

# 6

## IMPROVING PUBLIC SERVICES

Since 1997, record levels of investment matched by reform have enabled the Government to deliver real and lasting improvements in Britain's public services.

The Government's short-term focus is on supporting employment and jobs through the recession. **Budget 2009 announces new spending measures, including additional funding for Jobcentre Plus to avoid the problems associated with long-term unemployment that took hold in previous recessions; and that the September Guarantee of a place in education and training to every 16 and 17 year old who wants one will be met in full, an extra 54,500 student places in the next academic year.**

At the same time, the Government is determined to do more to prepare Britain for the economic recovery, building the wealth and jobs of the future. **Budget 2009 announces:**

- a new **£750 million Strategic Investment Fund to support advanced industrial projects of strategic importance**, £250 million of this will be earmarked for low-carbon investment;
- **£500 million of additional spending as part of an overall £1.4 billion package of targeted support to boost Britain's low-carbon sectors;** and
- a further **£600 million to increase housing supply**, including through an extension to the shared equity scheme Homebuy Direct and additional social housing investment.

The Government will continue to invest in front-line public services alongside a stronger drive on value for money. **Budget 2009 announces:**

- **£5 billion recoverable value for money savings in 2010-11, raising the 2007 Comprehensive Spending Review target from £30 billion to £35 billion**, whilst maintaining in full the allocations planned for key front-line services;
- **plans to increase the Government's target on relocating posts out of London to 24,000 by 2010;**
- **in the next Spending Review period, additional efficiencies to help support the economy and front-line services drawn from procurement, back office and IT, and property running costs**, rising to £9 billion of additional efficiency savings by 2013-14; and
- **new incentives and mechanisms with the aim of realising up to £16 billion of property and other asset sales** in the three years from 2011-12, with proceeds used to supplement capital budgets.

Building on these reforms, **Budget 2009 sets assumptions for spending growth from 2011-12 to 2013-14 which allow continued investment in public services whilst ensuring sustainable public finances in the medium term:** with current spending growing by an average 0.7 per cent in real terms and public sector net investment moving to 1¼ per cent of GDP by 2013-14.

## DELIVERING EFFICIENT AND EFFECTIVE PUBLIC SERVICES

**Improvements in public services** 6.1 Over the last decade, increased investment and reform have together enabled the Government to achieve major improvements across front-line public services. For example:

- in 2008, over 65 per cent of 15 year olds achieved 5 or more good GCSEs or equivalent, up from 45 per cent in 1997;
- the proportion of the UK working age population with no qualifications has fallen from 17.1 per cent in 1997 to 10.9 per cent in 2008;

- punctuality and reliability on the rail network continues to improve ahead of industry plans and now stands at an average of 90 per cent. Average kilometres travelled per passenger on the rail network has also increased by 52 per cent since 1997;
- the National Health Service (NHS) will meet its ambition of a 20 per cent reduction in mortality rates of cancer patients aged under 75 by 2010, and has already achieved its 2010 target of a 40 per cent reduction in mortality rates of heart disease patients under 75;
- in 1997, over 280,000 patients were waiting over six months for an in-patient appointment. Virtually no-one now waits longer than 18 weeks from being referred by their general practitioner (GP) until the start of their treatment;
- 73.5 per cent of GP practices now have extended opening hours, over-achieving the target of 50 per cent by the end of 2008; and
- crime has reduced by 35 per cent since 1995, bringing the chances of being a victim of crime to its lowest recorded level.

**6.2** Public services are also playing a vital role in supporting Britain's long-term growth and competitiveness, and increased investment over the last ten years has strengthened the ability of the British economy to respond to the current challenges. For example, investment in higher education and adult skills has ensured that businesses have access to the skilled workers they need to respond rapidly to new market opportunities. Investment in the science base has helped make Britain one of the best places in the world for science, research and innovation. Rising investment in the transport network has resulted in reduced journey times from London to other key cities including Paris, Brussels, Glasgow, Liverpool and Manchester.

### Investment in priorities

**6.3** In the ten years after 1997, total public spending increased by 42 per cent in real terms, compared to an increase of 15 per cent in the previous decade. Together with ambitious targets for efficiency savings, this has enabled the Government to deliver record levels of investment in key priority areas such as health, education and transport, meaning that public services are well placed to respond to the increased demands placed on them in the current economic climate. Since 1997:

- total spending on the NHS has more than doubled in real terms from £35 billion to £89 billion;
- total spending on education is today 60 per cent higher, and as a proportion of GDP has risen from 4.8 per cent to 5.5 per cent;
- total spending on public order and safety has increased by almost 50 per cent in real terms;
- total spending on transport has increased by over 70 per cent in real terms, from £8.7 billion to £20.7 billion; and
- total spending in real terms on Further and Higher Education (including support for students) has increased by 53 per cent and 23 per cent respectively.

**Long term capital investment** **6.4** The Government has also made significant investments in capital infrastructure, reversing a legacy of under-funding. Public sector net investment as a share of GDP has increased significantly from 0.6 per cent in 1997-98 to 2.1 per cent in 2007-08, and is forecast to be 3.1 per cent by 2009-10, the highest for over 30 years. As a result:

- total capital investment in the NHS has risen from £0.8 billion in 1998-99 to £3.6 billion in 2007-08, annual average real growth of 10 per cent;
- total capital investment in housing and community amenities has risen from £2.7 billion in 1998-99 to £9.1 billion in 2007-08, annual average real growth of 12 per cent;
- total capital investment in education has increased from £1.7 billion in 1998-99 to just over £6.9 billion in 2007-08, annual average real growth of 14 per cent;
- total capital investment in transport has risen from £2.9 billion in 1998-99 to £11.1 billion in 2007-08, annual average real growth of 13 per cent; and
- total capital investment by local authorities has risen from £6.7 billion in 1998-99 to £18.3 billion in 2007-08, annual average real growth of 8 per cent.

**6.5** Box 6.1 sets out examples of capital projects that have been delivered over the last five years, helping to lay the foundations for economic growth and productivity.

#### **Box 6.1: Capital investment over the last five years**

The Government's increased investment has delivered substantial improvements in public sector infrastructure, for example:

- 140 new schools and 581 existing schools completely rebuilt;
- 292 substantially refurbished schools and a further 511 schools with at least 50 per cent of their space refurbished, resulting in improved spaces for teaching and learning;
- over 2,500 new children's centres, providing high quality early learning, health advice and child care;
- 61 major hospital schemes and over 400 smaller NHS capital schemes, providing first class facilities for both primary and secondary care;
- almost 400 major improvements to Further Education colleges, providing enhanced facilities for teaching and learning;
- 229,000 new affordable homes, including 127,000 social rented homes;
- 176,000 more homes better protected from the risk of flooding and coastal erosion;
- the AIRWAVE radio system for all police forces in England, Scotland and Wales, and most UK ports now having infrastructure to detect the import of radiological materials;
- a high speed rail link from St. Pancras to the South East and the West Coast Mainline upgrade;
- the widening of the M1 and M25 and lengthening of the M6, delivering reduced congestion and journey times;
- 6,900 new prison places in a more efficient and modernised prison system; and
- delivery of new Mastiff and Jackal vehicles for operations in Afghanistan and Iraq.

**Public service reform 6.6** Alongside this increased investment, the Government has also put in place reforms to deliver public services that represent value for money for taxpayers and meet the needs of its citizens more effectively, including:

- cross-departmental Public Service Agreements (PSAs) introduced as part of the performance management framework, to set clear priorities for delivering better outcomes for citizens;
- demanding minimum standards and enhanced inspectorates to tackle poor performance across services;
- greater diversity of provision and increased competition between service providers, thereby shifting the balance of power to service users and giving them greater choice; and
- an increased focus on the role of the third sector, encouraging community-driven responses to new needs and promoting volunteering and civic participation to help foster strong local communities and reduce social exclusion.

**6.7** In 2008, the Government published *Excellence & Fairness: Achieving World Class Public Services*,<sup>1</sup> which set out its vision for further public service improvement. Since then, changes in the global economy have made achieving world-class public services even more important and in March 2009, the Government set out details of how these principles would be put into practice in *Working Together – Public Services on your Side*<sup>2</sup> (see Box 6.2).

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<sup>1</sup>*Excellence & Fairness: Achieving World Class Public Services*, Cabinet Office, June 2008.

<sup>2</sup>*Working Together – Public Services on your Side*, HM Government, March 2009.

**Box 6.2: Working Together – Public Services on your Side**

Three principles of public services underpin *Working Together – Public Services on your Side*:

**Empowering citizens** – Excellent public services put people first, investing power in the hands of citizens and communities. This means closely matching rights with responsibilities through services that:

- **are personalised:** for example, Jobcentre Plus will study how best to offer front-line advisers greater flexibility to develop more personalised back-to-work support for customers on benefits;
- **provide more choice and control for citizens:** for example, by offering free health checks on the NHS for those aged 40 to 74; and
- **reflect the information revolution:** with, for example, crime maps that are now accessible through a single portal – DirectGov.

**New Professionalism** – Public services that are personalised to the different needs, capabilities and ambitions of individuals and local communities have front-line professionals with the space, the skills and the power to respond. This means making public services more sensitive to local places and unlocking the creativity of people on the front line through:

- **new freedoms for local communities and service leaders** to join up and tailor services and economic strategies across local areas, including a further six Multi Area Agreements in the coming year;
- **new freedoms for professionals** to lead, run and personalise services such as developing the options around lead professionals co-ordinating several different agencies to reduce re-offending;
- **plans to boost skills and attract talent:** such as a six month fast track into teacher training for successful skilled graduates; and
- **professionals leading innovation and efficiency:** such as the Prime Minister's Commission on the Future of Nursing and Midwifery, consulting widely on the best way for the NHS to make the most of its talented nursing professionals.

**Strategic Leadership** – The global recession has highlighted that effective governments must be able to adjust quickly and innovate in the face of new challenges. The Government will:

- **set standards and entitlements – and then stand back:** such as by focusing on just 30 high level outcomes, rather than micro-management;
- **improve productivity:** through involving front-line professionals at every stage of the policy-making process and delivering £35 billion of value for money savings over the 2007 Comprehensive Spending Review period; and
- **drive innovation:** as demonstrated by the new National Endowment for Science, Technology and the Arts Public Services Innovation Laboratory.

## SUPPORTING THE ECONOMY THROUGH THE GLOBAL DOWNTURN

**6.8** The immediate priority for the Government is to support the economy, providing targeted support to individuals and businesses most affected by the global shocks, whilst creating the conditions for future growth once the economy emerges from the downturn. As set out in Chapter 2, the Government will respond to the current economic challenges in the short term by pursuing a fiscal strategy that supports economic growth.

## Support for families and businesses

**6.9** The 2008 Pre-Budget Report announced a number of public spending measures to support those individuals and businesses who are most affected by the economic downturn. Since then, the Government has announced further measures, confirming its commitment to providing targeted support. As set out in Chapters 4 and 5, these include:

- the Homeowner Mortgage Support Scheme, which allows some of an eligible borrower's interest payments to be deferred for up to two years (where this is appropriate to their individual circumstances, and subject to suitable independent debt advice), with the Government guaranteeing a proportion of the deferred interest;
- an extra £1.3 billion of funding for Jobcentre Plus to ensure that those out of work and looking for a job get the support they need to move rapidly back to work. Currently, a quarter of individuals find work within one month and over half of them find work within three months;
- a £295 million package of support for up to 500,000 individuals who have been claiming Jobseeker's Allowance for six months, including "Golden Hellos" for employers to encourage recruitment;
- £140 million to support a further 35,000 apprenticeships in 2009-10. At least 21,000 will be in the public sector;
- increased provision for those facing redundancy through the expansion of the Rapid Response Service (RRS) to cover short term as well as long term redundancies. As a result, the RRS has helped over 1,500 firms;
- the Enterprise Finance Guarantee scheme to provide additional help for small and medium enterprises facing credit constraints. Since the launch of the scheme, nearly £290 million of eligible applications from over 2,500 small businesses have been assessed, are being processed, or have been granted, helping firms by providing a 75 per cent guarantee to participating banks on small and medium enterprise loans; and
- the Working Capital Scheme, which has signed £1 billion of guarantees with banks for their working capital lending portfolios totalling £2 billion, freeing up capital to enable banks to provide additional lending to businesses. The additional lending delivered as a result of the Working Capital Scheme will contribute to the lending agreements agreed by banks from 1 March 2009.

**6.10** In order to mitigate the risk of a deeper and more prolonged downturn, **Budget 2009 announces a number of additional targeted spending measures, including:**

- **a further employment package, including £1.7 billion of additional funding for the Department for Work and Pensions to ensure Jobcentre Plus and Flexible New Deal programmes have the capacity to respond to rising unemployment.** The package will also include £1.2 billion of support for those aged between 18 and 24 who have been claiming Jobseeker's Allowance for 12 months, by offering them a job, training or a work placement lasting at least six months. Further details can be found in Chapter 5;
- **more help for homeowners, including an expansion in the provision of HomeBuy Direct, the shared equity scheme that helps first-time buyers, and an extension in the eligibility criteria for the Mortgage Rescue Scheme to cover households in negative equity.** Further details can be found in Chapter 5;

- **that the September Guarantee of a place in education and training to every 16 and 17 year old who wants one will be met in full.** There will be additional investment of £251 million in 2009-10 and £404 million in 2010-11, covering an extra 54,500 student places in the next academic year. Unit costs for post-16 learners will be subject to a 1 per cent efficiency assumption in 2010-11. Total spend for 16-19 education in 2009-10 will be £6.8 billion;
- **a 'top-up' trade credit insurance scheme to help UK businesses maintain their finances.** The Government will offer to match private sector trade credit insurance provision if insurers reduce cover to any UK business. Further details can be found in Chapter 4;
- **a vehicle scrappage scheme that will enable consumers who scrap vehicles older than ten years to replace them with a brand new vehicle at a discount of £2,000, co-funded with industry.** Further details can be found in Chapter 4; and
- **£270 million to allow the Social Fund to continue to provide interest free loans for vulnerable people and an additional payment made alongside the Winter Fuel Payment for 2009-10 to provide extra support for pensioners.** Further details can be found in Chapter 5.

## Capital fiscal stimulus

**6.11** Capital investment plays an important role in boosting aggregate demand during the economic downturn, whilst also laying the foundation for economic growth as the economy recovers. The 2008 Pre-Budget Report announced the Government's commitment to providing timely, targeted and temporary support to the economy by bringing forward £3 billion of capital spending from 2010-11 into 2008-09 and 2009-10. These additional investments are already supporting a number of industries and employing people across the country.

**Housing and regeneration 6.12** A total of £775 million of housing and regeneration investment is being brought forward from 2010-11 into 2008-09 and 2009-10. In 2008-09, £130 million allowed the refurbishment of an additional 13,000 homes through the Decent Homes programme and £20 million funded nine community infrastructure projects. In 2009-10, the housing fiscal stimulus will include a further £120 million to bring an estimated 12,000 properties up to the Decent Homes standard; £180 million to be spent on critical regeneration through the Homes and Communities Agency and the Regional Development Agencies (RDAs); and £150 million to fund additional investment in homes for social rent which, combined with £400 million brought forward in the September housing package for 2008-09 and 2009-10, will deliver 7,500 new social rented homes earlier than planned. A further £50 million is earmarked for Armed Forces accommodation, meaning that an additional 600 service men and women and their families will benefit from rebuilt and upgraded accommodation this year.

**Transport 6.13** The 2008 Pre-Budget Report announced that £700 million of transport spending would be brought forward from 2010-11 into 2009-10. £400 million of this will be used by the Highways Agency to accelerate high value schemes on the strategic roads network. This includes £100 million to dual the A46 from Newark to Widmerpool, with £300 million to advance the managed motorway works on the M1 and M6 and to accelerate specific asset renewal work and technology improvements across the network. Furthermore, the Department for Transport is procuring around 200 new diesel carriages to boost rail capacity more quickly than would otherwise be possible.

**Schools 6.14** Over £800 million will be brought forward from 2010-11 into 2009-10 in the priority schools capital programmes. More than 100 local authorities can now invest in their priority capital programmes one year earlier; and all head teachers in England are receiving an advance of their devolved formula capital to invest in smaller projects as they see fit, from building new classrooms or science laboratories to fitting out new gyms or improving ICT facilities.

**Health 6.15** The 2008 Pre-Budget Report announced that £100 million would be brought forward from 2010-11 into 2009-10 to advance the upgrading of 600 GP surgeries to training practices, targeting funding to those areas that historically have had a lower provision of doctors. The targeted areas have now been identified, with allocations to Primary Care Trusts (PCTs) from May 2009 and work at GP practices due to commence by early summer 2009.

**Further and Higher Education 6.16** The 2008 Pre-Budget Report brought forward £442 million in total from 2010-11 to 2008-09 and 2009-10 to accelerate the Learning and Skills Council's (LSC) Building Colleges for the Future programme, to support Higher Education (HE) building projects and to bring forward the development of scientific research facilities and improvements to university research infrastructure. In 2008-09, over 100 Further Education (FE) college building projects were completed as a result of nearly £550 million of investment, of which £110 million had been brought forward as part of the fiscal stimulus. Building on this, **Budget 2009 announces an additional £300 million of capital funding for investment in Further Education colleges in the 2007 Comprehensive Spending Review (CSR) period. This will enable the Learning and Skills Council to fund a limited number of further projects through the Building Colleges for the Future programme starting in 2009-10**, based on prioritisation criteria to be agreed with the LSC and the sector.

**6.17** Of the £442 million brought forward in the 2008 Pre-Budget Report for FE, HE and science, £200 million will fund the acceleration of HE building projects in 2009-10. The Higher Education Funding Council for England has announced 97 projects so far, including £3.5 million for a new Centre for Optometry at Manchester University; £11 million for a new building at the University of Oxford to house the Department for Earth Sciences; and £5.4 million to improve the teaching rooms and the IT facilities at Kings College London. Due to the design of these institutions, they will also contribute to the UK's carbon reduction targets.

**Warm Front 6.18** The 2008 Pre-Budget Report announced that £50 million of investment in the Warm Front programme, which supplies insulation and heating measures to vulnerable households, would be brought forward from 2010-11 into 2009-10, and that the programme would also receive £100 million of additional funding in 2008-09 and 2009-10. As a result, 35,000 additional households have already received assistance, saving them up to £300 in energy bills every year.

**Flood defences 6.19** The 2008 Pre-Budget Report announced that £20 million would be brought forward from 2010-11 into 2009-10 to improve flood defences. This is on track to help deliver earlier protection for 27,000 households in vulnerable areas of the country.

## Support for PFI projects

**Infrastructure debt-financing unit 6.20** The Government remains strongly supportive of the value that private finance can bring to infrastructure procurement. In March 2009, the Government announced a public sector infrastructure debt-financing unit to provide temporary support for Private Finance Initiative (PFI) projects until market conditions improve, ensuring that vital projects in areas such as schools, waste and housing can proceed as planned. Projects in procurement with a total capital value of around £13 billion will be the immediate beneficiaries. The unit has recently reached financial close on its first project, lending £120 million alongside the European Investment Bank and commercial lenders to the Greater Manchester Waste

Development Authority's PFI project, ensuring that the £635 million construction programme can still go ahead.

**Building Schools for the Future 6.21** The Government remains committed to delivering educational transformation through the Building Schools for the Future (BSF) programme, where PFI is expected to contribute around one third of the total investment over the course of the 2007 CSR period. Following the consultation last year on the future delivery of BSF, the Government has decided to move from the “wave” based model used to date, so that local authorities who are currently discussing new BSF projects with Partnerships for Schools can join the programme on a rolling basis, in line with available resources and only if Partnership for Schools assesses that they are ready.

## Total capital investment in 2008-09

**6.22** The Government continues to make significant progress against its commitment to invest in Britain's infrastructure. As a result of the capital fiscal stimulus and departmental capital spending plans set out in the 2007 CSR, total public sector net investment as a percentage of GDP is estimated to be 2.6 per cent in 2008-09, helping provide an important boost to the economy during the downturn. Box 6.3 outlines some of the projects that were delivered in the last financial year.

### Box 6.3: Capital investment in 2008-09

As a result of the Government's continued drive on capital investment:

- the National Affordable Housing Programme delivered over 47,000 new homes, including 27,500 social rented homes and 19,500 Low Cost Home Ownership units. An estimated 112,000 existing homes have been brought up to the Decent Homes standard;
- the Warm Front programme implemented energy efficiency and heating measures in more than 234,000 households;
- flood and coastal erosion management reduced flood risk to 20,000 households;
- the buildings and environment of over 100 Further Education institutions were improved;
- 34 schools were built and a further 8 remodelled with another 105 schools currently under construction. 14 new academies were opened with a further 71 under construction or receiving capital investment;
- the M6 Carlisle to Guardsmill extension and the M1 Junction 6A to Junction 10 widening were completed, helping to reduce congestion and improve journey time reliability;
- 38 new primary care facilities were opened to the public;
- 48 new hospital redevelopments and new builds (including 10 major schemes) were opened in 2008-09. The NHS has now achieved its target of 100 new hospitals by 2010, two years ahead of schedule;
- HMS Daring, the first of the new Type 45 destroyers, was transferred to the Royal Navy; and
- the fifth and sixth C17 Air Transport Aircraft were delivered to the Royal Air Force.

## PREPARING THE ECONOMY FOR THE UPTURN

**6.23** Alongside temporary spending measures to support the economy in the short term, the Government is determined to take action to help the economy to emerge stronger and faster from the downturn, supporting jobs and ensuring that the country is better able to

compete in the global economy of the future. **Budget 2009 announces a number of spending measures that will create the conditions for future growth including:**

- **a new £750 million Strategic Investment Fund, ensuring that the UK remains well positioned to emerge from the downturn in a globally competitive position.** £250 million of this will be earmarked for low-carbon investment. Further details can be found in Chapter 4;
- **a further £500 million to boost Britain's low-carbon sectors and lay the foundations for green growth, as part of an overall £1.4 billion package.** This will support investment in energy and resource efficiency and low-carbon energy generation by business, public sector and households over the next two years; and support low-carbon industries and green manufacturing in the UK. In addition, and subject to consultation, **Budget 2009 announces a £525 million uplift in investment support over the period 2011 to 2014, through the Renewables Obligation, for offshore wind projects reaching financial close in the next two years.** Further details can be found in Chapter 7; and
- **£600 million to stimulate housing development in the short term and boost capacity in the house building industry in the long term, which will deliver up to 10,000 homes in England within the next two years.** The fund comprises gap-equity funding for upfront infrastructure, an expansion in the provision of HomeBuy Direct, increased funding for affordable housing and funding for local authorities to deliver social housing. Further details can be found in Chapter 5.

#### **Changes to the PSA framework**

**6.24** In order to ensure that these and other spending measures are delivered quickly and effectively, to limit the adverse effects of the economic downturn and to prepare the economy for the upturn, the Government has reshaped its PSAs to better reflect its economic priorities. The PSA framework now includes an additional overarching objective: "Help people and businesses come through the downturn sooner and stronger, supporting long-term economic growth and prosperity." This objective will be achieved through the delivery of commitments from the National Economic Council to help people and businesses come through the downturn sooner and stronger, including packages on repossessions, apprenticeships, business access to finance and help for the unemployed; and PSAs on economic performance and productivity, skills, employment, housing, business success, transport, science and innovation. The Government remains committed to improvements in public service delivery as set out in the 30 PSAs introduced in the 2007 CSR.

## **A RELENTLESS FOCUS ON VALUE FOR MONEY**

**6.25** The Government is committed to increase investment in important public service priorities over the next few years. Alongside this investment, Budget 2009 announces further measures to improve efficiency and cut down on waste.

#### **Over delivery of the 2004 SR Gershon efficiency target**

**6.26** Since 1997, the Government has made significant progress towards delivering more efficient and effective public services that represent value for money for the taxpayer. For example, in the 2004 Spending Review, the Government set stretching efficiency targets for departments to deliver by March 2008, as recommended by Sir Peter Gershon. The Government has over-delivered against its original target by more than 20 per cent, achieving efficiency savings of over £26.5 billion. The Government has also achieved over 86,700 civil service workforce reductions, significantly over-delivering against its target of 70,600 workforce

reductions, releasing resources that have allowed the Government to invest in more front-line professionals such as doctors, teachers and police officers. Following Sir Michael Lyons' Independent Report into *Public Sector Relocation*,<sup>3</sup> in 2004 the Government also agreed to relocate 20,000 posts out of London and the South East by March 2010. Having already moved more than 19,000 of these posts, **Budget 2009 announces plans to increase the target to 24,000 posts by 2010-11, and the Office of Government Commerce will work with departments to review the level of ambition and relocations in the medium term.**

**2007 CSR value for money targets** **6.27** The 2007 CSR set a new value for money target worth an additional £30 billion of savings by the end of 2010-11 and also imposed more challenging criteria, with all savings cash-releasing and reported net of costs. Programmes to meet this target are already driving real change and efficiency within departments. Table 6.1 at the end of this chapter outlines a number of key initiatives that departments are undertaking in order to meet their CSR value for money targets.

**6.28** Budget 2008 announced the next stage in the Government's rolling programme of value for money improvements, setting up the Operational Efficiency Programme and the Public Value Programme to capitalise on best practice and leading thinking in the private and public sectors. These programmes have explored how further efficiency savings can be achieved in the medium term, recognising that considered analysis and adequate lead times are key to unlocking a more significant level of savings in the future.

## The Operational Efficiency Programme

**6.29** The Operational Efficiency Programme (OEP) has harnessed private and public sector expertise to examine opportunities for further efficiency savings in five cross-cutting areas: back office and IT, collaborative procurement, asset management, property and local incentives and empowerment. An experienced external advisor has led each of the five areas reviewed by the OEP and the detailed final recommendations are published alongside Budget 2009 in *Operational Efficiency Programme: Final Report*.<sup>4</sup> **The Government accepts the recommendations of the OEP in full and all departments will be working to implement and deliver the additional value for money savings identified through the Programme.**

**6.30** Where appropriate, the advisors have quantified the level of savings that the Government could achieve if their recommendations were implemented. These estimated savings are at a high level and are indicative, given limited management information and current market uncertainty, but include savings that could be made both during and beyond the 2007 CSR period. In total, the efficiency savings identified amount to £15 billion a year compared to 2007-08. Some of these savings are already underway. It is estimated that nearly £6 billion per year of these savings can be delivered by 2010-11 as part of plans for the Government's existing efficiency target. It is estimated that, in the next Spending Review period, additional savings can be achieved, rising to around £9 billion per year in 2013-14.

**Back office and IT operations** **6.31** Dr Martin Read, former Chief Executive of Logica, has found that compared to 2007-08 spend of around £18 billion, £4 billion of savings a year are possible by improving the efficiency of back office operations such as Human Resources and Finance. He has recommended widespread benchmarking and targeted performance reviews across the public sector to drive out inefficiencies, such as the current 300 per cent variation in the per employee cost of Human Resources. Compared to 2007-08 spend of around £16 billion a year on IT, Dr Martin Read has also identified an estimated £3.2 billion a year of savings by strengthening the

<sup>3</sup>*Well Placed to Deliver? Independent Review of Public Sector Relocation*, Sir Michael Lyons, March 2004.

<sup>4</sup>*Operational Efficiency Programme: Final Report*, HM Treasury, April 2009.

assurance, governance and scrutiny of IT projects, and using benchmarking to drive up performance and improve IT procurement.

**Collaborative procurement** **6.32** Martin Jay, Chairman of Invensys, has found that compared to 2007-08 spending of £89 billion, £6.1 billion of savings a year are possible by harnessing the public sector's collective buying power (plus £1.6 billion of savings on IT, which are included in the figure in paragraph 6.31). He has recommended a series of actions including extending the goods and services that the public sector seeks to buy collaboratively and maximising the use of the Professional Buying Organisations.

**Asset management and sales** **6.33** Gerry Grimstone, Chairman of Standard Life, has concluded that there is significant potential for the Government to realise greater value from its asset base through applying a more commercial approach. Progress on the studies into specific assets launched at the 2008 Pre-Budget Report is reported in *Operational Efficiency Programme: Final Report*. Gerry Grimstone, working with departments and the Shareholder Executive, has also identified a number of further assets that will be the subject of a second wave of studies. These are also set out in *Operational Efficiency Programme: Final Report*, and progress will be reported in the 2009 Pre-Budget Report.

**Property** **6.34** Lord Carter of Coles has found that compared to 2007-08 running costs of approximately £25 billion a year, savings of up to £1.5 billion a year by 2013-14 are achievable (plus £0.5 billion of savings on procurement of Facilities Management, which are included in the figures in paragraph 6.32), rising to a total of around £5 billion a year by the end of a 10-year period. He has also estimated that a total of around £20 billion of disposal proceeds (excluding council house sales) could be achieved over an initial 10-year period by better management and rationalisation of the public sector's property estate. He has therefore recommended a series of mechanisms and incentives, including the creation of a central property function to provide assistance and expertise and oversee the efficiency and rationalisation agenda for property across the whole public sector.

**Local incentives** **6.35** The local incentives and empowerment workstrand, led by Sir Michael Bichard, Executive Director of the Institute for Government, has examined how to provide the incentives for greater collaboration and innovation on the front line, with systematic front-line engagement alongside a reduction in burdens to create the space for progress. **As a first step, the Government will launch the 'Total Place' initiative, looking at public spending and local leadership in 13 local areas to identify how collaboration and prioritisation can lead to greater efficiency and value for money.** The areas taking part in 'Total Place' are: Birmingham; Bradford (with appropriate links to the city-region pilot); Coventry; Croydon; Dorset, Poole and Bournemouth; Durham; Leicester and Leicestershire; Lewisham; Luton and Central Bedfordshire; Kent; Manchester city-region; South Tyneside, Gateshead and Sunderland; and Worcestershire. The Government will report on the interim findings of this work in the 2009 Pre-Budget Report.

**Performance management and accountability** **6.36** To ensure delivery of the potential savings identified by the OEP, **the Government will strengthen existing accountability mechanisms in several ways: by establishing a Value for Money Review Group; considering the role of Non-Executive Board members in respect of value for money; designating a Minister responsible for championing value for money within each department; and establishing a key leadership role for the Ministerial Committee on Public Services and Public Expenditure (PSX).**

## The Public Value Programme

**Progress on PVP reforms** **6.37** Budget 2008 also launched the Public Value Programme (PVP), to look at transformational policy options in major areas of public spending. **Budget 2009 announces that the Government will:**

- **deliver billions of pounds per year of cash savings and quality improvements by 2013-14 through improving the capability and planning capacity of NHS commissioners and extending the success of the NHS tariff pricing system into new areas,** most notably community services and mental health;
- **roll out new metrics to improve utilisation of the NHS estate, reducing the need for new hospital space and saving up to £100 million per year of estate costs by 2013-14.** The Department of Health will monitor the resulting NHS estate performance improvement;
- **work with schools to ensure the most cost effective use of teaching assistants to enhance educational performance;**
- ensure that, as set out in the *New Opportunities White Paper*,<sup>5</sup> Activity Agreement pilots will focus on the most vulnerable, hardest to reach young people not in education, employment or training and will be developed with improved cost effectiveness. **The cross-government review of the rationale, design and level of financial support for young people in the context of full participation, will build on the analysis of the value for money and effectiveness of the current leaver support scheme;**
- deliver new efficiencies in the Highways Agency, working to double its performance against its value for money target by 2010-11 through **improved cost management of major schemes and the re-tendering of routine and winter maintenance contracts;**
- **implement the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations to improve the way local authorities account for highway maintenance.** CIPFA's report identified the scope for at least 5 per cent savings through better asset plans. Local authorities are also working with the Highways Agency to improve collaborative procurement;
- **work with the RDAs as they reprioritise their investments to maximise the impact of the Single Pot on regional economies, learning the lessons from the recent independent evaluation of RDAs, announced to Parliament on 31 March 2009.** A strengthened Sponsorship Framework will drive up value for money in RDAs by embedding evaluation, strengthening public reporting and confirming a reshaped Independent Performance Assessment;
- **reprioritise regeneration investment where there are opportunities for transforming the economic prospects of areas with lower economic performance** by targeting market failures, making decisions at appropriate spatial levels and better coordinating funding and delivery, as will be set out in the new Regeneration Framework which will be published shortly;
- **ensure that over the next three years, the National Offender Management Service will run a competition for the management of five existing prisons and that all new-build prisons will be built and managed by the private sector;** and

<sup>5</sup>*New Opportunities: Fair chances for the future*, HM Government, January 2009.

- develop proposals to increase the value for money of the Warm Front programme, and consider further the best approaches for delivering energy efficiency and heating measures to low-income households as part of the development of the Heat and Energy Saving Strategy.

### New 2010-11 value for money target

**6.38** The majority of savings identified by the OEP and PVP will have their greatest impact in the next Spending Review period. However, the results of the programmes make clear that some savings will be achievable in 2010-11. The 2008 Pre-Budget Report announced that, on the back of the initial findings of the OEP and PVP and the over-delivery of the 2004 Gershon target, the Government would increase its £30 billion 2007 CSR value for money target to £35 billion, delivering an additional £5 billion of recoverable value for money savings in 2010-11. **Budget 2009 publishes a departmental breakdown of the new target (table 6.1 at the end of this chapter), which is underpinned by new measures to improve value for money in each department.**

**6.39** The Government has been able to deliver these efficiency savings throughout the public sector whilst also continuing to increase investment in public service priorities. The vast majority of the savings delivered over the CSR period will be recycled back into departments' budgets, allowing them to continue to deliver improvements in service quality. £5 billion of savings will be recovered from 2010-11 budgets to support the fiscal consolidation necessary in the medium term.

**6.40** This is being done alongside maintaining the allocation plans for key front-line public services:

- funding to the NHS front line through PCT allocations in 2009-10 and 2010-11 will continue to rise to £80 billion and £84 billion respectively, in line with the 5.5 per cent nominal growth in each year, announced in December 2008;
- funding to schools will continue to rise by 3.8 per cent in 2009-10 and 4.3 per cent in 2010-11; and
- both the 2010-11 local authority formula grant and the police grant will remain as announced in the local government finance settlement and the police and community safety settlement. As a sign of their commitment to improving efficiency, local government and the police will both deliver a further 1 per cent of efficiency savings beyond the level of savings committed to at the 2007 CSR, with all savings recycled back to front-line services.

**6.41** The devolved administrations' budgets have been adjusted in line with the application of the Barnett formula, as set out in the 2008 Pre-Budget Report.

**Public sector pay 6.42** Public sector workers are at the heart of delivering world-class public services and supporting long-term economic growth, prosperity and fairness. Public sector pay policy needs to be set in the context of wider developments across the economy, where it is clear that the weaker private sector labour market has increased the relative attractiveness of the public sector as an employer. In setting public sector pay the Government will continue to balance a number of objectives: recruiting and retaining a high quality workforce; affordability and value for money for taxpayers; and consistency with achieving the Bank of England's inflation target. In this context, continued public sector pay restraint will be important to support front-line service delivery.

**6.43** Senior staff have an important role to play in showing leadership in exercising pay restraint. In March 2009, the Government announced that pay awards for key senior public

sector groups for 2009-10 would be limited to 1.5 per cent. This covers senior civil servants, judges, very senior managers in the NHS and chief executives of Non-Departmental Public Bodies (NDPBs). More generally, pay for NDPB chief executives will be considered alongside, and by the same principles, as the pay remit of their organisations. **When vacancies from NDPB chief executives arise, the Government will undertake a first principles review of remuneration packages to ensure that these reflect the current labour market conditions.** The Government has also decided to accept in full the recommendations of the Pay Review Bodies for 2009-10 pay uplifts for the armed forces (2.8 per cent) and doctors and dentists (1.5 per cent). Bonuses for senior staff across the public sector must be scrutinised to ensure value for money for the taxpayer, emphasising that there are no rewards for failure.

## A SUSTAINABLE MEDIUM TERM PATH FOR PUBLIC SPENDING

**6.44** Over the medium term, the Government is determined to continue to improve and invest in public services, whilst also ensuring a sustainable path for the public finances. Budget 2009 sets out future spending plans for the period from 2011-12 onwards and details of the action the Government is taking to ensure that front-line public service priorities will continue to improve in the years ahead.

### Value for money in the next SR

**6.45** The OEP, PVP and other value for money reforms have shown the progress that can be made in driving down costs and improving value for money both within and across the public sector, but there is clearly scope to do more. **Budget 2009 announces that, in addition to ongoing efficiencies that departments are expected to deliver, the Government will drive out additional efficiencies identified for 2011-12 and beyond:**

- **by 2013-14, £9 billion a year of additional savings identified by the OEP across procurement, back office and IT, and property running costs; and**
- **following the recommendations of the OEP advisors, new incentives and mechanisms will be put in place to realise up to £16 billion of property and other asset sales in the three years from 2011-12, freeing up additional resources on top of capital budgets to fund investment priorities.**

**6.46** Budget 2009 also announces that the PVP will be expanded to ensure demanding value for money reviews are conducted right across departmental budgets, delivering even greater efficiency savings in the next Spending Review period. The expanded PVP will cover a minimum of 50 per cent of each department's budget and with a particular focus on areas of spend that impact across departmental boundaries. Building on past successes, this programme will draw on the best expertise and ideas of those working at every level in the public sector:

- Value for Money Innovation Panels, made up of senior figures, will challenge the level of ambition across major areas of spend, to release significant levels of savings in the future;
- Public Sector Innovators from best-in-class sectors, will work in partnership with other public sector organisations to share best practice and drive out opportunities for further savings; and
- front line value for money partners from throughout the delivery chain will be integrated within departmental programmes to innovate and bring forward their own ideas for improvements.

**6.47** Lower inflation will make it easier to deliver savings as departments have had an additional boost to their spending power in 2009-10 and 2010-11 as a result of lower prices.

**6.48** The same rigorous approach must also be applied to the management of public spending, such as social security and tax credits, that is managed outside of departmental budgets. So building on the reforms set out in the December 2008 Welfare Reform White Paper *Raising expectations and increasing support; reforming welfare for the future*,<sup>6</sup> the Government will do more to ensure the working age benefits system is fair, affordable over the long term and actively encourages people away from dependency and into work.

**Public service pensions** **6.49** To manage the increasing pension costs associated with rising longevity, public service pensions are also being reformed:

- new arrangements for the Teachers scheme and the Civil Service scheme came into force in January 2007 and July 2007 respectively, and new NHS and Local Government Pension Schemes have been operating since April 2008;
- mechanisms, such as cost sharing and a cap on employer contributions, have been put in place to ensure future sustainability and affordability; and
- in the three central government schemes, the normal pension age has been increased from 60 to 65 for new entrants and, in the local government scheme, arrangements have been made to phase out a rule that has enabled some staff to take a pension before they reach the scheme's normal pension age of 65 without a reduction for early payment.

**Future spending assumptions** **6.50** Building on all these reforms, **Budget 2009 sets new assumptions for spending growth in the period from 2011-12 onwards, which will ensure continued investment and improvements in front-line public services whilst ensuring sustainable public finances in the medium term:**

- **current spending will grow by an average of 0.7 per cent a year in real terms between 2011-12 and 2013-14**, with additional efficiency savings allowing the Government to focus resources on front-line public service priorities. With lower inflation, public spending will continue to be higher in real terms than as set out in the 2008 Pre-Budget Report; and
- **public sector net investment will move to 1¼ per cent of GDP by 2013-14**, with proceeds from additional assets and property sales available to supplement capital budgets.

**6.51** This means that over the five years from 2008-09 to 2013-14, current spending will grow in real terms by an average of 2.6 per cent, and public sector net investment by 2013-14 will still be twice as high as in 1997-98. By releasing additional efficiency savings through the OEP and expanded PVP, the Government will be able to continue to invest in, and improve, its front-line public service priorities in the years ahead.

<sup>6</sup>*Raising expectations and increasing support: reforming welfare for the future*, Department for Work and Pensions, December 2008.

**Table 6.1: Departmental breakdown of the new £35 billion 2007 CSR value for money target**

Departments have been able to find additional efficiency savings in 2010-11 whilst still continuing with planned substantial increases for key front-line public services. For example:

- The Department of Health will be able to make additional savings while continuing to increase allocations to PCT's by 5.5 per cent, as announced in December 2008;
- The Department for Children, Schools and Families will be able to make additional savings while continuing to increase allocations to schools by 4.3 per cent;
- The Department for Communities and Local Government will be able to make additional savings while keeping the 2010-11 local authority formula grant as announced in the local government finance settlement, rising by 2.5 per cent;
- The Home Office will be able to make additional savings while keeping the 2010-11 police grant as announced in the police and community safety settlement, rising by 2.7 per cent;
- The Department for Innovation, Universities and Skills will be able to make additional savings while continuing to increase the science budget by 6 per cent; and
- The Department for International Development will be able to make additional savings while its budget increases at an annual average real growth rate of 11.4 per cent over the 2007 CSR period. The Government also remains on track to deliver £9.1 billion of Overseas Development Aid by 2010-11 as set out in the 2007 CSR.

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Children, Schools and Families (DCSF)	£5.14 billion (including £650m of additional savings in 2010-11)	<p>£307 million of savings in schools through applying a one per cent efficiency saving against cost pressures to free up resources to support more personalised learning. Schools are continuing to improve educational outcomes while achieving efficiencies, including through improving their financial management, capability and skills;</p> <p>3 per cent efficiencies in the programme expenditure of Non-Departmental Public Bodies (NDPBs);</p> <p>£650 million additional savings without adversely affecting the quality of key services, including through further efficiencies across NDPBs and DCSF; and</p> <p>Economies of scale arising from the growth in post-16 learner numbers over the next two years, which will mean that learning places can be delivered with greater efficiency after this year.</p>
Department of Health (DH)	£10.5 billion (including £2.3bn of additional savings in 2010-11)	<p>£500 million per annum released through reductions in average length of stay in hospital, reducing waste in valuable hospital bed space and costs that occur when patients are kept in hospital longer than necessary, while improving patient experience and clinical outcomes;</p> <p>£550 million per annum through the new Pharmaceutical Price Regulation Scheme, which controls the prices of branded prescription medicines to the NHS thereby protecting it from excessive prices, while ensuring patients receive innovative new drugs more quickly;</p> <p>£500 million per annum through improved capability and planning capacity in commissioning processes, and improved quality at lower costs through the new tariff pricing system and extension of the tariff into community services and mental health; and</p> <p>£100 million per annum delivered by further improving collaborative procurement through the new Commercial Operating Model, and by improving efficiency in back office functions by building on the success of NHS Shared Business Services.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Transport (DfT)	£1.96 billion (including £200m of additional savings in 2010-11)	<p>£144 million from the Highways Agency, including £50 million of efficiencies on major road schemes through value engineering processes and additional savings through better technology and maintenance procurement, helping to support continued investment in economically important transport infrastructure projects;</p> <p>£538 million from Network Rail as a result of the Office of Rail Regulation setting strict efficiency targets, reducing the grant which the department pays Network Rail, delivering greater value for money from public investment in the operation, maintenance and renewal of rail infrastructure;</p> <p>£140 million from increased efficiency in the ongoing retendering of Highways Agency maintenance contracts, which in 2008-09 have been generating at least 15 per cent savings; and</p> <p>£7 million of savings from the Driver and Vehicle Licensing Agency (DVLA) through a more focussed approach to Vehicle Excise Duty evasion, helping to ensure fairness for the taxpayer.</p>
Department for Innovation, University and Skills (DIUS)	£1.94 billion (including £400m of additional savings in 2010-11)	<p>£118 million through increasing the effectiveness of research activities funded by the Research Councils by reducing administration costs and refocusing spend on new research priorities;</p> <p>£50 million of savings from improved procurement and better estates management in the Higher Education sector;</p> <p>£400 million of savings through a renewed efficiency drive in Further and Higher Education: the use of benchmarking data; greater contestability, particularly in commissioning new programmes and services; reduced expenditure through lower than previously expected rates of inflation and the strategic reprioritisation and re-phasing of programmes; and</p> <p>An additional £106 million of savings delivered by the Research Councils within the science and research budget to be re-invested within that budget to support key areas of economic potential.</p>
Department for Communities and Local Government (CLG)	£987 million (including £100m of additional savings in 2010-11)	<p>£110 million from continuing modernisation of the Fire and Rescue Service Authorities through revision of shift patterns, crewing arrangements and Human Resource savings;</p> <p>£65 million of savings through more effective use of funds to tackle the problems of the most difficult housing estates, focusing on supporting local authorities in their work with communities, local and regional partners;</p> <p>£43 million by reducing overheads and ending the lease on a London premises; and</p> <p>£20 million through a more focused Housing and Planning Delivery Grant, supporting local authorities to deliver more housing and to build planning capacity.</p>
Local Government	£5.50 billion (including £600m of additional recyclable savings in 2010-11)	<p>Savings from individual local authorities and groups of local authorities across a wide range of functions, for example:</p> <p>£160 million of savings estimated across all of the programmes of the South East Regional Improvement and Efficiency Partnership, including through the development of an ambitious construction framework to reduce construction costs;</p> <p>£70 million through collaborative procurement in the Yorkshire and Humber Regional Improvement and Efficiency Partnership to support local authorities to adopt a collaborative approach to framework agreements and term contracts and to link into existing national and regional contracts;</p> <p>£68 million from local authorities in the North West of England as a result of more efficient procurement activity, including through an e-procurement portal, which supports local authorities to find the best available deals; and</p> <p>£26 million estimated in one year across all of Essex County Council's services, including through the transformation of back office functions and the introduction of a supplier relationship management programme, therefore unlocking benefits by promoting a joint approach to continuous improvement and innovation.</p>
Home Office (HO)	£1.69 billion (including £150m of additional savings and a further £130m of additional recyclable savings in 2010-11)	<p>£1 billion per annum in partnership with the Police Service through front-line productivity improvements (e.g. Operation Quest, which has resulted in 15 per cent improvements in officer response times and significant increases in customer satisfaction in its initial roll out), and the use of technology to save police time (more than 40,000 extra mobile data devices for officer use);</p> <p>£150 million efficiencies in the UK Border Agency, including by streamlining the processing of asylum and migration applications and using new technology, such as iris and facial recognition technology, to provide a speedier service to legitimate travellers at the border;</p> <p>£60 million a year from improved commercial activity, including by leveraging spend and collaboration, process and price savings, mitigation of risk in the supplier base and a review of major programmes and projects; and</p> <p>£50 million worth of improvements in the effectiveness of corporate functions (finance, Human Resources and estates), including the realisation of the full benefits of shared services.</p>
Ministry of Justice (MoJ)	£1.08 billion (including £70m of additional savings in 2010-11)	<p>£120 million of efficiencies from the Prison Service's shared service centre, providing back office shared services for 128 prisons and other Government departments;</p> <p>£82 million savings in the National Offender Management Service through initiatives such as clustering (merging services between prisons in close proximity) and core day standardisation (bringing greater consistency and predictability to prison operations) and allowing prison staff arrangements to be re-profiled;</p> <p>£82 million from streamlining administrative processes in the Courts Service; and</p> <p>£33 million through 'The Way Ahead', a reform programme designed to deliver a sustainable legal aid system by moving away from fees based on the number of hours worked, to a fixed and graduated fee scheme based on cases. The reform programme also set the scene for introducing competitive and market-based system for legal aid procurement, thereby helping efficient providers prosper.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Law Officers' Departments (LODs)*	£94 million (including £15m of additional savings in 2010-11)	<p>£16 million from optimising the use of an expanded cadre of Crown Prosecution Service (CPS) employed Associate Prosecutors and Crown Advocates to bring down the costs of prosecution;</p> <p>£24 million by streamlining and improving common business processes in CPS Areas across the country and by working more efficiently with the courts to reduce the number of adjournments in court and time spent on case preparation;</p> <p>£8 million from combining the Revenue and Customs Prosecution Office and the CPS to create one enhanced prosecuting organisation, optimising economies of scale and rationalising service delivery; and</p> <p>£37 million through the reform of corporate services including pursuing shared service solutions, collaborative procurement and maximising the potential gains from investment in IT.</p>
Ministry of Defence (MOD)	£3.15 billion (including £450m of additional recyclable savings in 2010-11)	<p>£200 million through the Performance, Agility, Confidence and Efficiency (PACE) programme delivering more effective military capability to Armed Forces, with £100 million already delivered;</p> <p>£170 million from the Nuclear Weapons Capability Sustainment Programme, which aims to sustain key workforce skills, modernise core research and manufacturing facilities and provide extra support infrastructure;</p> <p>£100 million more from extending the Civilian Costs Programme which will reduce support costs across the department; and</p> <p>An additional £6 million through continued pressure for efficiency on the Shared Services centres created in MOD in recent years.</p>
Foreign and Commonwealth Office (FCO)	£164 million (including £20m of additional savings in 2010-11)	<p>£18 million of savings from the British Council by moving to web based service provision and focusing on key priorities;</p> <p>£6.6 million via the Europe Zero Based Review by focusing on key priorities, downgrading posts and reducing back office activity;</p> <p>£12.5 million of efficiencies through better procurement and a reduction in the costs of goods and services purchased during the 2007 CSR period; and</p> <p>£9.5 million of IT efficiencies through three main drivers: the FCO's Telecommunications Network, Communications Centre and Programme Management. For example, £6 million per annum will be generated as a result of contract negotiations with FCO's existing telecoms supplier.</p>
Department for International Development (DFID)	£647 million (including £155m of additional savings in 2010-11)	<p>£110 million of savings generated by shifting more resources to countries where UK aid will have the greatest impact, helping to lift an estimated additional 100,000 people out of poverty;</p> <p>£6 million from efficiency savings in the back office and through the implementation of IT systems for programme and financial management;</p> <p>£5 million from more effective, focussed central communications work and more efficient use of web and social media networks; and</p> <p>£10 million savings from strengthened partnerships on research and analytical work, and improved procurement and management of policy and research contracts.</p>
Department of Energy and Climate Change (DECC)	£279 million (including £20m of additional savings in 2010-11)	<p>£125 million through improved financial incentives in contracts with site management companies to deliver efficiencies in decommissioning work across the Nuclear Decommissioning Agency sites;</p> <p>£15 million from reducing administration costs by focussing on priority areas where DECC can have the greatest impact;</p> <p>£52 million through improved procurement of commodities and third-party services, including the use of framework contracts for procurement of consultancy and technical work; and</p> <p>£20 million through greater improvements in the management of contracts, maximising income from assets and reduction in back office costs.</p>
Department for Business, Enterprise and Regulatory Reform (BERR)	£148 million (including £27m of additional savings in 2010-11)	<p>£5 million savings from delivering capital investment in assisted areas through the Selective Finance for Investment in England scheme, which focuses on higher value projects and provides better value for money through higher levels of additionality than the previous Regional Selective Assistance scheme;</p> <p>£1.4 million savings from the Competition Commission Council's fundamental review of the Competition Commission including through reducing burdens on business, making more effective use of staff and Members, improving team working and improving outcomes;</p> <p>£3 million from administration budgets, including efficiencies in BERR's corporate centre and back office functions and from savings in UK Trade and Investment's ICT costs as it rolls out its new digital strategy; and</p> <p>£12 million from improved delivery of fair markets policies including changes to the funding model for the Financial Reporting Council, savings associated with creation of Consumer Focus from its predecessor consumer bodies and improved value for money through implementation of dispute resolution regulations by Acas.</p>
Department for Environment, Food and Rural Affairs (Defra)	£381 million (including £75m of additional savings in 2010-11)	<p>£50 million by streamlining the Environment Agency's delivery of Flood and Coastal Erosion Risk management at the same time as funding is increased over the 2007 CSR period;</p> <p>£44 million on more efficient animal disease surveillance through a more risk-based approach to monitoring and enforcement and by sharing costs with industry;</p> <p>£10 million from rationalising Defra's estate, particularly in London, enabled by greater use of hot-desking and portable IT solutions; and</p> <p>£6 million through the re-procurement of facilities management services for Defra and its Agencies.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Culture, Media and Sport (DCMS)	£168 million (including £20m of additional savings in 2010-11)	<p>£33 million through driving value for money in NDPBs. For example, the Museums, Libraries and Archives Council have relocated outside of London, delivering savings in rental and service charges and staff costs of £290,000 per year;</p> <p>£4 million from greater efficiencies in DCMS's corporate centre. This will be secured through a reduction in administration expenditure, including savings on accommodation and staff costs; and</p> <p>£20 million of savings through driving further efficiencies including across DCMS's central and NDPBs' back office and lower priority programmes. This includes £3 million from S4C and £4 million from the Arts Council England.</p>
Department for Work and Pensions (DWP)	£1.4 billion (including £120m of additional recyclable savings in 2010-11)	<p>£15 million through DWP's Shared Services organisation, which provides internal services such as Human Resources to the department;</p> <p>Approximately £300 million through increases in staff productivity. This has been made possible by changes brought about by the Business Strategy and other front-line process improvements. These have improved both the way the department does business and the service offered to customers;</p> <p>£28 million through the Information Flows Programme which is delivering real improvements to the administration of Housing Benefit and Council Tax Benefit, thereby improving customer services by providing online access to relevant information about benefits administered by DWP; and</p> <p>£30 million from the modernisation of DWP's estate and improving overall workspace utilisation.</p>
Chancellor's Departments – HM Revenue and Customs (HMRC) and HM Treasury	£788 million (£754m from HM Revenue and Customs, including £80m of additional recyclable savings in 2010-11, and £35m from HM Treasury, including £5m of additional savings in 2010-11)	<p>£13.5 million from spending on HM Treasury procurement contracts by 2010-11, establishing a benchmarking process across procurement activities to deliver measurable value for money improvements in major contracts, especially in ICT and consultancy and from third party spend on consultancy and advice;</p> <p>Over £50 million of efficiencies through the Carter Programme, implementing new, enhanced, online services for Self Assessment, PAYE, VAT and Corporation Tax and measures to encourage online filing. Over two thirds of Self Assessment returns were filed online using the new service in 2008-09 - a 50 per cent increase on the previous year;</p> <p>£70 million through rationalising and developing a more strategically located estate to meet customer service and operational requirements. HMRC aims to reduce the size of its estate by one third and has carried out 60 closure projects in 2008-09. £18 million has been saved so far in 2008-09; and</p> <p>£60 million from greater efficiencies in HMRC central "Head Office" and corporate service areas.</p>
Cabinet Office	£45 million (including £10m of additional savings in 2010-11)	<p>£14.7 million in procurement efficiencies, for example by further utilising OGC Buying Solutions frameworks;</p> <p>£20.1 million by rationalising departmental administration. This initiative covers both the administration of the grants awarded by the department as well as its own internal administration;</p> <p>Around £5 million by implementing a Shared Service for finance, human resources and procurement; and</p> <p>£14 million of savings achieved by reducing expenditure on consultancy. Further savings will be achieved incorporating a centralised approach to the commissioning of consultants.</p>
Northern Ireland Office	£125 million (including £17m of additional savings in 2010-11)	<p>£29 million of efficiencies in the Northern Ireland Prison Service including through a permanent upfront reduction in Main Grade Officer headcount by 150 posts;</p> <p>£4 million of administration savings per annum over the next three years. As of December 2008, £3 million of savings had been delivered; and</p> <p>£74 million from increased efficiencies in the Police Service of Northern Ireland.</p>

\* **Law Officers' Departments include:** Crown Prosecution Service (CPS), Serious Fraud Office (SFO), Treasury Solicitors Department (TSOL), Revenue and Customs Prosecutions Office (RCPO), Attorney General's Office (AGO), Her Majesty's Crown Prosecution Service Inspectorate (HMCPISI), National Fraud Strategic Authority (NFSA)