THE NEW STATESMAN

# Spotlight

Thought leadership and policy

## Party Policy Special: The growth issue

Liz Kendall
Bill Browder
Daisy Cooper

Tideway
+impact powered by serco
BAE SYSTEMS
Affinity Water
SIEMENS energy

# INVESTING £4BN IN A NEW FIBRE NETWORK

Delivering next-generation internet connections and a backbone for 5G rollouts.

Our network is built for the future and already serves millions of homes, businesses and critical public services.

cityfibre.com

CityFibre

# Growing pains

In her Budget speech last month, the Chancellor, Rachel Reeves, referenced "growth" 31 times. More surprising were the mere three mentions of "productivity". After all, it is through productivity gains – Reeves set all departments a 2 per cent efficiency and savings target – that the government hopes it will be able to catalyse growth.

Invariably, information technology is cited as a means of fast tracking those productivity gains. Artificial intelligence – it is suggested by the Tony Blair Institute and the government's own Central Digital and Data Office, respectively – could deliver £40bn per year in public sector productivity improvements and automate nearly a third of civil service tasks.

Unfortunately, technology promise and delivery are not necessarily the same thing. As we explore on page 18, a productivity paradox first identified a generation ago persists today.

It persists in part because of failures of technology implementation, and in part because public and private sector productivity are too easily confused. In the words of one IT director working for a prominent Whitehall department, "We are not in the business of selling widgets." It is outcomes, not just outputs, that matter.

If not technology, can free school meals provide another (less likely) route to a more productive economy? Some believe they can. One charity estimates that if all the estimated 298,000 disadvantaged primary school pupils in England were to receive its model of breakfast provision, it could generate £2.7bn worth of economic returns.

On page 8, we report from one school in east London running breakfast clubs. Here the moral case for free school meals meets the economic case. "Education, education, education," as someone once said.

Elsewhere, we consider whether the UK can learn from Joe Biden as he enters the final weeks of his single-term presidency. We ask (page 14) if a cut-down version of Bidenomics – a combination of interventions that amount to an estimated $1trn of investment – would work over here.

It is not impossible but nor is it easy. Especially for a nation we charaterise as a "medium-sized, post-industrial, service-led, open market off the coast of the European mainland – one that's heavily import-reliant and susceptible to global market volatility and trade flows".

Growth isn't guaranteed, no matter how many times you say it. ●

## Contents


**4 / View from parliament**
**Daisy Cooper, Lib Dems Treasury spokesperson**

**8 / Rise and shine**
**Breakfast clubs and their wider economic impact**

**14 / Comment**
**The UK will struggle to emulate Bidenomics**

**18 / Productivity paradox**
**Why technology continues to frustrate Whitehall and beyond**

**24 / Interview**
***Spotlight* talks to Bill Browder about integrity in international relations**

**26 / Symposium**
**Labour's New Deal for Working People: the verdict so far**

**29 / View from elsewhere**
**Former energy minister Chris Skidmore on sustainable growth**



# Spotlight

40-42 Hatton Garden
London
EC1N 8EB

THE NEW STATESMAN
Subscription inquiries:
*digital.subscriptions@newstatesman.co.uk*

Publisher
*Peter Coombs*

Sales Manager
*Dominic Rae*
Account Managers
*Jugal Lalsodagar*
*Lucy Sloan*
*Nia Ayoade*
*Kalpesh Vadher*

Design
*Erica Weathers*
Cover Illustration
*Klawe Rzeczy*

Senior Associate Editor
*Jon Bernstein*

Associate Editor
*Jonny Ball*
Editorial
*Harry Clarke-Ezzidio*
*Samir Jeraj*
*Megan Kenyon*

BRITISH SOCIETY OF MAGAZINE EDITORS AWARDS 2017 WINNER

First published as a supplement to the New Statesman of 15 November 2024.



Registered as a newspaper in the UK and US.
The paper in this magazine is sourced from sustainable forests, responsibly managed to strict environmental, social and economic standards. The manufacturing mills have both FSC and PEFC certification and also ISO9001 and ISO14001 accreditation.

**This supplement can be downloaded from: newstatesman.com/spotlight/reports**

# "This is how Labour could have fuelled growth"

## Where is the long-term vision, asks Daisy Cooper

By Daisy Cooper


For a Budget with so many measures known days in advance, one of the biggest surprises came not from the Chancellor, but from the Office for Budget Responsibility's forecast. Economic growth will stay anaemic, not exceeding 2 per cent in any of the next five years.

There is no doubt that the Chancellor inherited an economy on life-support, after the previous Conservative government crashed the public finances, left our international trading relationships to decline and failed to put forward any kind of long-term economic vision.

But with a Budget heralding significant increases in public investment and a supposed "end to short-termism", it is fair to say that everyone could have expected better growth prospects. So what more could the Chancellor have done to fuel growth?

First, she could have looked to put our health and care services back on their

FINNBARR WEBSTER/GETTY IMAGES

**The Lib Dems' Treasury spokesperson Daisy Cooper: "Everyone expected better"**

feet. Roughly 2.8 million people who may otherwise want to work aren't able to do so because they are battling a long-term health condition. And millions more are stuck on hospital waiting lists, unable to access the treatment they need. For our economy to grow, this has to change, and that requires strategic investments.

Of course, the Budget did contain significant funding for the NHS, but will it be targeted where it matters most: primary and social care? Investing in public health and expanding early access to GPs, pharmacists and dentists means fewer people going to hospital in the first place. And people's productivity at work plummets when they're left to pick up the pieces of a broken social care system. For all the welcome funding announced for the NHS, we're yet to see how it will be spent, and the lack of urgency on social care is hugely worrying.

Secondly, the Chancellor could have looked to small and medium-sized businesses as an engine of growth – a means of support rather than just more tax revenue. SMEs have suffered a bruising few years, punctuated by an energy crisis, a pandemic, staff shortages, rising interest rates and political uncertainty. The changes to employer's National Insurance – an increase in the rate and a lowering of the threshold – could be the straw that breaks the camel's back. For all of the Chancellor's assurances that the very smallest firms will be shielded, nearly a million businesses will pay thousands more in tax, including many SMEs.

Equally disappointing was the lack of any meaningful progress on the business rates system which badly penalises our high streets and town centres. Liberal Democrats have spent years advocating for a fair alternative, based on the land value where commercial properties are located. An end to the many absurdities of the current system would free our businesses to do what they do best: invest, create jobs and power our economy forward.

The Budget could have done more to create new jobs, too. Our economy needs a serious plan to upskill and invest in high-growth sectors, from renewable energy to digital and bioscience. In a learning economy, investing in people is a safe bet. The Chancellor could have also announced a review of the flawed apprenticeship levy, making it a broader, more flexible skills and training levy, and committed to green technologies being at the heart of her investment efforts.

The Chancellor should have looked for answers to economic growth that lie beyond our borders: beginning to fix our broken relationship with Europe. Reams of red tape and countless trade barriers erected by the Conservatives are costing the UK investment, jobs and tax revenue. The OBR estimates a 15 per cent hit to the trade intensity of our economy. Tearing down these obstacles and rebuilding trade with our closest partners would provide a massive boost for British jobs and business, and could have given the Chancellor not just a better growth forecast, but more revenue for our public services too.

The result of the US election makes this change even more urgent. Donald Trump's presidency could unleash new economic headwinds, making closer trade and cooperation with Europe an even bigger priority.

From the shameful legacy of the Conservative Party to an increasingly challenging international environment, our economy continues to face major challenges. But with strategic investments and key policy corrections, our country has a genuine opportunity to mark a clean break with the failures of the past few years.

What we Liberal Democrats want to see is a plan for growth that invests in people, in small businesses, in the green jobs of the future and in fixing our trading relationships.

Through these measures, we can build an economy that is prosperous and fair – and growing again.

*Daisy Cooper is the Liberal Democrats' Treasury spokesperson*

Advertorial

# Defend, deter, protect: the critical capabilities we rely on

## Defence doesn't just keep us safe. It drives investment and embeds social value

In association with

BAE SYSTEMS

At BAE Systems, we design, build and maintain defence and security solutions to protect the UK against current and future threats. Working in partnership with communities and companies across our supply chain, we underpin a resilient defence industrial base that is critical to supporting our armed forces and ensuring national security.

To help our customers stay ahead of evolving threats across land, sea, air, cyber and space, BAE Systems relies on a highly skilled workforce of 45,700 people across the UK, including approximately 2,300 apprentices and graduates who are on track to join us this year.

Our operations span the country, from shipbuilding in Glasgow and our advanced submarines programme in Barrow-in-Furness, to munitions productions in Monmouthshire and delivery of the UK's combat air capability from our sites at Warton and Samlesbury in Lancashire.

Beyond our engineering and manufacturing sites, we also employ thousands of digital, cyber and intelligence experts who work with

BAE Systems is investing £220m in developing its state of the art electronics facility in Rochester, Kent

BAE SYSTEMS

customers in the armed forces, law enforcement, national security and central government.

With a proud heritage in supporting the UK's defence and security we are also custodians of critical national capabilities, in particular the ability to build advanced sovereign combat aircraft. To protect this industrial know-how and the vital advantage it provides, we invested £230m in skills, training, education outreach and university partnerships in 2023.

More widely, our investment in jobs, growth and communities delivers significant social value and a positive local impact. Just one example is our submarines site in Barrow, which employs over 12,000 people, with plans to recruit 5,000 more to deliver the Dreadnought and Aukus programmes. By working in partnership with Team Barrow, our aim is for this growth to drive investment in local infrastructure, education and healthcare.

We've invested £230m in skills, education and training

Beyond the UK's borders, BAE Systems plays a leading industrial role in strategic defence alliances, including Aukus, the trilateral security and defence partnership between the United Kingdom, Australia and the United States; and the Global Combat Air Programme (GCAP), led by the UK, Japan and Italy.

These generational programmes are fostering new collaborations between nations and businesses, and will deliver significant economic value in the UK. GCAP will build on the economic and industrial benefits still being delivered by the Eurofighter Typhoon programme, which has contributed more than £30bn to the UK economy through exports of the aircraft — more than double the initial government investment.

Over its lifecycle, GCAP is expected to deliver £37bn to the UK's economy, even before the significant economic value of exports, with its UK industry partners investing £800m in technology and skills.

At BAE Systems, we are working to develop the next generation of defence and security capabilities that the UK needs to contribute to regional and global security, deter aggression and maintain the country's interests internationally. As a key part of one of the nation's most strategically important industrial sectors, we also make a significant economic and social impact, providing long-term jobs in the communities where we work, building the skills of our future workforce and helping our nation prosper. ●

*To find out more, scan the QR code below, or visit baesystems.com/ukcontribution*

Feature

# Rise and shine

## Labour's free breakfast clubs are framed as an economic investment. Will it pay off?


By Harry Clarke-Ezzidio

By 8.45am on a bright spring morning at the St John's Primary School in east London, pupils were nearing the end of their hour-long morning breakfast club – eating buttered bagels, creating arts and crafts, and playing Connect 4 with friends.

Teddy, who is in Year 6, arrived an hour earlier. "I'll usually come very early, like before breakfast club even opens," he told me as we hung out in the school's assembly hall. His hair tied in a topknot, he rocked up and down with his hands behind his back – shy, yet proud, of his role as organiser-in-chief: "I normally put some games out, and then I have my breakfast... and when it's pack-up time, I [help the teachers] put the tables, mats and games away."

Well over a dozen children turned up to the club on the day of my visit to Bethnal Green. In collaboration with the Magic Breakfast charity, the school runs

**St John's Primary School, in partnership with the Magic Breakfast charity, runs a morning club for pupils during term time**

MAGIC BREAKFAST

the club throughout the week during term-time and provides pupils with a number of breakfast options – bagels, porridge, baked beans and a selection of fruits. Magic Breakfast charges partner schools a small yearly fee to help join its programme, and a number of corporate partners donate food specifically to the charity.

Schools are required to provide children with food that has limited amounts of salt and sugar. "I know, like, the school's trying to be healthy but sometimes you just need a bit of sugar," Teddy confided. Has he asked for more? "Yeah. They said no."

Teddy appeared to be making a wider point about the energy needed to get through the school day. "When I have my breakfast I feel more energetic and want to do my work. Sometimes when you don't have your breakfast... you don't feel at your happiest... it's hard to focus because your belly's hurting."

The school is located in Tower Hamlets, a borough with the highest child poverty rate in the UK: 48 per cent of children live in poverty in the area.

Though some of the children are aware of the wider socio-economic context, the breakfast club is an obvious hive of fun, energy and bonding. "I would say these [clubs] are really important," Teddy told me as the start of the school day approached. "They give kids a chance to meet friends and have a good breakfast – but also, even just to *have* a breakfast in general."

The term-time morning scenes witnessed at St John's will soon become commonplace in primary schools across England.

Labour pledged to introduce free school breakfast clubs in all primary schools as part of its fifth, education-based, mission for government – to "Break down barriers to opportunity". An "early adopter" trial in selected schools will begin in April 2025, ahead of a future nationwide rollout, likely from the start of the 2025/26 academic year. A Children's Wellbeing Bill, which puts the requirement for the school breakfast clubs into law, is due to be debated early next year.

Two years ago, Bridget Phillipson, then shadow education secretary, outlined the policy as part of Labour's plans to build a "modern" childcare system: "One that gives our children the start to their day, and the start to their life, they deserve," she said during her speech announcing the measure at the 2022 Labour Party conference. Phillipson made an explicit link between a child's wellbeing and bolstering the nation's finances. Labour's free school breakfast club plan and childcare system is "one ▸

◂ that gives… our economy a chance to grow," she said.

Around 4.3 million children are growing up in poverty in the UK, according to official government figures. And an estimated 2.7 million children are living in households that are struggling to afford or access sufficient food.

The moral case for giving children breakfast in the morning is clear. "We're always drumming into the children what a good start to the day looks like," St John's deputy headteacher, Baljinder Jheeta, told me after the morning's breakfast club. "[Breakfasts] make a big, big difference in the children being really clear in [thinking] 'I need to eat something in order for me not to feel hungry and for me to do my work'."

It's "an investment in our young people," Chancellor Rachel Reeves told the Labour Party conference in September, with Labour now in government. She quickly added that it is "an investment in our economy", too.

So how much return is Labour expecting on its investment in children through the means of breakfast? The Department for Education (DfE) would not reveal whether it has conducted a cost-benefit analysis on the policy when approached by *Spotlight*. Magic Breakfast, however, has conducted some research of its own. It estimates that if all of the estimated 298,000 disadvantaged primary school pupils in England were to receive the charity's model of breakfast provision, it could generate £2.7bn worth of economic returns. "We're very focused on a stigma-free approach," Mark Hoda, policy and public affairs manager at Magic Breakfast told me, sitting alongside Jheeta in the headteacher's office. "We want to be stigma-free, barrier-free, for all the kids."

However, there are potential gaps in the policy that could jeopardise the social and economic gains that would otherwise come from the measure.

One concern centres on the lack of provision for the meals that follow breakfast. "Children don't just stop at the mid-morning point," said Nikita Sinclair, co-programme director of children's health and food, at the Impact on Urban Health (IOUH) non-profit. "We need to make sure that children have access to the food that they need to thrive throughout the school day." The current eligibility threshold for children to receive free school meals is "woefully low", added Sinclair. (A family on Universal Credit must have a yearly household income of £7,400 or less to qualify.)

Across all stages of school, over 900,000 children living below the poverty line are not eligible for free school meals, according to analysis from the Child Poverty Action Group. In England, universal free school meals are only provided to children in reception, Year 1 and Year 2. In London, meanwhile, mayor Sadiq Khan introduced free school meals for all primary-aged students in the capital for the duration of the 2023-24 school year. In January, he extended it to cover the current academic year. Khan has described the policy, which will cost City Hall £140m this year, as a "lifeline" to children and families.

How could this "meal gap" – children receiving breakfast but not lunch – affect learning, and ultimately, long-term life chances? Policymaking that doesn't consider providing "food across the school day is just limiting the clear benefits that can be gained from investing in school food," said Sinclair.

Next year, primary school children in London could receive both free breakfasts (from the government) and lunches (from the Mayor, should he renew the policy).

In contrast, many children in poorer parts of the country could go without a second major meal in the middle of the day. "I think it's a real equity issue," said Sinclair, expressing concern about the potential widening of educational attainment gaps between London and the rest of the country. Issues of food insecurity are not exclusive to primary school students. "School food policy today often has focused on expanding entitlement in primary [settings], which is obviously a really positive thing," Sinclair noted, "but children don't end Year 6 and then suddenly [have] their circumstances massively change. They're still affected by their household and family income, and how that impacts the food that's available and accessible to them."

> "Children need access to food throughout the school day"

Last year, Keir Starmer acknowledged the lively "debate taking place across all of society and particularly in the Labour Party," but refused to commit an incoming Labour government to a policy of free school meals. "The money is a big factor," he told BBC Radio 4's *Today* programme. "I won't shy away from it."

Just like breakfasts, there is a strong moral and economic case in investing in lunches. Something that is backed up by research: a 2022 IOUH analysis costed a £24.2bn investment in universal free school meals for all pupils over the next 20 years with a £41.3bn "core return" to the economy. The return comes from the positive effects the food would have on children's collective education, health and nutrition, and later employment pathways. The research also estimates a further £58.2bn of "wider benefits" based on the future workforce productivity boosts that better educated children provide. It brings the total potential payback to £99.5bn.

"We know from our research and from the work of our partners that school food is a huge opportunity for both children's health and investing in the economy. That can only be maximised by ensuring that food throughout the day is nutritious [and] accessible to all children," Sinclair said. "There's so many families that really need support in accessing good food just from a food insecurity perspective, let alone for the kind… [of] long-term economic benefits that that might bring."

Whatever the framing, the reality is the same: child poverty is strongly linked to economic stagnation.

Last month's Budget provided more clarity on Labour's breakfast plan which forms part of a wider £2.3bn boost to core school funding.

A concern heading into Reeves' speech on 30 October was the future of the current National Schools Breakfast Programme (NSBP), brought in by the Conservatives in 2018. Under the programme, government provides a 75 per cent subsidy to schools in the most disadvantaged areas to put on morning breakfast clubs. Crucially, the scheme – which serves 350,000 children each day – applies to *all* school settings (such as secondary, special educational


**Liz Kendall, the Work and Pensions Secretary, has said improvements to living conditions "will take time"**

DAVID SANDISON FOR THE NEW STATESMAN

needs, and disabilities and alternative provision schools). Funding for the latest cycle was set to end in summer 2025.

Following concern from across the sector prior to the Budget, the government has now confirmed that the new breakfast programme will also continue to serve the approximately 2,700 schools currently benefitting from the NSBP. "Investment in breakfast clubs will triple to over £30m next year," a DfE spokesperson told *Spotlight* after October's Budget. "We will work closely with the sector as we develop the universal breakfast club programme, ensuring that every child is ready to learn at the start of the school day, and helping drive improvements to behaviour, attendance and attainment."

In recognition of the cross-departmental work needed to reverse the current status quo, Education Secretary Bridget Phillipson is leading a new Child Poverty Strategy taskforce alongside Liz Kendall, the Work and Pensions Secretary. A joint foreword in a policy paper stresses that "tackling child poverty is both a moral imperative and crucial to building a stronger society and economy."

The taskforce will set out its full strategy next spring and will use all the "levers" available to government – those "related to household income as well as employment, housing, children's health, childcare and education".

"You will all rightly push me to go faster, to go further, every single day – that is your job," Kendall told an audience at a Labour Party conference panel I chaired on ending the need for emergency food provision, such as food banks (another government commitment). "I have a different job; I have to look at [and] be part of a Labour government, which is looking not only at all of these [food-related] issues, but the rest of the horror," she added. It was nod towards the long fix-list the Cabinet is seeking to prioritise and fund.

Kendall said she was "annoyed" at the chair of a prior event on child poverty, who described the free school breakfast plan as "window dressing".

"And I thought, 'You think food in your belly as a child every morning is 'window dressing'? You know nothing about what people are struggling with," Kendall said. "That [the breakfast clubs pledge] is a huge thing that we are doing." But the state of the public finances means that wholesale improvements for all members of society "will take time", she added.

I asked if bolder ambitions – such as universal free school meals – would come in the medium-to-long term, when public finances have theoretically recovered. Kendall was light on policy detail. "We are Labour, and we believe, as one great man once said, in 'Prudence for a purpose'" – an allusion to Gordon Brown's tagline from his welfare-bolstering 1998 Budget.

"[Our] purpose is driving up opportunity and driving down poverty in every part of the land," she added. "We believe in this, not just to balance the books – although that is essential – [but] because you can't build a better country if the foundations aren't strong.

"We believe that in this country, when you don't have food in your belly or a roof over your head, you can't fulfil your potential as a child. If people can't fulfil their potential, our country can't be as good as it needs to be. So these two things go hand in hand."

Advertorial

# The UK has talent in abundance. We need to nurture it

## Darren Davidson on green skills, partnerships and net zero opportunities

In association with

Darren Davidson is Vice President of Siemens Energy UK&I and Siemens Gamesa UK. Born and raised in Newcastle, he started work as an apprentice engineer before going on to graduate with a degree in mechanical engineering. His 35-year career has seen him work across the globe.

Today he is responsible for a team of more than 6,000 people, working on some of the UK's biggest energy transition projects including grid and offshore wind. Here he addresses what the UK needs to do next to forge a green future, including how support for the supply chain is vital if the government is to deliver on its clean energy mission.

**What are the challenges that the UK energy industry faces in combating climate change?**

The UK is the first leading industrial country to phase out coal power and be a leader in offshore wind. If we're to achieve our net zero targets, it's mission critical this momentum is maintained.

The demand for energy is increasing; the population is growing, and the number of energy-consuming devices we use grows. Our habits are becoming more energy-intensive. A data centre processing a search using AI uses in the region of 20 times as much energy as a simple search-engine. Our challenge as an industry is to ensure enough energy supply, with continuity of supply, while also delivering the energy transition from fossil fuels to renewables.

**How can the government help the supply chain and deliver the jobs promised in its clean energy mission?**

It was a pleasure to welcome Prime Minister Keir Starmer to our Siemens Energy site in Berlin, on his first bilateral trip after taking office. The first 100 days of this new Labour government saw the importance of energy clearly highlighted, including the creation of GB Energy and a new Mission Control team tasked with delivering clean power mission by 2030. In October we saw the launch of a consultation on the first Industrial Strategy for the UK in seven years.

To progress we need consistency, engagement and more clarity on project pipelines so that the private sector has the confidence to invest. Combine this with a robust and joined-up approach to education, training and skills, and we can move the dial forward.

Siemens Energy is the biggest supplier to the UK energy industry. That includes wind power, grid technologies including transformers and interconnectors, electrolyser solutions, gas and hydrogen-ready turbines.

Siemens Gamesa is part of our business. We operate a wind turbine blade factory in Hull, employing over 1,300 people after recruiting more than 600 new employees over the last 12 months. We understand what it is to grow our business by investing in local people and businesses, partnering with local colleges and universities to create a sustainable workforce and develop and grow a local supply chain where we can.

**What are the most critical skills gaps in the green energy sector?**
As I've said, there is a clean energy supply chain in this country, and we are proud to be part of it. But it is not as well-developed as it could be. To turn that around we need clear and consistent messages from government, and a long-term plan. That means providing much more certainty about the project pipeline so that we have the confidence to invest. For example, we are looking to the Department for Energy Security and Net Zero (DESNZ) to commit to minimum budgets in the auction process for offshore wind in each year until 2035.

In the UK we have become good at providing people with the skills to do service-sector jobs. Our track record on turning out people with the necessary skills to become engineers, scientists, researchers or designers hasn't kept pace. The whole arc of education needs to be addressed. I benefitted from an apprenticeship and then an engineering degree once I had been working in energy for a while, but it's not common.

**How can these gaps be addressed?**
The UK has talent in abundance. What's needed is to nurture and promote it, whatever route it finds into the industry. At Siemens Energy in the UK we've established a global centre of excellence for grid transmission in Manchester; a centre in Lincoln developing and demonstrating industrial-scale use of renewable hydrogen in gas turbines; and centres of expertise in subsea technologies in Ulverston in the Lake District and in Aberdeen. The energy transition needs the brightest and the best delivering it, and employers and government need to work to make these careers attractive and sought after.

**Are you positive about the future, net zero and the energy transition?**
We need to think in terms of energy systems, not energy silos; we must accept that without an overhaul of the grid, there can be no energy transition. We must accept that there cannot be energy transition without gas until the low carbon technologies are built up to a level that satisfies national needs. The task of delivering energy transition is so interconnected and reliant on so many moving parts that an unprecedented level of cooperation is essential.

You often hear talk about the challenge of the energy transition. For me, it's the opportunity of the 21st century. In the UK we've done about half the job of getting to net zero. Our power generation has transitioned from coal to cleaner fuels. Now's not the time to slow down. I am convinced, with government and the private sector working together, we have the right people and the right technologies to get there. ●


SIEMENS GAMESA

**Darren Davidson (centre) with visitors in the Siemens Gamesa offshore wind turbine blade factory in Hull**

Comment

# Can we do budget Bidenomics?

## Forging an effective UK industrial policy won't be easy

By Jonny Ball

As Joe Biden prepares to exit the White House, he leaves a complicated legacy. Principally as a result of a global energy shock and post-Covid supply chain disruptions, he has presided over the largest spike in inflation since the days of Ronald Reagan's presidency, and his personal popularity ratings among the public have proved dire. His visible physical and mental deterioration in office contributed to a sense of relative national decline that accompanied a strange, post-lockdown era of civil unrest on US streets, frenzied intensification of the culture wars, the chaotic withdrawal from Afghanistan, and multiplying geopolitical tremors.

But the gap between the widespread perception of Biden's economic incompetence and the reality of ultra-high growth rates, could scarcely have been wider. In polling, most US citizens report that they think the economy is in recession. In truth, it has performed better than any other large, advanced country's in both absolute and per capita terms since 2020, and has delivered significant wage growth that outstrips the inflationary spike, particularly in the lower-income deciles.

That is thanks, in no small part, to a set of policies that has been labelled Bidenomics. Its centrepiece is the Inflation Reduction Act (IRA), which commits hundreds of billions of dollars to subsidise social programmes, welfarist cash transfers, green energy, green tech and green manufacturing. There was no ceiling on US Treasury support for "de-risking" and "crowding in" private capital. Nor was there a limit on attracting corporate backing for the latter projects, focused on boosting climate-friendly industrial growth. In all, the libertarian Cato Institute think tank, a group heavily opposed to these kinds of big government interventions, estimates the cost of the IRA alone to be over $1trn across ten years.

That is all accompanied by extra capital investments on a scale that rivalled Franklin D Roosevelt's New Deal, made through the Infrastructure and Jobs Act and the Chips and Science Act. Both ploughed money into highways, roads and the electricity grid, as well as battery and semiconductor factories, and supported big business R&D budgets through tax breaks and giveaways.

It is a model with which the Labour front bench has consciously aligned. The Chancellor Rachel Reeves's Mais lecture earlier this year name-checked a "new productivist paradigm" developed by one of the key figures behind the Biden administration's thinking, Dani Rodrik. It also referenced the US Treasury Secretary Janet Yellen's "modern supply-side", another node in the framework, which, in Yellen's words, "prioritises labour supply, human capital, public infrastructure, R&D" and sustainability drives.

The whole agenda has emerged as a response to a set of interrelated policy problems: sluggish growth across developed economies post-2008; the imperatives of net zero; severe regional imbalances in wealth and general prosperity; the rise of an increasingly assertive China; the need for resilience against external shocks in a volatile, post-pandemic world; and the persistence of political populism, particularly in post-industrial geographies excluded from the benefits of globalisation.

Compared with the traditions of the 1990s Third Way in the Blairite and Clintonian Labour and Democratic parties, Bidenomics, or "securonomics" as it is articulated by Reeves, is more trade union friendly (see our symposium on the New Deal for Working People on page 26). It is also more sceptical of untrammelled markets and more wary of the free trade and low-tax, deregulatory drives of the last four decades.

If the transatlantic consensus during the putative "end of history" emerged as a kind of neoliberal globalism, then today's model pushes a more insular, muscular state, focused on rebuilding domestic supply chains, reshoring manufacturing and reviving activist industrial policy for a forgotten class of more blue-collar, less metropolitan voters.

Or at least that's the theory.

The problem for Labour is that it is attempting to deliver a bargain-basement version of Bidenomics. The recent Budget dramatically increased capital

**President Joe Biden meets with Keir Starmer at the White House**

STEFAN ROUSSEAU / GETTY IMAGES

spending, financed through extra borrowing, which will open up investment in a much-depleted public realm and neglected capital stock. Day-to-day departmental budgets, however, will continue to be highly constrained. The £40bn in extra revenues generated by tax rises will largely go to keeping services ticking over *at their current level*. Much of the new capital expenditure announced last month will be soaked up by overdue repairs to the crumbling NHS estate, schools and roads, rather than a green reindustrialisation of the British equivalent of the Rust Belt we call the Red Wall.

For the fledgling implementation of industrial policy promised as a "British version of the IRA" by Ed Miliband, the numbers and institutional heft involved in measures such as the Industrial Strategy Council (the so-called mission boards), or GB Energy and the National Wealth Fund, remain relatively small. The latter two are capitalised with roughly £8bn, or just over a fortnight of healthcare spending, and they are tasked with "crowding in", "de-risking", or "catalysing" further private sector funds (see Chris Skidmore on page 29).

More radical, left-wing critics of Bidenism have pointed out that these kinds of incentives represent little more than taxpayer-funded bribes for hedge funds and transnational asset managers. Rather than disciplining capital with a new, greener, 21st-century social democracy, governments are leveraging their fiscal powers to simply create new win-win investment opportunities for financial elites.

Perhaps the most pertinent difference for a British Bidenomics would be that the US enjoys the exorbitant privilege of the dollar system that is not afforded to HM Treasury and its central bank. Having US national money as the global reserve currency ensures a steady flow of capital into US assets that finances the kind of large, permanent, unfunded deficits that our brief flirtation with Trussonomics demonstrated to be unsustainable in the UK.

Another key aspect of the US model is unlikely to translate here: the Trump-era tariff walls that Biden has maintained to protect domestic industries from foreign competition. These may be effective for the world's largest economy and an energy exporter. For a medium-sized, post-industrial, service-led, open market off the coast of the European mainland – one that's heavily import-reliant and susceptible to global market volatility and trade flows – moving towards a more autarkic, economic nationalism is a tough, if not impossible, task.

In an era of seeming permacrisis, extreme flux and structural failure, even eye-watering levels of investment in industry, services and public infrastructure isn't enough to guarantee popularity or political survival. The Democrats have just lost to an insurgent, populist right set to undo much of its legislative agenda. Labour's Bidenomic enthusiasts, take note.

Advertorial

# How the Thames Tideway Tunnel is cleaning up London

## Infrastructure projects such as this offer a vital opportunity for change

By Andy Mitchell

In association with

Tideway

After eight years of construction, London's super sewer is now up and running. Last month, Tideway (the company set up to deliver the project) announced that the first steps had been taken to ensure that the harmful effects of sewage pollution in the River Thames through central London would be consigned to history.

The problem Tideway was set up to solve dates back to the mid 1800s, to an event flippantly described in the history books as the Great Stink. In reality, an unrelenting concoction of human and animal excreta, industrial waste and the runoff from abattoirs had poisoned the Thames.

A foul-smelling miasma rose from the river. London's air was tainted with the stench of putrid decay. Denizens pinched their noses and clutched hankies close to their faces. Politicians were eventually forced to act.

The not-yet-knighted Joseph Bazalgette, then chief engineer for London's Metropolitan Board of Works, was tasked with solving the problem. He designed and oversaw the construction of a vast, pan-London infrastructure project that not only cleaned up London's great river, but saved countless lives by limiting the spread of cholera.

More than 300m bricks were used in the construction of an immense network of drains and sewers. Foul flows were diverted away from the city centre. The river recovered.

Bazalgette built London's Victorian sewer system to last – doubling the required capacity to cope with a population twice the size. Today, however, London's population has more than doubled again.

Added to the increase in people, modern Londoners are using far more water than their Victorian counterparts. Meanwhile, successive generations have concreted over thousands of acres of natural soakage, paying little attention to the permeability of our city.

And therein lies the problem. Where does all that rainwater go? Straight into the sewers, which quickly fill to capacity. In order that our streets and homes don't flood with sewage, valves up and down the banks of the Thames creak open to spill the euphemistically named "storm flows" directly into the river.

A century ago, this was a relatively rare occurrence. In recent times, however, an average year saw around 40m tonnes of sewage spill, untreated, into the Thames. Until now.

The Tideway solution is a simple one: intercept sewage spills before they hit the river and divert them away for treatment. In practice, the project has involved complex civil engineering work at 24 sites, the construction of a 25km-long, 7.2m-wide tunnel (London's deepest), the work of almost 25,000 people and more than 40 million working hours.

Connecting this new infrastructure to the existing Victorian system has been a meticulous operation, and we have faced many a challenge along the way. Yes, we've had the usual slew of "typical" problems that face all big infrastructure projects: unexpected ground conditions; navigating the interface between the new and the old; and working in the heart of one of the world's global cities.

But we've also had to deal with the wholly untypical challenge of delivering a multi-billion-pound infrastructure project through a once-in-a-century global pandemic. Despite all this, the super sewer is now on.

At 21 points along the banks of the Thames, we've built up to the spill points and installed new infrastructure that is intercepting spills and channelling them down into the new tunnel which transports the flows to a treatment plant in east London.

And at the time of writing we are making good progress on the necessary connections, with the project on course for full completion next year. The super sewer's protection of the River Thames has begun – an essential step in responding to one of the greatest environmental issues of our time.

With this milestone achieved, London now has the opportunity to change. We must be smarter about how we treat rainwater. Simply channelling rain into the same pipes and tunnels as our foul water is not a sustainable solution, and unless we are prepared to think and act differently about the way we grow our cities, the opportunity could be lost.

The challenge for industry leaders and policy makers is to look beyond the next project, beyond the next decade – just like Bazalgette before us. The "spongification" of London is an essential part of transforming it into a sustainable, thriving city – and, with enough imagination and strategic thinking, I believe it is achievable.

**Inside the Thames Tideway Tunnel, which opened earlier this year**

TIDEWAY/MATTHEW JOSEPH

The Tideway project is unique in many ways. Foremost among these is its funding model. Private capital funded the construction. And the cost of securing that capital was lowered thanks to government-backed guarantees (which have never been called upon).

Having the state as the guarantor of last resort has been a key feature of the model, that has, crucially, kept the cost to the bill-payers low. This year, the cost is £26 per household – which remains within the cost range promised back in 2015, and well below early estimates of £70-£80. And at a time when investment in critical infrastructure is an issue at the top of the agenda, it is right that the Tideway model is being considered elsewhere. We hope that part of our legacy is to raise the bar for the industry in meaningful ways, including in health, safety and wellbeing, and in setting new benchmarks for socially conscious project delivery. It is now up to others to build on that legacy.

Infrastructure must be driven by clear objectives. But it must also be cognisant of its wider context, of its role beyond simply "upgrading" or "expanding". We must consider how our infrastructure works to create the environments, communities, and cities in which we want to live for generations to come.

*Andy Mitchell is chief executive of Tideway*

# The productivity paradox redux

## From Whitehall to town hall, technology continues to frustrate

By Jon Bernstein

Waste not?

Walk around the cavernous halls of the ExCel exhibition centre in London's Docklands on any given weekday, and you are likely to encounter booths manned by eager sales people keen to share the benefits of information technology. DTX London, held in early October, is typical of these events, packed as it is with the lanyard-wearing masses.

Written on obligatory stress balls, canvas bags and notebooks – and on the banners and signs that adorn the booths themselves – you will find the language of IT. It often comes as single-word slogans – words like "simplify", "modernise" and "unify". Sometimes it's more expansive – "maximise efficiency", perhaps, or "minimise cost". Maybe the two together. (DTX, incidentally, is a contraction of "digital transformation", another go-to phrase.)

**The promise of technology to drive public sector productivity is often not matched by the reality**

MATT CARDY/GETTY IMAGES

This is the world of IT and this is its language. It is as forceful as it is optimistic. The message is unequivocal: new technology will save you money and make you more productive. As we will discover, sometimes it does but often it doesn't.

The language of IT has reached Westminster. Politicians cannot resist imitating some of its positivity and, even, indulging in some of its hyperbole. In his recent review of healthcare, Lord Darzi called for "a major tilt towards technology to unlock productivity", while last month's NHS consultation launch was framed by a promise to move the service from "analogue to digital". Meanwhile, in his maiden address as Secretary of State for Science, Innovation and Technology, Peter Kyle said: "We need to rewire Whitehall, because technology is much more than just another sector to support or a strategic advantage to secure; it is the foundation for every one of our national missions."

This is not new. A Cabinet Office paper published in November 2005 declared that 21st-century government is "enabled" by technology. The paper was commissioned by the then prime minister, Tony Blair, who more recently has been playing hype man to all things artificial intelligence (AI). Within 72 hours of Labour's election victory in July he was encouraging readers of the *Times* into "the full embrace of the potential of technology". His Tony Blair Institute for Global Change estimates that the UK stands to gain £40bn per year in public sector productivity improvements by embracing AI.

These productivity gains matter and not just for Whitehall and for town halls. They matter for the recipients of more effective services and for the Labour government's wider growth agenda. A productive public sector can presage a more productive economy.

It is the promise of technology in this regard that proves irresistible. Last year Cat Little, then second permanent secretary at the Treasury, noted that public sector workers spend around eight hours a week performing administrative tasks. "Eight hours for core front-line public sector workers does not seem an effective use of their specialist skills and time," she said.

There are instances when technology appears to be driving greater efficiency. Earlier this year, a government press release promised £1.8bn in benefits through a public sector productivity drive. This included saving 55,000 hours a year of administrative time in the justice system by digitising jury bundles, and a £100m dividend from using AI to reduce fraud. Meanwhile, in his ministerial speech, Kyle pointed to the impact of AI on Huddersfield Hospital's radiology department where weekly scans have risen from 700 to 1,000 as a result.

Examples, large and small, point to the potential potency of technology. A recent civil service data challenge generated ideas including a proposal (project name: Posum) to use generative AI in order to summarise complex policies within the Department of Work and Pensions, so staff can respond more quickly to questions from citizens on how policy changes might impact their specific circumstances and individual benefit claims.

Despite these initiatives, public sector productivity is in a bad way. This in turn challenges the notion of technology as panacea. As of the end of last year, public sector output was 6.8 per cent lower than before the pandemic – and it remains unmoved from where the last Labour government left things nearly a decade and a half ago. It also compares unfavourably to productivity within the private sector.

This is a problem that needs fixing. The Office for Budget Responsibility estimates that by increasing public sector productivity by 5 per cent, the government could raise an additional £20bn in funding.

Technology, it is suggested time and time again, is the means of delivering the boost the UK requires. ▸

◂ Alongside the successes, however, there are plenty of failures. Take the attempts to modernise the NHS, for example. As we reflected in last month's healthcare-focused issue of *Spotlight*, the National Audit Office has previously condemned the health service's track record for digital transformation as "poor", while an attempt to create a centralised patient record system was dubbed "the biggest IT failure ever seen". It cost £10bn.

Other high profile failures include a shared services project that was designed to integrate human resources and financial services across the Department for Transport and its agencies. Nice idea. Unfortunately, projected savings of £57m turned into costs of £81m. The list goes on.

More than a generation ago, the American economist and Nobel laureate Robert Solow observed: "We see computers everywhere except in the productivity statistics." Solow's remark caught the mood and was quoted in an 1993 MIT Sloan School of Management paper titled *The Productivity Paradox of Information Technology*. More than 30 years later, the paradox persists.

So why is technology still failing to deliver promised gains? Or, at least, failing to live up to the hype of its industry proponents? Broadly, there are reasons of implementation, which we will come to shortly. And there are reasons of definition.

In short, productivity in the public sector is different. "The great advantage of the private sector is that it has a very clearly defined bottom line. And that's either the growth of the firm, profits the firm makes or whatever the shareholders decide the company should chase," says Bart van Ark, managing director of the Productivity Institute, a UK-wide research organisation.

The public sector differs in two important ways. First, a department or local authority typically is a "multi-output organisation", says Van Ark. In other words, it does more than one thing and delivers for all citizens not just a small subset of customers and clients. A police force, for example, is responsible for more than a dozen discrete functions, from traffic control to fighting fraud. It is ultimately for ministers to choose where to prioritise. "That's a political decision you can't put a price on," notes Van Ark.

Second, the public sector has to think beyond inputs (labour, technology, equipment and so on) and outputs (surgery throughput, for example, or the number of police on the streets). It must think in terms of outcomes, too. It must deliver effectiveness, not just efficiency. Quality, not just quantity.

As the Productivity Institute puts it: "Public services need to deliver affordable, comprehensive, inclusive and high-quality services, often with an element of urgency and a recognition of rights." Taken in this context, easy definitions, and measures, of productivity are difficult to come by.

Speak to technology specialists inside government, and they are likely to say the same thing. One IT director working for a prominent Whitehall department describes talk of productivity as a "category error". Why? "Because we are not in the business of selling widgets," he tells *Spotlight*. By speeding up response times, for example, a department may increase value to the citizen but it doesn't necessarily reduce costs given more requests are likely to fill the vacuum created through efficiency. He describes this as delivering "more, differently, not fewer", and that doesn't save money.

Echoing the point, Van Ark offers the example of the Department of Work and Pensions. Over the recent past, it has introduced a great deal of new technology designed to process claims faster. Even when that proves successful, it is difficult to trace cause and effect – a causal link between more efficient claims-processing and speedier re-entry into the world of work, for example. Moreover, faster claims rates lead to greater asks from the public, says Van Ark, such as tailored services and faster response times, and also increased demand on the service overall.

We might call this the M25 problem – add another lane to an already busy motorway and more and more motorists will fill the newly available capacity.

As a result, the Whitehall IT director says, measuring productivity often involves a mix of extrapolation, assumption and implication. And this is not just a puzzle for central government. One senior technology leader for an inner London borough council, asks plaintively: "How do we improve residents' outcomes using AI, and, ideally, how do we do it on the cheap?"

Problems of productivity are not just those of definition, however. There are failures of technology adoption, too.

Imogen Parker is the associate director for social policy at the Ada Lovelace Institute, independent researchers into the impact of data and AI. One of her areas of focus is automation. And like its less glamorous forerunners – such as robotic process automation (RPA) – AI has huge potential but inherent problems, too. There are two interlinked issues that particularly interest Parker.

First, she argues that inserting technology into any system changes the system. "Sometimes when people talk about productivity gains they imagine that you have static systems and you're swapping like for like," she tells *Spotlight*. "The advent of email didn't just mean that we had more productive letter-writing. It completely changed the way that we [communicate]."

The move from manual to automated processes creates ripple effects, she says. Unfortunately, these don't result necessarily in higher productivity and lower costs. Instead, they change the nature of the processes. Users might defer to the tool, ignore it completely, or

**8**

The average number of hours a week civil servants spend performing administrative tasks

**£40bn**

Claimed public sector productivity improvements through embracing AI

**5%**

of civil servants work in digital and data roles compared to 8 to 12 per cent in the wider economy "game" it to get the desired results.

Second, she argues that automation removes something very valuable – "friction". Ask an AI to draft a range of policy options, for example, and you are likely to miss a moment of inspiration that comes from hours of reading through the material. "Because I haven't done the hard work to get there, it's unlikely that I have internalised it," Parker explains. "Sometimes you have to go through the pain to nail down what you think and identify what matters."

With both issues in mind, she cites the Central Digital and Data Office – now part of the Department for Science, Innovation and Technology – which last year suggested that almost a third of civil service tasks could be automated. It is a punchy forecast but Parker believes it lacks rigour. Specifically, there is no real feasibility assessment or any attempt to put a cost on the transition. Measuring productivity gains without either offers ambiguity, at best.

Other problems of technology implementation persist. One is introducing new IT solutions without the necessary upskilling of staff or organisational adaptation. Another is what Matthew Taylor, CEO of the NHS Confederation, describes as a "false positives" problem where algorithms designed to isolate issues – and accelerate processes as a result – tend, instead, to over-index problem areas. "Technologies that we are promised are going to reduce demand often end up increasing demand," Taylor told a *New Statesman* fringe event during the Labour Party conference in September.

So how do we fix it? How do we ensure that technology helps drive public sector productivity?

The first step is to avoid treating technology as a cure-all, or in isolation. Instead, a maxim that is well-worn in technology circles provides a useful starting point: people, process and technology.

Investing in people, and the skills they need, may prove politically difficult given current fiscal constraints, but it is likely to be key to unlocking long-term productivity gains. An estimated 5 per cent of civil servants work in digital and data compared to an economy-wide average of 8-12 per cent. "The public sector is largely a people sector; people deliver services," notes the Productivity Institute's Van Ark, "so you need to look at the skills of these people and their management."

PETER NICHOLLS/GETTY IMAGES

**Science, Innovation and Technology Secretary Peter Kyle wants to "rewire" Whitehall**

Management leads us to processes which need adjusting in order to get the most out of new technology. Sarah Woolnough, CEO at the King's Fund, an independent health think tank, argues that it is essential to invest time in "not terribly glamourous change management" to benefit most from AI, for example. Changing the way an organisation operates may meet resistance, not least from leadership teams, but it is necessary to gain the confidence of a workforce that is likely to be wary of new technology – and to ensure that old processes don't stymie new technologies. "Too often AI [adoption] is mimicking silos that exist in our healthcare systems," she told the same *New Statesman* fringe event.

To this end, Van Ark urges simplification. "The simpler the processes are, the more likely you are to find success," he says, nodding, as an example, to the Passport Office which turned a 360,000 Covid-era backlog into a five-day application process. "In a multi-outcome organisation we have to prioritise," says Van Ark. "It's a choice we're making, one that political masters don't always want to acknowledge."

> "There is no silver bullet or quick fix. We shouldn't over-hype this"

Get people and processes right, and technology implementation is likely to be more successful. Or so the argument goes. Bart van Ark remains optimistic that technology can drive outcomes-based productivity but insists that there is no "silver bullet or quick fix... We shouldn't over-hype this."

"It would be a missed opportunity for the public sector not to use technologies that private sector organisations use," he says. "If you want deliver services, you need to integrate the technology with the skills of your people... and the way your organisation is wired."

Parker agrees. "You can't just throw in the technology without thinking about what this means for the skills of the workforce, the way management operates, and the way the organisation operates," she says.

On the use of AI, Parker says we should be both "curious and cautious", adding: "We need to be much, much quicker about learning what works and what doesn't work. The high-level rhetoric that some people are pushing almost paints this as a panacea that will increase productivity by a large number. I think that's dangerous. I'm sure there will be occasions where AI can be beneficial, but let's test it first." ●

Advertorial

# Water security: is it a government priority?

## Such a national challenge will require a response from a number of key players

With the Water (Special Measures) Bill working its way through parliament and the work of the independent water commission about to get underway, water is high on the legislative and policy agenda in a way which is most welcome. Progressive voices in the sector see the opportunity for a full reset of a regulatory system which has outlived its shelf life.

Despite this, there is a real danger that a serious national challenge – water security – will be overlooked while understandable focus is given to dealing with sewage discharges. In 2018 the National Infrastructure Commission (NIC) set out the likely shortfall in water resources caused by climate change, population growth and the need to protect the environment from over-abstraction. Subsequent reports from the NIC and others have highlighted the lack of investment in our water infrastructure and the worrying state of many of our critical assets.

Economic growth makes this a tougher challenge. You can't build 1.5 million new homes unless you can supply them with water. Other drivers of new growth, such as investment in data centres and the industries which support decarbonisation such as hydrogen conversion, are intensive water users. We have already seen the growth constraints on areas like Cambridge due to shortfalls in water supply. The numbers are stark – most estimates put the forecast supply demand deficit by 2050 at around 5,000 megalitres per day. While the measures set out in water company Water Resource Management Plans (WRMPs) ostensibly meet that deficit, there is significant uncertainty around many of the measures proposed.

**Some progress, but gaps remain**

Progress has been made since the NIC first highlighted the looming deficit. Collaboration between regulators now provides a mechanism for strategic schemes to be progressed. Ground has been broken on the first new reservoir since 1992. Affinity's joint plan with Severn Trent and the Canals and Rivers Trust to transfer water to the south east through the Grand Union Canal has just closed its first public consultation.

Despite being promised for at least five years, government measures to design water efficiency into new

In association with Affinity Water

house-building have not been implemented. Nor have rules to help consumers understand how much water their washing machine and dishwashers use. The largest of the new supply options, a substantial new reservoir near Abingdon, remains at an early stage of planning and, like many major infrastructure developments, has local opponents.

Given the scale of the water resources challenge, it is striking that there is no national plan for water security against which a government can be held to account. No single agency is responsible for delivery. Local and regional government has no formal role in the water investment planning process despite the criticality of utility network investment to support regional economic development.

**A parliamentary priority?**

The new government, with a strong mandate for water reform, has a unique opportunity to take bold action to prioritise water security. It should look to secure clear public control over such a vital strategic issue and a greater level of democratic accountability.

This could be achieved through a series of initial steps. Firstly, a new water security act, obliging the environment secretary to lay a plan before parliament. Annual scrutiny of delivery against that plan could take the form of formal reports to the Commons and hearings by the environment, food and rural affairs and environmental audit committees.

Secondly, the creation of a new single national agency with a strategic responsibility for the delivery of water resilient infrastructure. Bolstering the role of local government and regional planning groups will also be vital, for example, by giving local government a statutory role in the planning and prioritising of water companies' strategic investment programmes. Both regulators and companies would then be obliged to demonstrate these have been taken into account in their business plan and subsequent determinations. Similarly, regional water planning should be placed on a legal footing, with fixed funding from water company license fees. Local government should also be joint partners in the regional plans.

Finally, the price and investment setting process for the water sector should be reformed so all its elements

The Grand Union Canal is among the options to transfer water to the south-east

AFFINITY WATER

– the water resources management plan (WRMP), the drainage and wastewater management plans, the water industry national environment programme (WINEP) programme, and the five-year price review process – align logically

Water saving needs to be seen by the public as a national imperative, and as important as climate change. For this to be achieved, national government leadership is required. A nationally-led campaign could be accompanied by a government review into water tariffs with a view to moving towards fairer consumption-based charging regime supported by universal metering.

Simple steps could be taken to reduce the water footprint of new homes by changing planning guidance to remove the need for local authorities to demonstrate water stress in their area before imposing water neutrality conditions on new development.

Together, these measures would show government leadership on a critical issue. They would bring greater accountability; what the plan for water security is, who is responsible for delivery and what progress is being made would be much clearer.

As a water-only company in the south east with a highly environmentally sensitive catchment, we at Affinity are only too aware of the challenges in delivering water security. We know we must make our own contribution – reducing abstraction, cutting leakage, investing in new resources and working with our customers to help them use less. We also know that a national challenge needs a national response, and we are keen to play our part. ●

Interview

# "Sunlight is the best disinfectant"

## Bill Browder on Cop29, corruption and cleaning up Londongrad

**By Megan Kenyon**

In 1992, Margaret Thatcher, then a Conservative peer in the House of Lords, became the first Western leader to visit Azerbaijan. Her trip, taken on behalf of BP, helped the UK oil company to obtain a lucrative oil contract in the Caspian Sea. This marked the start of British influence in Azerbaijan. BP remains the country's largest foreign investor.

This month Azerbaijan is hosting Cop29, the UN's annual global climate summit. When first announced last year, there was much concern, not least due to Azerbaijan's status as a petrostate, but also because of its human rights record. Ranked at 164 of 180 on the Press Freedom Index, the country's treatment of journalists and activists has been described as "appalling" by Human Rights Watch. According to Amnesty International, the "authorities have intensified their crackdown on the rights to freedom of expression, association and peaceful assembly".

Ahead of the conference, a group of MPs wrote to the Foreign Secretary, David Lammy, calling on him to impose "Magnitsky sanctions" on the "unjust detention and persecution of Dr Gubad Ibadoghlu", an academic and activist from the London School of Economics who is under house arrest in Azerbaijan. The letter has the backing of Bill Browder, a US-born British financier and activist, who was closely connected to the development of Magnitsky sanctions. Named after Sergei Magnitsky – a tax accountant who accused Russian officials of stealing $230m in tax rebates, was arrested and subsequently died in prison – these sanctions are imposed on those involved in human rights abuses. Browder extensively lobbied for their imposition on the Russian officials involved in Magnitsky's incarceration.

Magnitsky was Browder's lawyer. Since his death in 2009, Browder has vigorously campaigned against human rights abuses across the globe. When we met via video call, his commitment was unwavering. He characterises Azerbaijan as a "kleptocracy" and believes the UK should shift its position on the nation. "Russia is now on the blacklist, but nobody's fussing about Azerbaijan," he told me, "they do all sorts of nasty stuff. Anybody who says a bad word about them is thrown in prison."

He described the Azerbaijani presidency of Cop29 – like the United Arab Emirates before it – as "Copwashing" which, like "greenwashing", allows these countries to appear more aligned with global climate diplomacy than they truly are. "[These countries] are not legitimate players on the world stage when it comes to human rights," Browder told me, "but they're basically buying legitimacy because everyone has to show up and attend their conference."

Attending the Baku conference, which began on 11 November, is a UK delegation that includes Lammy and Ed Miliband. How does Browder think they should approach the negotiations? "There are political prisoners in Azerbaijan that should be released," Browder said, "and I think their names should be right out front and centre." In a speech to the European Parliament in Strasbourg on 23 October, the European social rights Commissioner Nicolas Schmit called for the release of Ibadoghlu, along with Bahruz Samadov – an activist facing treason charges – and several others. The MPs' letter that received Browder's backing called on Lammy to raise their plight with his Azerbaijani counterparts while at Cop29. "Just because they're hosting a climate conference, doesn't mean you can't talk about political prisoners and talk about corruption," Browder said.


CARL COURT/GETTY IMAGES

**Browder is a vociferous campaigner against dirty money and Russian corruption**

For the UK to take a firmer stance internationally, it arguably needs to get its act together at home. At the start of our discussion, Browder pointed to the UK capital's nickname, Londongrad, a nod to the "dirty Russian money" that has funnelled through it since the fall of the Soviet Union. "They brought their money over here because they knew no one was ever going to ask questions," Browder said. "This was the go-to place for Russians to keep their ill-gotten gains." The war in Ukraine changed that. The government has cracked down on Russian interests in the UK, imposing sanctions on 1,707 individuals and 339 entities. "The war has woken us up."

But there is still work to do improving the UK's anti-corruption laws and mechanism. In London in particular, there remain opportunities to hide and keep dirty money – maintaining the city's status as a "laundromat" for suspicious wealth – especially by channelling it through property. Research by Transparency International suggests that £6.7bn of questionable funding has been invested into the British property market since 2016. Of this, £1.5bn worth of property was bought by Russians accused of corruption or with links to the Kremlin.

"What I have learnt is that sunlight is the best disinfectant," Browder explained, "if we know what's going on, who owns stuff, then the changes are that illegitimate people aren't going to feel as comfortable owning it."

The state needs to be equipped to deal with these "bad actors" post-discovery but the situation in the UK's legal system makes that difficult. Court houses are falling apart and defendants, unable to secure legal aid, must often represent themselves. Public funding for justice in England and Wales declined by 22 per cent in real terms since 2010. Under current legislation, this can prove disastrous for tackling corruption.

As Browder explained: "If the Crown Prosecution Service [CPS] or Serious Fraud Office opens a case against a bad actor… and they lose on just a small part of the case… the loser has to pay the winner's legal fees." This can create a situation in which the CPS – already on a tight budget – is forced to pay the legal fees of the individual or entity they are prosecuting. The losers can be represented by "the best KCs in the country", noted Browder, and end up in a "legal quagmire". For a service run on a shoestring, expensive cases with likely burdensome fee are off-putting.

Browder wants the new government to rethink the system of prosecution, "a complete change of the rules to make them more consistent with other countries". He added: "That means eliminating this huge disincentive… by making sure that the CPS doesn't have to pay the losers fees."

Is he confident that things will change, now Keir Starmer – himself a former director of public prosecutions – is in charge? "Everybody starts with the best intentions," Browder said. He seemed pleased with the interest Lammy has expressed in bolstering the UK's anti-corruption efforts, both before and after the election. "I've spoken to him… I know this is something he cares about." Regardless, Browder will remain resolute – and he certainly won't back down. "I just hope that [their] best intentions don't get watered down."

Symposium

# Can the UK afford the New Deal for Working People?

## Unions and businesses debate Labour's flagship employment rights legislation

### WE NEED TO TURN THE PAGE ON A BROKEN STATUS QUO IN THE LABOUR MARKET

**Paul Nowak**
General secretary, Trades Union Congress

The second reading of the Employment Rights Bill was a defining moment for this parliament. On the one side, we had a Labour government seeking to usher in the biggest upgrade of workers' rights in a generation. And on the other, Tory and Reform MPs marching through the lobbies to vote against this landmark legislation, attempting to deny millions essential safeguards like day one sick pay and protection from unfair dismissal.

The Tories and Reform represent a broken status quo and a broken way of doing things. Labour is right to turn the page. Driving up employment standards is good for workers, business and the wider economy. Most employers in this country treat their staff well and don't use exploitative practices like zero-hours contracts and fire and rehire.

By levelling the playing field on workers' rights and protections, and helping workers access unions, this bill will give more people more predictability and control over their lives. And it will stop decent firms being undercut by bad ones.

Despite repeated efforts by some to paint the bill as an existential threat to UK PLC, the impact assessment tells a very different story. At just 0.4 per cent of total employment costs the direct impacts for business are negligible. And more importantly the assessment is crystal clear that the substantial wider gains the package will bring can be expected to greatly offset these monetised costs. Improving the quality of work in this country will boost living standards for millions of low-paid and insecure workers – and it will boost the health, wellbeing and productivity of our workforce.

Over 17 million working days were lost due to stress, depression or anxiety last year.

As recent TUC polling has shown, the government's Make Work Pay Agenda is popular across the political spectrum and with the vast majority of company managers and decision-makers.

When people are treated well, they perform better and are more likely to stay with their employer. Many of the bad-faith arguments we're hearing against strengthening workers' rights are the same ones used against the minimum wage 25 years ago. The naysayers were wrong then and they are wrong now.

### THE NEW DEAL IS AN OPPORTUNITY. BUT THE BUSINESS VOICE SHOULD BE HEARD

**Shevaun Haviland**
Director general, British Chambers of Commerce

If delivered in the right way, the government's employment reforms have the potential to benefit good employers all around the country. But making this a reality will depend on a careful and balanced approach to implementation that listens to the needs of business.

As director-general of the British Chambers of Commerce (BCC), I have been involved in these discussions with government, helping to bring the views of businesses of all sizes and sectors up and down the country to the table. Most firms are thoughtful and considerate employers who want to do the right thing. They recognise that a workforce that is well cared for is the key to supporting growth, investment and jobs.

But, with an impact assessment released for the Employment Rights Bill that shows £5bn of cost to business from these reforms, business anxiety is already growing. Our latest *Quarterly Economic Survey* reveals signs of stagnant business investment, sluggish improvements in cashflow and high levels of concern over taxation.

So, this legislation must be both pro-business and pro-worker. Up to now, the engagement that we have had with the government has been exceptional, with constructive and meaningful work done over recent months to help reassure businesses and to move the bill in the right direction.

However, there is still more to be done. Businesses remain concerned about the detail of policies. Will it add to risk, cost, and complexity? Will it make it harder to run and grow a profitable business? Will the new probationary period, for example, help firms recruit a good fit for the role? Will firms have the flexibility to respond to changes in demand?

It's vital the legislation strikes the right balance, and that these policy proposals will be proportionate and affordable. This is all the more important for small- and medium-sized enterprises, who will be most impacted by the changes.

The Employment Rights Bill is a big moment for the business community and offers a huge opportunity for the UK workforce. If delivered well, both businesses and their employees will flourish, increasing productivity and prosperity for all.

### WORKERS' RIGHTS CAN BE STRENGTHENED. BUT WE MUSTN'T DETER INVESTMENT

**John Foster**
Chief policy and campaigns officer, Confederation of British Industry

Politicians and businesses are united in wanting universal access to fairly paid, fulfilling work. But to get there, the UK needs business investment that creates new jobs, that creates opportunities to gain new skills helping people get back into work or progress their careers, and that boosts productivity to unlock the growth needed to fund public services and raise living standards.

But labour shortages, regulation and tax policies are increasing the cost of employment and denying businesses the headroom to investment. Fifty two per cent of businesses now see labour costs as a threat to competitiveness. The Employment Rights Bill has the potential to be both pro-business and pro-worker and to be compatible with accelerating growth and business investment. Achieving that landing zone is possible, but it will require addressing key issues before the bill is passed.

The bill requires businesses to calculate and offer staff new terms whenever they work overtime. That's a small hospitality business having to do constant calculations, at a cost to the business but without additional benefit to the workers. Employers face large legal bills and significant disruption each time the fairness of a dismissal is tested at tribunal, even if they have followed due process. That's why tribunal claims over failed probations risk firms becoming more reluctant to create new jobs and more cautious about who they hire when they do.

There are concerns too about getting the balance wrong on restructuring and industrial relations. Making it harder to change terms and protect jobs than to cut jobs through redundancy risks worse outcomes for workers. Putting workplace democracy at the heart of collective representation can ensure that industrial action is a decision taken with the support of the workforce, not just a vocal minority.

The government deserves credit for the pace and quality of its engagement with business. However, the scope of the legislation means there are issues that have had limited business input. Maintaining an open, positive approach to business engagement is vital to mitigating unintended consequences. Ultimately, that is what will deliver a landing zone which strengthens workers' rights without making it harder for businesses to invest and grow. ●

Arguments against new employment protections are the same as we heard against the minimum wage

## The view from elsewhere

**Chris Skidmore**
**Former energy minister and chair of the Net Zero Review**

# "To follow is to fail. The UK must show true climate leadership"

In the autumn of 2022, I was appointed independent chair of the Net Zero Review. I had been asked by the prime minister to look at how net zero could be delivered in a way that was both more effective and efficient for business and economic growth. The review took me on a journey across the UK. I held more than 50 roundtables, compiling evidence from every sector affected by the energy transition, in all corners of the UK, and received written evidence from over 2,800 organisations and businesses. In doing so, the Net Zero Review became the largest engagement exercise on net zero to date.

What became overwhelmingly clear from listening to business, was that Westminster and its politicians were behind the curve. Business was fully aware of the potential for net zero to deliver growth, jobs and regeneration. They needed more clarity, certainty and consistency from government to unlock greater confidence for private markets to invest in the UK. That is a £1trn opportunity, my review "Mission Zero" found, with the potential to create an additional 480,000 jobs by 2035.

Yet without that clear and consistent policy direction, business and investment will go elsewhere. That was the other message of the Net Zero Review: the energy transition and net zero may be here to stay, but there are no free opportunities to ride on the back of other countries taking a lead in decarbonisation.

To follow is to fail: the UK must demonstrate true climate leadership in being the home of new climate technologies at the same time as forging the policy frameworks that have successfully delivered real change, such as the Emissions Trading Scheme or the Contracts for Difference frameworks, both pioneered in the UK. Add to this the fact that the UK has the largest windfarm in the northern hemisphere, the largest geological storage for carbon capture, some of the most advanced net zero research facilities in the world, and we should have a winning formula for success.

Last year alone, net zero related businesses and industries grew by 9 per cent compared to barely 1 per cent of GDP growth across the economy as a whole. Many of our new tech companies have climate action at their heart. That's why I established a new investment boutique bank, Desmos, to help raise funds internationally for sustainable companies. The capital is out there. We just need to make the case for why it should come to the UK, a mission I've set myself now that I am out of government.

Net zero isn't a cost, nor is it a burden to be borne. Already the US has demonstrated the early successes of a green industrial policy, with the Inflation Reduction Act witnessing a private sector investment of over \$5 for every \$1 of public funding committed. It is an investment model that we must deploy in the UK. Our mayors are leading the way making the case for new financing structures, such as the Bristol City Leap, where £7m of public funding has attracted over £500m in private investment to decarbonise the city's public heating system. These frameworks can be easily scaled up. It is nearly two years since "Mission Zero" was published: the new Labour government has now taken up the "mission based" approach the report recommended, with the establishment of "Mission Control". Yet every three months represents 1 per cent of our journey to achieving net zero by 2050. For all our sakes, we need more action: less talk and more walk. The future of our climate, and our economy, depends upon it. ●

MARTA SIGNORI

Advertorial

# The death – and rebirth – of public sector consultancy

## Good advice is hard to come by. Reform can make it more accessible

By Phil Malem

In association with

+impact powered by serco

The consulting industry is not in a good way. Chancellor Rachel Reeves has unveiled plans to end all non-essential government spending on external consultants, with the aim of halving the consultancy bill in years to come. Scrutiny of the value consultants bring continues to mount, with particular attention to their cost at a time of strained public finances.

But what has gone wrong? The most obvious answer is that the sector, in its current form, is not offering the value government wants. Rather than a seamless, end-to-end journey from designing a service through to executing it, consulting firms often parachute into organisations, provide advice and exit before implementation.

Many of the solutions they recommend also lack grounding in practical reality, making them difficult to put into practice. This has not gone unnoticed, with concerns mounting that some consultants have little knowledge of the problems they are being asked to help solve. Fundamentally, it seems that there is a lack of real-world expertise to advise on many of the areas they are consulting on.

And yet, it remains true that expert advice and good counsel are critical to government work, as are many of the skills that consultants often bring with them, like project management, data analysis and problem-solving. Moreover, governments recognise this – as evidenced by the creation of an in-house consultancy arm staffed by civil servants during the last parliament. But the consultancy unit was closed in January 2023, owing to difficulties in replicating the range of expertise offered by external consultants.

Good expert advice, it seems, is hard to come by. So where do we go from here?

It's clear there is a need for expertise and knowledge, particularly with governments facing a multitude of increasingly complex challenges – from rising health and care costs for ageing populations to the need for green solutions in the drive to net zero. And these challenges cannot be met without the contribution of the private sector, a fact the government also recognises. Just look at how the new National Wealth Fund aims to funnel public and private sector funding towards key projects and clean energy infrastructure, or how

Labour's plan for a new partnership in government business relations sees public and private sectors working together to tackle Labour's five missions.

What is not working is the old model of providing counsel to government. Without the real-world operational experience of what it is to run a service, advice is often confined to the "theoretical". Increasingly, this isn't what governments are seeking any more – they want far-reaching operational support, seeking tangible results from firms offering both strategic advice and the ability to execute them.

Consultants are too often hands off, helping policymakers define what they want to achieve, but without practical applicability, their ideas remain just that – ideas.

This is especially important given that public services are themselves on the brink of a revolution: the deployment of generative AI, already widespread in the UK public sector, is improving productivity and cutting bureaucracy. But here again, imagining AI as a panacea to all our woes lacks understanding of how things operate in the real world, and risks botching the implementation of a powerful solution.

Fundamentally, what cannot be replaced is the expertise and the insights of the people who know front-line operations, who have been proven to deliver time and again. It is these insights which must inform the government as it looks to better our public services, and therein lies an opportunity.

That's why it is time for a reinvention of the advisory world. With the new government pledging to repair the UK's public services, it will need the very best expertise that is on offer, but only if the advisory industry is itself able to adapt.

A new kind of advisor is needed, then. Real-world knowledge of public services and how to execute them, brought together under one roof.

Bringing in experienced advisors who not only offer expert advice but can execute the services they plan will mean that both vision and implementation remain aligned. A single provider, with a profound understanding of a project's goals, context, user base and nuances, is best placed to realise its full potential, enabling effective decision-making and greater accountability, and setting the project up for success.

SERCO

**Serco launched its new advisory business, +impact, earlier this year**

This consistent vision can only benefit the quality of the public services themselves and, ultimately, the citizens who use them.

Huge PowerPoints for six-figure fees, explaining in various diagrams the solutions to all ills, just won't cut it any more. It's why the future belongs to a different type of advisor. One where real-world insights, gleaned from the experience of running services, matters above all else.

## It is time for a reinvention of the advisory world

Such an advisory firm might just be what government needs to usher in a new era of public services, delivered jointly in partnership between the public and private sectors.

That is why Serco has launched +impact. Founded earlier this year, +impact offers a new kind of advisor, drawing upon proven insights of service delivery and the hands-on experience of a global workforce of over 55,000 people, with a commitment to only advise where Serco has operational expertise. ●

*Phil Malem is chief executive of +impact*