

2004 Spending Review:

final report on the efficiency programme

November 2008



HM TREASURY



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Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

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Introduction

Box 1.A: The Gershon Review – final results

In the 2004 Spending Review the Government set out its commitment to deliver gains in excess of £20 billion a year by 2007-08, in line with the recommendations of the Gershon Report; *Releasing resources to the front line – Independent Review of Public Sector Efficiency* (July 2004). This includes the net reduction of more than 70,600 civil service posts and the relocation of 20,000 public sector posts by 2010 as identified in The Lyons Review.¹

Detailed departmental planning on how to implement the Gershon findings revealed that total efficiency gains of £21.5 billion were achievable over the 2004 Spending Review period. Departments also set out how they were going to measure their progress in their Efficiency Technical Notes (ETNs).

This document provides detailed breakdowns, by department,² of the final³ figures reported for the 2004 Spending Review period showing overdelivery against efficiency targets:

- £26.5 billion of annual efficiency gains against a target of £21.5 billion;
- net workforce reductions of over 86,700 against a target of 70,600; and
- 17,118 posts relocated towards the Lyons relocation target of 20,000 posts by 2010.

Gains have been recycled within departments, resulting in significant extra resources being invested in front line delivery across Government and enabling more frontline professionals such as doctors, nurses, teachers and police officers to be employed. Over 60 per cent of gains are cashable with the remainder representing a direct increase in service output (e.g. by freeing up the time of public service providers).

Building on this record of delivery, departments and Local Government identified scope to go further and deliver an additional £30 billion of gains over the current spending period, and departments are already implementing reforms to deliver this stretching target with initial progress reported in departmental Autumn Performance Reports.

¹ "Well Placed to Deliver? – Shaping the Pattern of Government Service - Independent Review of public sector relocation" (July 2004).

² Machinery of Government changes have affected many departments however, for clarity, this report presents progress against targets using the original Gershon definitions.

³ The figures reported for efficiency gains and workforce reductions represent the final figures for the programme as a whole. Departments may report further efficiency gains for the SR04 period in future Annual Reports and Autumn Performance Reports where there are lags in reporting systems or data requires further validation to satisfy all the requirements of the published measurement guidance.

2

Annual efficiency gains

Overdelivery against the £21.5 billion efficiency gains target with £26.5 billion achieved

2.1 By March 2008, the end of the 2004 Spending Review (SR04) period, departments and local authorities reported annual efficiency gains totalling £26.5 billion. Over 60 per cent of the reported gains (i.e. £16.5 billion) are directly cashable.

2.2 All reported gains, and the data systems that underpin them, have been self-assessed by departments as part of their reporting to HM Treasury. Using HM Treasury's measurement guidance, departments rate their gains against a number of criteria relating to robustness and the departmental Minister, Permanent Secretary or Finance Director signs them off.

2.3 The assessment system used by HM Treasury has similar criteria to those used by the National Audit Office (NAO). It asks whether methods for measuring gains, and for assessing service quality, have been agreed with HM Treasury, whether an agreed baseline is in place, and the likelihood of any changes to reported 'actual' figures. The objective is to classify each gain as 'preliminary', 'interim' or 'final'.

2.4 As stated in previous progress reports on the SR04 efficiency programme, only efficiency gains that satisfy all the criteria of the measurement system (i.e. classified as 'final'), are being reported in this document.

2.5 Departments' final reports of annual efficiency gains against their individual SR04 targets are set out in table 2.A.

Box 2.A: Examples of Efficiency Savings

Education: £4,460 million of savings achieved

Over £630 million has been saved through schools using their resources more effectively, including through making efficiency comparisons using groups of schools, improving the ability of schools and local authorities to manage their finances effectively, and application of new financial management standards.

Health: £7,057 million of savings achieved

By renegotiating the price of branded medicines under the Pharmaceutical Price Regulation Scheme of 2005, Department of Health have delivered savings of £380 million per year. In addition, by reducing reimbursement prices of generic drugs through the community pharmacy contract, a further £900 million of savings per year have been delivered.

Better management of patient admissions has reduced the average length of hospital stay, releasing over £700 million per year and freeing up nearly 2 million bed days to treat more patients more quickly.

Transport: £973 million of savings achieved

Former Driver Vehicle and Operator (DVO) Group agencies: substantial progress continues to be made in adding e-channel to the choice available to customers over how they transact their business with the former DVO Group. For example, by the end of March 2008, take-up of online vehicle tax disc sales had increased to 45 per cent, while 80 per cent of all driving theory tests were booked online, delivering a more convenient 24/7 service for customers whilst securing efficiency savings.

Communities & Local Government: £1,444 million of savings achieved

The Registered Social Landlord sector has secured efficiency gains of over £400 million. This success resulted from a strong engagement by the sector in securing savings through collective purchasing of materials and labour and improving the approach to planned, rather than responsive, maintenance.

Home Office: £2,645 million of savings achieved

Home Office have renegotiated accommodation contracts for asylum support services and substantially reduced the number of people housed in temporary emergency accommodation. This has saved over £500 million as part of the programme, as well as providing more stability of accommodation for asylum seekers.

Defence: £3,045 million of savings achieved

Defence Logistic Transformation Programme: The Defence Logistic Transformation Programme has implemented over 1,000 individual improvement projects across the logistics areas of all three Services during the last four years, delivering £1,240 million of efficiency gains in 2007/08.

Work and Pensions: £1,446 million of savings achieved

In the new Pensions, Disability and Carers Service, customers can now apply for multiple entitlements (State Pension and Pension Credit) in one telephone call taking around 20-30 minutes. This represents a considerable improvement in service as the pre-transformation, paper-based process for claiming State Pension and receiving a decision could take several weeks.

98 per cent of benefits are now paid directly into customers' bank or building-society accounts, which is more convenient for them and has saved taxpayers more than £1 billion over the last five years.

Culture, Media and Sport: £298 million of savings achieved

£15m efficiency gains were achieved by Non Departmental Public Bodies in procurement. Savings were realised by outsourcing certain workstreams and reviewing existing contracts, getting better value for money. For example, the British Museum saved over £3.6 million by enhancing their procurement process in areas such as maintenance.

Table 2.A: Public sector efficiency savings

	Agreed efficiency target (£million) 2007-08	Reported delivery (£million) March 2008
Department		
Education and Skills	4,350	4,460
Health	6,470	7,057
Transport	785	973
Communities and Local Government (formerly ODPM)	620	1,444
Home Office ¹	1,970	2,645
Ministry of Justice (formerly DCA) ¹	290	455
Crown Prosecution Service	34	99
Defence	2,830	3,045
Foreign and Commonwealth Office	120	132
International Development	310	561
Trade and Industry	380	721
Environment Food and Rural Affairs	610	752
Culture, Media and Sport	260	298
Work and Pensions	960	1,446
Northern Ireland Office	90	93
Chancellor's Departments	550	680
Cabinet Office	25	35
Other departments	31	51
Local Government	6,450	8,203
Total efficiency savings	21,480²	26,512³
¹ Some elements of delivery previously reported by HO transferred to MOJ following machinery of government changes.		
² Total target is sum of individual targets, less overlap of £5,650 million efficiencies across central and local government.		
³ Total reported outturn is sum of delivery, less overlap of £6,637 million efficiencies across central and local government.		
<i>Source: HM Treasury</i>		

3

Civil Service workforce reductions

Net workforce reductions of over 86,700 achieved against target of 70,600 by march 2008

3.1 Departments' final reports of reductions are set out in table 3.A.

Table 3.A: Civil Service workforce reductions

Department	Target reduction in Civil Service ^{1,2} workforce from efficiency ³ (April 2004 to April 2008)		Final reductions in Civil Service workforce from efficiency March 2008	
	Gross reductions in post ⁴	Net reductions in posts after re-allocations ⁴	Gross reductions in post	Net reductions in posts after re-allocations
Education and Skills	-1,960	-1,960	-2,208	-2,208
Health	-720	-720	-805	-805
Transport	-700	-650	-850	-850
Communities and Local Government	-400	-400	-1,170	-1,170
Home Office ⁵	-2,327	-2,327	-2,406	-2,406
Ministry of Justice (formerly DCA) ⁵	-1,473	-1,473	-1,880	-1,880
Law Officers' Departments	-50	-50	-60	-60
Defence ¹	-15,000	-15,000	-24,107	-24,107
Foreign and Commonwealth Office	-310	-310	-512	-512
International Development	-170	-170	-295	-295
Trade and Industry	-1,280	-1,280	-1,762	-1,762
Environment, Food and Rural Affairs	-2,400	-2,400	-2,122	-2,122
Culture, Media and Sport	-30	-30	-76	-76
Work and Pensions	-40,000	-30,000	-40,153	-31,101
Northern Ireland Office	-130	-130	-668	-668
Chancellor's Departments	-16,850	-13,350	-19,718	-16,218
Cabinet Office	-150	-150	-190	-190
UK Trade and Investment	-200	-200	-200	-200
Total⁶	-84,150	-70,600	-99,291	-86,739

¹ Civil Service, and military posts in administrative and support functions.

² Financial Year end point for permanent staff, measured on a Full Time Equivalent (FTE) basis. Figures cited include workforce changes within core departments, their agencies and other non-departmental bodies.

³ Excludes reclassifications and other changes to the civil service workforce.

⁴ The gross reduction is the total reduction in posts as a result of efficiency gains. The net reduction is the gross reduction excluding re-allocations to front-line roles in the Civil Service.

⁵ Home Office and Ministry of Justice targets revised following Machinery of Government changes.

⁶ Totals reported include 109 reductions delivered by Charity Commission.

Source: HM Treasury

4

Relocations

Progress towards meeting the Lyons relocation target

4.1 Departments reported 17,118 relocations out of London and the South East by end June 2008 against the Lyons relocations target of 20,000 posts by 2010. Departments' progress against their individual Lyons relocation targets is set out in table 4.A.

Table 4.A: Civil Service relocations by department

	Expected relocations by 2010	Reported relocations June 2008
Department		
Education and Skills	800	645
Health	1,110	897
Transport	60	62 ¹
Communities and Local Government (formerly ODPM)	240	220
Home Office	2,200	2,707
Ministry of Justice (formerly DCA)	200	772
Crown Prosecution Service	0 ²	43
Defence	3,900	2,980
Foreign and Commonwealth Office	450	300 ³
International Development	85	88
Trade and Industry	685	515 ⁴
Environment Food and Rural Affairs	390	389
Culture, Media and Sport	600	661
Work and Pensions	4,000	4,097
Northern Ireland Office	8	8
Chancellor's Departments	5,050	2,987
Cabinet Office	250	41
Total	20,028	17,118⁵

¹Includes relocations out of London to Hastings.

²The Crown Prosecution Service had no relocation target at the start of SR04, but later agreed a target of relocating 20 posts out of London and the South East by 31 March 2008.

³Includes relocations out of London to Hanslope Park.

⁴Includes 75 DIUS and 3 OFT relocations.

⁵The total towards the target excludes the additional moves out of London that the FCO and DfT have managed to achieve.

Source: HM Treasury

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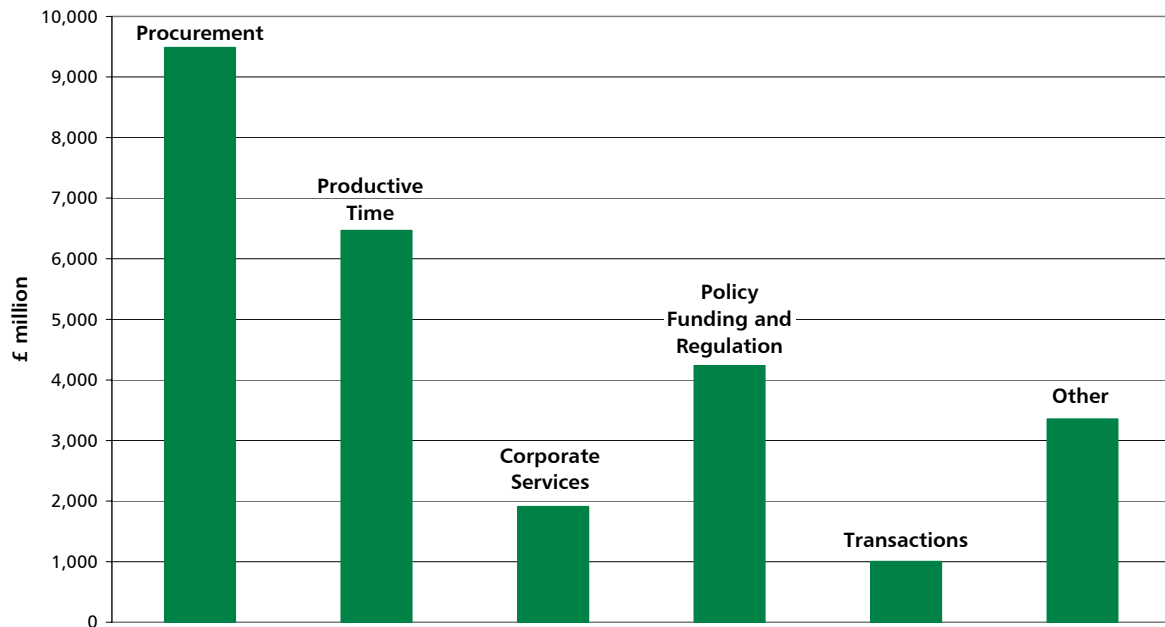
Workstreams

Analysis of reported efficiency gains by workstream

5.1 Sir Peter Gershon's review, *Releasing resources to the front line – Independent Review of Public Sector Efficiency* (July 2004), divided its analysis of potential savings into several workstreams. Further details on workstreams can be found on the HM Treasury website.

5.2 Final delivery by workstream at the end of the SR04 period is shown in chart 5.A.

Chart 5.A: Analysis of reported efficiency gains by workstream



Source: HM Treasury

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