

## **Towards Smaller Smarter Government**

### ***Part four***

### ***Why we Must Do it***

Parts one to three on smaller smarter government covered implementation issues, the impact on the individual and the opportunity it provides to accelerate reform in local government and the parliamentary process. This, the fourth and last, is concerned with exactly why we have to move to this new size and form of government.

The fundamental problem itself is a simple one. We have a competitive tax environment which we really need to retain on the one hand and yet have expectations of a high level of government services on the other and the two simply don't go together under the present governmental system. We have maintained the former and serviced the latter for many years as a result of the beneficial VAT arrangement but with that gone something has to give.

Thus far there has been something of a well intentioned general belief that if we make progressive adjustments to spending, raise charges and grow the economy then somehow we will 'get through this'. The simple fact of the matter is that we will not - but why not? I will deal with each issue in turn.

Looking at economic growth first. Significant efforts are currently being made by government to maintain and accelerate growth and I commend and support this but it is not the single 'get out of jail card free' solution that might be hoped for. The ever greater efforts being made by our competitor jurisdictions to get new business are becoming incredibly fierce so our successes will be hard won. Pretty much the last thing we can do in such an environment is raise our tax rates. This in a world where endless quantitative easing, incredibly low interest rates and a range of attractive incentives are simply not producing higher growths levels. We are now in a new low growth era. The point I am trying to make is that we will fail in our endeavours if we believe that increased economic growth, however essential it is, will allow us to continue feeding an oversized government machine. Actually the reverse is the case – smaller smarter government is the only way to ensure we can remain competitive and therefore capable of achieving continued economic growth along with all the benefits this brings.

Turning to the raising of charges. This was both the right thing to do for a short period and initially accepted by everyone as a most unwelcome necessity. Unfortunately it continued for too long becoming a partial proxy for 'rebalancing' departmental accounts. It lost the support of the public as increasing numbers of households began to find it ever harder to make ends

meet and the feeling grew, understandably, that the government was protecting itself at the public's expense.

Next the matter of cutting costs. At the outset this was easy as government had become bloated in the years of plenty but progressively this became ever more difficult as the more obvious savings were dealt with. In the absence of the single legal entity the chief minister has called for we still retain seven 'mini governments' each looking after its own budget and thus cost savings continue to impact on front line services in order to protect the out dated and expensive departmental structure and clunky service delivery systems.

Unfortunately front line services cannot endure any further cuts. Quite the reverse - if we are going to remain a successful confident society we must find a way of meeting head on the four very significant financial cost escalators that still lie ahead without impacting on the front line.

These are the public sector pension costs which are growing remorselessly, the costs of health care which will continue to increase in line with an ever rising demand (even though the latest iteration of the health care strategy is sound, well thought out and will mitigate the rate of cost escalation) the need to fund a continuing capital programme and the high cost of our social and welfare budget.

So given that it is essential that we spend more on our front line services, on health, education and social care – how do we do this when economic growth alone cannot provide the answer, when we raise taxes at our peril, when savings made by cutting costs and raising charges in the traditional ways have run out of road and when we still have four major challenges yet to overcome?

We do it by once and for all accepting that our governmental structure is archaic, clunky, bureaucratic, top heavy, uncoordinated, badly targeted and thus inherently expensive - and then really do something about it.

We need a new streamline model that both drives available funds to front line services and that is sophisticated enough to personalise service delivery to each citizen and each business but which still allows us to retain competitive tax rates in order to remain an attractive proposition to new business.

We must therefore intensify and accelerate our efforts to achieve smaller smarter government. That means supporting the concept of a single legal entity and really getting behind digital inclusion.

