of £16.5m, including a staff reduction of 240.94.

Department for Work and Pensions

This is one of the giant Departments of State. Its scale has increased with the size of the social welfare budget. As more and more citizens were deemed to be entitled to state benefits of one form and another, so the size of the dispensing bureaucracy swelled.

Departmental expenditure in 2008/09 for the DWP was in the region of £144bn. The departmental headcount was 108,058. Of this, 73,000 staff are engaged in Departmental Strategy Objective 2, namely maximizing ‘employment opportunity for all’. Passing over the weasel wording, the great bulk of the staff work in the Jobcentre Plus organization which is the public-facing organization, which matches people with jobs and/or assesses benefits payable.

The other substantive role of DWP is the Pension, Disability and Carers Service (PDCS). The organisation chart (pp. 39 and 40) shows the rest of the organisation, Permanent Secretary and Ministers apart, to be support functions of dubious merit in terms of taxpayer value. The PDCS has two distinct sections: pensions and benefits. The former, in essence, tries to encourage people to save for their pensions. But despite new Pensions Acts in 2007 and 2008, the problem has not been solved and it is questionable whether it can be solved.

Housing benefit is monumentally wasteful. It is handled initially by Local Authorities, along with Council Tax rebates. Local Authorities then have to claim back the payments for each recipient from DWP no less than three times, the last being the final audited version. Obviously there must be some checks to stop Local Authorities taking advantage of the DWP but it would seem much simpler to roll the costs into the Local Authorities annual block grants, and then leave the detail with the Local Authorities.

The overall strategy proposed here is to privatise the Jobcentre Plus chain. The idea that DWP can maximise employment is wishful thinking; it cannot maximise the number of jobs (except in its own department). The function of a Jobcentre Plus, benefits aside, is, like any other recruitment agency, to maximise the number of suitable and available jobs on its books and then match those with potential employees.

The other main function of DWP, pensions and welfare payments, should, once the rates and arrangements have been simplified, be integrated with HMRC, with whom the DWP already works closely. Turning over the management of National Insurance numbers to HMRC, who are merging them with taxpayer identification numbers, has already saved millions of pounds as multiple benefits identifications were matched with the unsurprisingly fewer tax numbers.

Gordon Brown’s tax credit system has been a disaster in practice due to over-complication but it is the right solution in principle. Each individual should have a single account with the state which either pays out (benefits and pensions) or receives (income tax and national insurance) money as appropriate. The key is to simplify both systems before putting them together.

Once those changes have taken place, the DWP’s role would diminish to setting policy, dispensing public funds and monitoring entitlement to minimise fraud and abuse, just a few percent of the numbers employed today.

Meanwhile the following savings, driven by some simplification of the payments system, reductions in staff and privatising the Jobcentre Plus chain, would improve front line services and welfare provision by refocusing the department towards its primary objectives.

The proposed departmental savings are as follows:

<table>
<thead>
<tr>
<th>Saving</th>
<th>£bn.</th>
<th>% of Total</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud and Error</td>
<td>2.03</td>
<td>1.41</td>
<td>1</td>
</tr>
<tr>
<td>Abuse</td>
<td>1.54</td>
<td>1.07</td>
<td>2</td>
</tr>
<tr>
<td>CSA</td>
<td>0.47</td>
<td>0.33</td>
<td>3</td>
</tr>
<tr>
<td>DSO2</td>
<td>17.07</td>
<td>11.85</td>
<td>4</td>
</tr>
<tr>
<td>Staff/Admin</td>
<td>2.52</td>
<td>1.75</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.63</strong></td>
<td><strong>16.41</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Headcount Reduction - 54,000**

1 Fraud and error in the benefits system have been significantly reduced since 2003 as a proportion of expenditure, largely, as noted above, through the control of National Insurance numbers being transferred to HMRC. The department estimates that fraud and error cost roughly £2.7bn. Three quarters of this total is taken as saveable through payment simplification, leaving a total saving of £2.03 bn.

2 Systems abuse is separate from fraud and even harder to quantify. Relevant cases can involve officials or doctors helping claimants to unjustly receive payments. The
last government finally began to shift from a negative view of incapacity to a positive view – from “sick notes” to “well notes”. Doctors are now required to certify capacity rather than incapacity. In 2003, system abuse was estimated at £2bn, equivalent to 1.88% of benefit expenditure. Systems abuse is qualitatively different from straightforward fraud and cannot be assumed to have been made significantly harder by the electronic payments system. Therefore, we can assume the same proportion of system abuse can be achieved, namely £3.08bn. A 50% reduction would save £1.54bn.

3 The Child Support Agency (CSA) should make steps towards becoming self-financing. The agency could impose monetary disincentives for ‘defaulting partners’ failing to make payments. In other words, access to CSA would only take place if partners fail to agree and/or fail to implement their agreements. The partner with the grievance then takes the matter to the CSA and the partner that “loses” the case, i.e., pays more/gets less money than they could have got by agreement, pays a premium to CSA for resolving the issue. These self-financing measures could eventually cover the entire CSA administration costs, which is a substantial £470m. Headcount in March 2008 was 9,500.102

4 By privatising the Jobcentre Plus chain, as much as 50% of the £34.13bn programme costs for this objective could be saved, the rest being channelled into subsidies for the acquiring private employment agencies.103 The privatised centres would be required to verify benefits claims as well as provide job opportunities. The resultant programme savings would amount to £17.065bn in addition to the staff and administrative savings outlined below.

5 Administration (including staffing) costs related to the above program amount to £3.63bn, of which approximately £2.92bn is spent on staff costs.104 Assuming a 50% staff reduction of 36,500, staff cuts would save £1.46bn. Non-salary administrative costs for DSO2, roughly £710m, could also be cut by 50% as a result, £355m. In total, the privatisation of job centres could save as much as £1.82bn.

Of the total 108,000 staff employed by the DWP, 73,000 fall under DSO2.105 The remaining 35,000 could be cut by as much as half through improved efficiency gains resulting from consolidating the databases of the DWP and HMRC. A reduction of 17,500 would result in savings of £700m based on £40k per head. In combination with the administrative and staff savings stated in relation to DSO2 (£1.82bn), total administration savings (including staff) total £2.52bn.

Quangos

Non-Departmental Public Bodies (NDPBs), otherwise known as quangos, are defined as “bodies which have a role in the processes of national Government, but are not Government Departments or part of one, and which

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of Executive NDPBs</th>
<th>Aggregate Headcount</th>
<th>Cost £m</th>
<th>Proposed Savings £m</th>
<th>Proposed Headcount Reduction</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIS111</td>
<td>37</td>
<td>25,228</td>
<td>24,515</td>
<td>2,591</td>
<td>2,775</td>
<td>1</td>
</tr>
<tr>
<td>CO</td>
<td>2</td>
<td>61</td>
<td>32</td>
<td>0</td>
<td>0</td>
<td>2</td>
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<tr>
<td>DCLG</td>
<td>11</td>
<td>1,636</td>
<td>4,061</td>
<td>3,908</td>
<td>905</td>
<td>3</td>
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<tr>
<td>DCMS</td>
<td>34</td>
<td>14,527</td>
<td>2,351</td>
<td>291</td>
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<tr>
<td>MoD</td>
<td>5</td>
<td>344</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>DEE</td>
<td>9</td>
<td>3,926</td>
<td>1,184</td>
<td>927</td>
<td>1,038</td>
<td>6</td>
</tr>
<tr>
<td>DECC</td>
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<td>1,444</td>
<td>938</td>
<td>135</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>DEFRA</td>
<td>28</td>
<td>17,122</td>
<td>1,036</td>
<td>342</td>
<td>8,561</td>
<td>8</td>
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<tr>
<td>FCO</td>
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<td>7,477</td>
<td>216</td>
<td>200</td>
<td>749</td>
<td>9</td>
</tr>
<tr>
<td>DoH</td>
<td>11</td>
<td>6,632</td>
<td>362</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
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<td>HO</td>
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<td>6,286</td>
<td>1,045</td>
<td>249</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>DfID</td>
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<td>0112</td>
<td>16</td>
<td>1</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>MoJ</td>
<td>14</td>
<td>5,907</td>
<td>1,063</td>
<td>865</td>
<td>822</td>
<td>13</td>
</tr>
<tr>
<td>DfT</td>
<td>6</td>
<td>566</td>
<td>22</td>
<td>0</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>DWP</td>
<td>8</td>
<td>18,525</td>
<td>1,301</td>
<td>410</td>
<td>1,900</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td><strong>109,681</strong></td>
<td><strong>38,158</strong></td>
<td><strong>9,919</strong></td>
<td><strong>24,029</strong></td>
<td>-</td>
</tr>
</tbody>
</table>
accordingly operate to a greater or lesser extent at arm’s length from Ministers”. Most NDPBs are associated with a department, but neither their funding nor staffing is included in the departmental figures. The following table details the numbers, staffing levels and costs of the Executive NDPBs, by related department, as well as the proposed taxpayer value savings and staff reductions.

1 A remarkable 37 Executive NDPBs are attached to, but not funded by, the Department for Business, Innovation and Skills, at a total cost of £24.5bn. The following NDPBs are taken as unnecessary: Advantage West Midlands (£295.5m); East Midlands Development Agency (£161.2m); East of England Development Agency (£131.6m); North West Development Agency (£384.7m); One North East (£245.2m); South East England Development Agency (£160.7m); South West of England Regional Development Agency (£169.7m); Yorkshire Forward (£297.3m). There needs to be a full and frank debate about the concept of centrally funded agencies to promote regional development. Such programmes are expensive and the taxpayer value is dubious. Consequently, we regard the full £1.846bn as saveable.

The Higher Education Funding Council for England advises and distributes funds for universities in England. It is not clear that this warrants a quango separate from the department. Consequently, an estimated saving of 10% of the total government funding for this NDPB is assumed, totaling £745m, as we see no justifiable reason why this function should not be restored to BIS.

No savings are taken here for the numerous research councils receiving government funding, although there is probably room for savings in such areas. In total, the outlined BIS NDPB savings total £2.59bn, roughly 11% of the total quango costs in this area. A corresponding 11% reduction in staff (2,775 in total) is assumed to be included in this.

2 Two Executive NDPBs are attached to, but not funded by, the Cabinet Office, at a total cost of £32m. As these bodies are comparatively small relative to the size of other NDPBs, no savings are taken here.

3 11 Executive NDPBs are attached to, but not funded by, the Department for Communities and Local Government, at a total cost of £4.06bn. The Homes and Communities Agency is the largest of these entities. In the DCLG departmental section, it was suggested that the government should move away from trying to manage housing across England. Parallel measures are proposed here; the total £3.908bn, including 905 staff, is taken as saveable.

4 No less than 34 Executive NDPBs are attached to, but not funded by, the Department for Culture, Media and Sport, at a total cost of £2.35bn. A large number of them are engaged in channeling funding to charities, rather than actually adding any taxpayer value. An overall reduction in headcount of 50%, 7,264, is taken here, saving £291m based on our estimate of payroll costs at £40k per head.

5 Five Executive NDPBs are attached to, but not funded by, the Ministry of Defence, at a total cost of £1.6m. These bodies are comparatively small relative to the size of other NDPBs. No savings are taken here.

6 Nine Executive NDPBs are attached to, but not funded by, the Department for Education, at a total cost of £1.18bn. Many of these quangos provide very little in the way of taxpayer value and the new Coalition Government is already trimming back their number. The following NDPBs are taken as unnecessary, providing poor taxpayer value and in need of complete abolition: BECTA (£54.82m); Office of the Children’s Commissioner for England (£3m); National College for School Leadership (£110.6m); Partnerships for Schools (£9.3m); School Food Trusts (£10.67m); Training and Development Agency for Schools (£738.2m). All of these, in one form or another, are attempts to indirectly improve schools performance. Greater autonomy for schools and an overall reduction in bureaucracy would also be enhanced by abolishing these bodies. Such measures would save £926.59m, including a staff reduction of roughly 1,038.

7 Four Executive NDPBs are attached to, but not funded by, the Department for Energy and Climate Change, at a total cost of £938m. £898m of this goes to the Nuclear Decommissioning Authority. The Chair and CEO of this body each earn just below £240k p.a. as base salaries. Because of the potentially disastrous consequences of a nuclear accident, it seems difficult to put a price on the safe disposal and handling of waste. Yet a start can be made by looking to France and the USA for comparisons. It is hard to believe the NDA needs both a Chairman and a CEO on relatively high salaries. This may indicate similar largesse in numbers and costs in the organisation as a whole. Pending better comparatives, a cautious 15% saving has been taken, £135m. No estimates of staff reductions are taken.
A further 28 Executive NDPBs are attached to, but not funded by, the Department for Environment, Food and Rural Affairs, at a total cost of £1.036bn. In line with the approach outlined in the DEFRA departmental section, staff numbers are identified as a major hindrance to taxpayer value. The department’s ‘delivery partners’ (code for quangos) are assumed to be similarly inefficient and bureaucratic. A staffing reduction of 50% (8,561) across the NDPBs is taken, saving £342m at £40k per head.

Four Executive NDPBs are attached to, but not funded by, the Foreign and Commonwealth Office, at a total cost of £216m. The British Council is the most costly of these bodies, receiving government ‘grant-in-aid’ of £209m in 2008/09. The British Council’s objectives include promoting a better international knowledge of the UK and its language, as well as encouraging technological and educational cooperation between the UK and other countries. In this context, the encouragement of wider application to UK universities is the function that provides the most tangible benefit to the taxpayer, but it seems that most UK universities organise overseas recruitment for themselves. Drastically slimming down the British Council to just the income-generating services would provide the best taxpayer value, immediately saving £209m in government funding. An estimated 10% reduction in staff, 749 is included in this figure.

While they are not expensive, the FCO also supports three of the more ludicrous quangos: The Great Britain – China Centre, the Marshall Aid Commemoration Commission and the Westminster Foundation for Democracy. The first may be a cover for a covert operation but, taken at face value, it duplicates the China Britain Business Council and the British Council. As for the second, 60 years after the event seems long enough to call time economic support for Europe in the aftermath of World War II. The last of these preaches Westminster-style governance to the natives of lesser nations. It is another hangover of empire whose time has now gone. We should concentrate on reforming our own sclerotic legislature.

11 Executive NDPBs are attached to, but not funded by, the Department of Health, at a total cost of £362m. Individually, these bodies are relatively small compared to the quangos of other departments. No savings are taken here.

Six Executive NDPBs are attached to, but not funded by, the Home Office, at a total cost of £1.045bn. Of these, the Serious Organized Crime Agency (SOCA) provides relatively poor taxpayer value, duplicating much of the work already done by the regular police. The work carried out by SOCA is important, but the issue is whether taxpayer value is better provided by having this work carried out through a separately funded body. By reassigning the serious organised crime brief back to the regular police, services would benefit from increased economies of scale and greater opportunities to link up with other police operations and information. SOCA costs are listed as £415.24m for 2008/09. We judge that 60% of this is taken as saveable, while the rest could be used to increase the police budget. This would save £249.14m; no staff reductions are taken as these would have to be offset by increases in police numbers.

One Executive NDPB is attached to, but not funded by, the Department for International Development, at a total cost of £16m. This quango, with a headcount of 15, awards Commonwealth scholarships. The role should be handed over to selected universities who already give scholarships to similar candidates. Since the scholarships themselves would not be saved, we take £1m in administrative savings.

14 Executive NDPBs are attached to, but not funded by, the Ministry of Justice, at a total cost of £1.063bn. Several could be completely scrapped. It is not clear why the Criminal Injuries Compensation Authority needs to exist as a tax-funded body. The total £283.5m is taken as saveable here, including a staff reduction of 473. The youth justice board for England and Wales is listed as an Executive NDPB but performs mainly advisory functions. ‘Youth justice’ is not enhanced by this body, and taxpayer value could be enhanced by abolishing it, saving £518.1m and 349 staff. The sum of the outlined savings is £864.6m and 822 staff.

Six Executive NDPBs are attached to, but not funded by, the Department for Transport, at a total cost of £22m. These bodies are comparatively small relative to the size of other NDPBs. No savings are taken here.

Eight Executive NDPBs are attached to, but not funded by, the Department for Work and Pensions, at a total cost of £1.301bn. The Child Maintenance and Enforcement Commission provides services with the aim of improving the maintenance of children who are separated from their parents. As with the CSA (see
the DWP departmental section), steps could be made towards self-financing, saving as much as 50% of the government funding £300m. The Health and Safety Executive can be trimmed following Lord Young’s 2010 review. National policy issues can be stated more realistically leaving supervision to local authorities, fire brigades and other local partners who already carry out most of these functions. To allow some extra costs and staffing locally, we judge that £109m (£52%) can be saved with a reduction of 1,900 (53%) staff. In total the outlined savings for DWP NDPBs total £409.6m, including a reduction of 1,691 staff.

Conclusion

This paper has set out how taxpayer value can be improved by reducing central government expenditure by 9%, largely through returning 265,782 public servants to the private sector where they can help create wealth, rather than consume it. Shrinking the size of central government is a worthwhile prize in itself as it should reduce meddling, regulation and bureaucratic procedures. Departments will have to focus on what is important, rather than continue to build Whitehall empires.

The £55bn p.a. documented here is far short of the sums the government needs to deal with the deficit, but we have not considered local government or front line services. “Ring fenced” or not, there must be improvement to taxpayer value from the NHS, for example, in addition to the removal of the marzipan layer of bureaucracy that we recommend. The omens suggest that the end of tax free, non-means tested benefits may also be nigh, but that is outside the focus of this paper.

Appendix

Definition of “departmental expenditure”

The phrase ‘departmental expenditure’ is used in this paper to quantify the total spending of a government department in a given year. PESA 2009 can be used in the following way to find a reliable figure for the amount ‘controlled’ by each department. Total Departmental Expenditure Limits sum the resource DEL and net capital DEL for each department. However, this measure takes a narrow view and misses out Resource AME. The figure used in this paper as a measure of departmental expenditure is ‘resource DEL’ plus ‘capital DEL’ plus ‘resource AME’. Administration costs are included in ‘resource DEL’.

The figures in PESA 2009 subtract income from expenditure and our figures follow this convention. DEFRA, for example, generates around £3.25bn of income on expenditure of almost £6.25bn. The departmental expenditure given here then, is roughly £3bn.

It is important to point out that the departmental figures presented here do not contain funding for quangos. As a result of this, the departmental expenditure attributed to some departments, DEFRA and the Home Office being two exemplars, may seem surprisingly low. While quangos are attached and report to ministerial departments, the funding flows for most are attributed to central government in PESA 2009 and are tackled in a separate section in this paper.

Confusingly, some bodies that appear to act like quangos, and are often treated as such, are officially counted as departmental bodies. The funding of such departmental bodies is thus included in ‘departmental expenditure’. Table A1 details the departmental bodies whose funding is included in ‘departmental expenditure’.

<table>
<thead>
<tr>
<th>Department</th>
<th>Departmental Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIS</td>
<td>UK Trade and Investment, Office of Fair Trading, Office of Communications, Postal Services Commission, Export Credits Guarantee Department.</td>
</tr>
<tr>
<td>CO</td>
<td>Central Office of Information, Charity Commission, National School of Government, Security and Intelligence Agencies.</td>
</tr>
<tr>
<td>DIE</td>
<td>OFSTED.</td>
</tr>
<tr>
<td>DECC</td>
<td>Office of Gas and Electricity Markets.</td>
</tr>
<tr>
<td>DEFRA</td>
<td>Forestry Commission, Water Services Regulatory Authority.</td>
</tr>
<tr>
<td>DoH</td>
<td>Food Standards Agency.</td>
</tr>
<tr>
<td>HO</td>
<td>Assets Recovery Agency.</td>
</tr>
<tr>
<td>MoJ</td>
<td>The National Archives: Public Record, Office and Historical, Manuscripts Commission, Electoral Commission, Northern Ireland Court Service, Land Registry, Scotland Office, Wales Office, UK Supreme Court.</td>
</tr>
<tr>
<td>DfT</td>
<td>Office of the Rail Regulator</td>
</tr>
</tbody>
</table>
Endnotes

1Quasi autonomous non-governmental organizations or Non Departmental Public Bodies (NDPBs).

2See the Appendix for explanation of the calculation.


4Personal conversations.

5Unless otherwise stated, staffing figures are taken from the relevant departmental Resource Accounts 2009, ‘Average Number of Persons Employed’.

6Government funding to Executive NDPBs.

7This high figure is due to the fact that calculations in this paper are made before accounting adjustments, which, for 2008/09, revised overall TME down by some £76bn according to PESA 2009, Table 1.15.

8UK Government Operational Efficiency Programme report of 22/4/09 claimed that the UK’s public sector could trim around 20% of its current £16bn annual spend on IT by 2014.

9ROUTE MAP TO REFORM: DEREGULATION Tim Ambler and Keith Boyfield; ADAM SMITH INSTITUTE 2005

10British Chambers of Commerce Burdens Barometer.


13See Ambler & Boyfield Knaves & Fawkes, Adam Smith Institute November 2009.

14National Audit Office report, ‘The Cost of Public Service Pensions’, 31st March 2009. The ACA calculated the equivalent cost but a year or two later to be £8,000 (press release 17 June 2010).

15The new administration puts these costs much higher “the cost of our (net) EU contributions will have more than tripled from £3.1 billion in 2008-09 to £10.3 billion in 2014-15 (DBR, Pre-Budget Forecast, June 2010, Table 4.8)”.

16Figured from PESA 2009, Annex C, Table C.1 ‘Transactions with the institutions of the EC’, page 176. ‘Net Ecfin’ is here equivalent to ‘Net payments to IEC institutions’ and ‘Gross Ecfin’ is here equivalent to ‘Gross contribution to the EC budget’.

17As described in ‘Definition of Departmental Expenditure’. As a new department, BIS is not in PESA 2009. The given figure is the sum of the budgets of BIS’s two predecessors, BERR and IUS. BIS is a merger of the two departmental briefs, less the relatively small energy responsibility.

18As described in ‘Table 1: Summary of Proposed Savings’, Staff numbers taken from BIS website; of which 3,100 core department; 8,400 departmental bodies detailed in Table 2. (UKTI 1,100). However p.168 of the BERR annual report and accounts gives total staff of 6,634 and central staff of 2,776, 3,000 core staff is therefore an approximation.


20Staff figures from BIS website, ‘Who We Are’.

21Although average actual wage costs were much lower, say £24K to £80k before on costs. These differences are not wholly credible and therefore we use a conservative per capita £40k to include on costs (typically more than 100%) except when the published figures are more credible.


23As described in ‘Table 1: Summary of Proposed Savings’.

24Average per capita costs vary very widely across departments, from £23k to £80k before on costs. These differences are not wholly credible and therefore we use a conservative per capita £40k to include on costs (typically more than 100%) except when the published figures are more credible.

2567,770 civilian staff according to the Cabinet Office listing of 31st March 2009 and 173,930 armed forces (p.56) vs. 194,340 (p.57).

26According to the 2009 Resource Accounts (p.95), “streamlining” head office has resulted in a reduction of 25%, i.e. 1,092 posts. This is, however, only a small part of the total MoD “tail”.


31Page 7.


33For the purpose of this paper, all figures are taken from 2009 Resource Accounts for the DfCSF. The department seems to have kept the same brief.

34As described in ‘Table 1: Summary of Proposed Savings’. Clearly, this number does not include teachers or schools staff.

35Staff numbers by objective are detailed on page 47 of the DfCSF 2009 Resource Accounts. The Cabinet Office Civil Servant listing gives 990.


37As described in ‘Definition of Departmental Expenditure’.

38As described in ‘Table 1: Summary of Proposed Savings’.


43These figures are from DEFRA Resource Accounts 2009.

44All financial data in this section is taken from DEFRA Resource Accounts 2009. Primarily the main ‘Operating Costs’ table on page 45.

45As described in ‘Table 1: Summary of Proposed Savings’. Of which 9,238 ‘Local Staff’; 4,345 ‘UK Staff’; 507 ‘Other’. All but 69 of the UK Staff are counted as ‘core department’.

46Quotations from the Wilton Park website.

47Figures from 2009 Annual Report.


492009 Resource Accounts, p.122, ‘Analysis of Net Resource Outturn by Section’ total £454m less £58m ‘Stabilisation Aid Fund’ which presumably does do what it says on the label. FCO 2009 Resource Accounts (Table 5) also gives £454m. Surprisingly, the majority of this (£251.3m) is for Sub-Saharan Africa. Sierra Leone was presumably part of that.


51As described in ‘Definition of Departmental Expenditure’. Of which £95.07bn is attributed to NHS England.

52As described in ‘Table 1: Summary of Proposed Savings’. Of which: Core Department 2,899; Connecting for Health 1,407; Primary Care Trusts 209,498; Strategic Health Authorities 3,149; Special Health Authorities 4,387, Others 288.
66 2009 Resource Accounts, ‘Average number of persons employed.’
67 DoH Resource Accounts 2009, page 64.
68 NHS Website: A to Z of Authorities and Trust: http://www.nhs.uk/NHSX/AuthoritiesAndTrusts/...strategic
70 Taxpayer's Alliance, How to Save £50bn. pp.31-32.
71 £9.99bn to be precise.
74 10% of the total 26,692 detailed on page 55 of the 2009 Resource Accounts.
75 HO Departmental Report 2009, page 111. Second row from the top of Table 5.5.
76 As described in ‘Definition of Departmental Expenditure’.
77 As described in ‘Table 1: Summary of Proposed Savings’.
78 Calculated by subtracting the staff costs (£78.661m) from total administrative costs (£183.563m) = £85m.
79 http://www.dfid.gov.uk/About-DFID/Who-we-work-with1/Trade-Unions/, 1 June 2010
81 As described in ‘Table 1: Summary of Proposed Savings’. Of which 3,606 core department, 3,452 judiciary, 71,763 National Offender Management Service (NOMS), rest’ other’.
82 MoJ Resource Accounts 2009, page 90 ‘Average Number of Persons Employed’. Stated figure is the sum of staff across the different requests for resources of DSO 3 – the NOMS. It is difficult to tell the numbers employed as actual prison staff as different from those in an administrative, central role.
83 MoJ Resource Accounts, page 69 details spending by DSO.
84 As described in ‘Definition of Departmental Expenditure’.
85 Of which 1,930 core department. As described in ‘Table 1: Summary of Proposed Savings’.
86 Including core department and departmental agencies.
87 Highways Agency Annual Report, page 78.
89 Figure is from 2010-11 budget plans. Source: Treasury Document ‘Supplementary Budget Information: Department of Transport’. ‘Resource DEL and AME’, page 41.
90 What is here referred to as ‘HM Treasury’ is referred to as ‘Chancellor’s Departments’ in PESA 2009. ‘Treasury’ is used here for sake of familiarity, referring to HM Treasury core department as well as the bodies indicated in Table 2 in ‘Definition of Departmental Expenditure’.
91 As described in ‘Definition of Departmental Expenditure’ in the Appendix.
92 As described in ‘Table 1: Summary of Proposed Savings’. Of which 85,846 HMRC, 240 OGC and 1,601 HMT. The other, smaller departmental bodies are not considered here.
93 2009 HMRC Resource Accounts.
94 HMT Resource Accounts 2009, page 181. At the very bottom of the page it is stated that the ‘direct cost’ of the OGC in 2008/09 was £16.5m.
96 As described in ‘Table 1: Summary of Proposed Savings’.
97 The DWP tries to advertise job opportunities through their employment agencies as distinct from maximising the number of jobs available over which it has little or no control.
98 DWP Departmental Framework, pp.39 and 40.
99 Or recipients taking advantage of local authorities.
100 This was recommended in Withering the State as was the replacement of sick notes by “well notes” which is now taking place.
103 DSO spending is detailed in the DWP 2009 Resource Accounts.
104 Calculated by multiplying the 73,000 staff from the Resource Accounts by the estimated £40k per head.
105 DSO staff numbers are detailed in the DWP 2009 Resource Accounts.
107 Executive NDPBs are the only costly quangos.
111 Stated numbers are the sum of BIS’ predecessor’s data, BERR and IUS from Public Bodies 2009.
112 This relates to the Commonwealth Scholarship Fund, the staff of which is drawn from the Association of Commonwealth Universities.
113 All data from the BIS publication ‘BERR’s Public Body Directory as of March 2009’.
114 Data from BIS publication ‘IUS’ Public Bodies Directory’.
115 Figures from CLG’s ‘Public Bodies’ publication.
116 All figures taken from DCSF Public Bodies publication, 2009. Stated figures are for Government funding of NDPBs.
117 Based on the figures from 2009 DCSF Public Bodies Directory.
118 DECC NDPB Directory 2009.
123 15 @ £40k = £600k plus £400k departmental overheads.
124 All figures in this note are taken from the relevant pages on Executive NDPBs from the publication ‘Ministry of Justice public bodies 2009’.
125 Figure taken from ‘DWP Public Bodies 2009’.
126 Table 1.12, PESA 2009.
127 i.e. ‘Resource departmental AME departmental group’ in the bottom half of Table 1.5 added to the ‘Resource and net capital DEL by departmental group’ from Table 1.12. All from the column ‘2008-09 estimated outturn’.