

# **2004 Spending Review: efficiency progress to June 2007**

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October 2007



HM TREASURY

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# INTRODUCTION

## **The Gershon Review**

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 gross reduction of more than 84,000 civil service posts and the relocation of 20,000 public sector posts away from London and the South East by 2010.

Detailed departmental planning on how to implement the Gershon findings revealed that total efficiency gains of £21.5bn 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,<sup>1</sup> of the progress reported to end June 2007 and announced in 2007 Pre-Budget Report and Comprehensive Spending Review:

- Over £20 billion of annual efficiency gains;
- Gross workforce reductions of over 79,000 posts towards the 2004 Spending Review target of 84,150, with over 13,000 of these reallocated to frontline roles; and
- 13,300 posts relocated out of London and the South East.

Gains will be retained by departments for reinvestment in front line delivery. Approximately half of these gains will result in cash gains and half represent a direct increase in service output (e.g. by freeing up the time of public service providers).

<sup>1</sup> Machinery of Government changes have affected many departments however, for clarity, this report presents progress against targets using the original Gershon definitions.



# 2

## ANNUAL EFFICIENCY GAINS

### PROGRESS TOWARDS ANNUAL EFFICIENCY GAINS OF £21.5 BILLION PER YEAR BY MARCH 2008

**Table I.1: Public sector efficiency savings**

| Department  | Agreed Efficiency target (£ million) 2007-08 | Reported delivery (£ million) June 2007 |
|---|--|---|
| Education and Skills  | 4,350  | 2,660                                   |
| Health  | 6,470  | 5,524                                   |
| Transport   | 785  | 682                                     |
| Communities and Local Government (formerly ODPM)                      | 620  | 896                                     |
| Home Office <sup>1</sup>  | 1,970  | 2,103                                   |
| Ministry of Justice (formerly DCA) <sup>1</sup>                       | 290  | 694                                     |
| Crown Prosecution Service   | 34   | 86                                      |
| Defence   | 2,830  | 2,226                                   |
| Foreign and Commonwealth Office                                       | 120  | 100                                     |
| International Development   | 310  | 515                                     |
| Trade and Industry  | 380  | 553                                     |
| Environment, Food and Rural Affairs                                   | 610  | 522                                     |
| Culture, Media and Sport  | 260  | 204                                     |
| Work and Pensions   | 960  | 1,302                                   |
| Northern Ireland Office   | 90   | 83                                      |
| Chancellor's Departments  | 550  | 436                                     |
| Cabinet Office  | 25   | 20                                      |
| Other Departments   | 31   | 40                                      |
| Local Government  | 6,450  | 6,233                                   |
| <b>Total efficiency savings<sup>2,3</sup> rounded to nearest £10m</b> | <b>21,480</b>                                | <b>20,180</b>                           |

<sup>1</sup> Some elements of delivery previously reported by HO transferred to MOJ following machinery of government changes.

<sup>2</sup> Total forecast is sum of targets, less overlap of £5,650m efficiencies across central and local government.

<sup>3</sup> Total reported delivery is sum of delivery, less overlap of £4,702m efficiencies across central and local government.

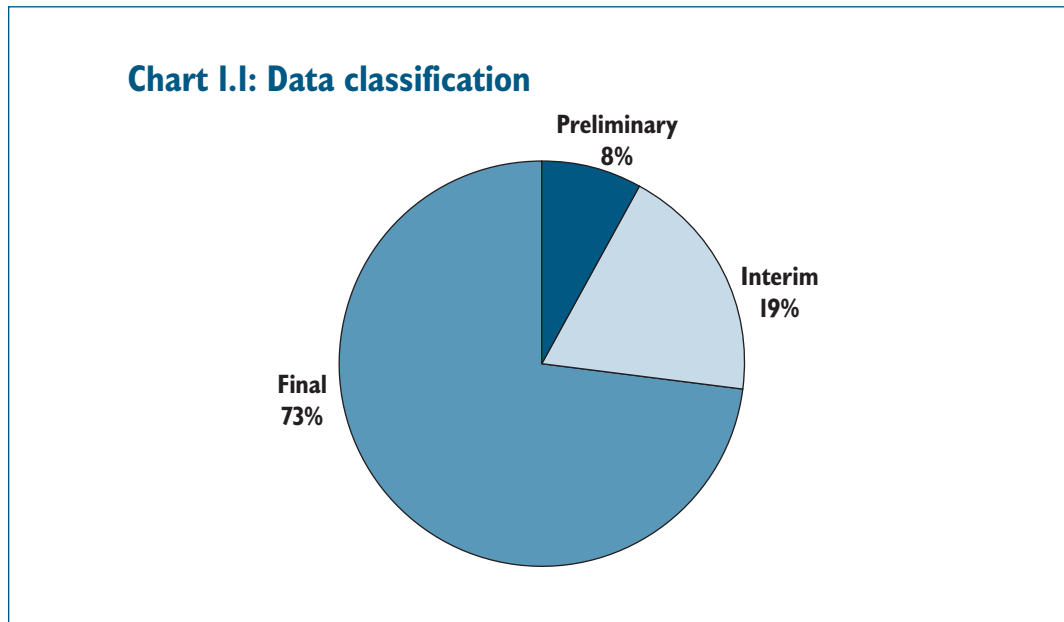
### Assurances on gains made

**2.1** Departments self-assess their gains and the data systems that underpin them as part of their regular reporting to HMT. Using HMT's measurement guidance, departments rate their gains against a number of criteria relating to robustness and the departmental Minister or Permanent Secretary signs them off.

**2.2** In their February 2007 report, *The Efficiency Programme: A second Review of Progress*<sup>1</sup>, the National Audit Office (NAO) set out its methodology used to assess the likelihood of reported efficiency gains fairly representing a project's efficiency improvement. The assessment system used by HMT applies similar criteria to those used by the NAO. It asks whether methods for measuring gains, and for assessing service quality, have been agreed

<sup>1</sup> Available from [www.nao.org.uk](http://www.nao.org.uk)

with HMT, 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'. Across the programme, the aggregate picture is currently as Chart 1.1.



**2.3** The classification system has a number of benefits. It helps to embed good efficiency measurement into departmental practice. The classification system, and measurement framework on which it is based, aims to encourage departments to identify areas for improvement that may need further measurement work. The system enables consistent quarterly reporting by departments, and by HMT. This enables the Efficiency Team to identify slippage against forecast delivery, to manage risks to delivery, and to put in place early intervention where delivery problems are identified. Over time, it is expected that more data will move into the final category.

# 3

## CIVIL SERVICE WORKFORCE REDUCTIONS

### PROGRESS TOWARDS GROSS WORKFORCE REDUCTIONS OF OVER 84,000 (70,600 NET) BY MARCH 2008

3.1 Progress against departments' total planned reductions in Civil Service and military posts in administrative support roles of over 84,000 by April 2008 as shown in Table 3.1.

**Table 3.1: Civil Service workforce reductions**

| Department                                       | Estimated reductions in Civil Service <sup>1,2</sup> workforce from efficiency <sup>3</sup> (April 2004 to April 2008) |   | Reported reductions in Civil Service workforce from efficiency June 2007 |  |
|--|--|---|--|--|
|  | Gross reductions in post   | Net reductions in posts after re-allocations <sup>4</sup> | Gross reductions in post   | Net reductions in posts after re-allocations |
| Education and Skills                             | -1,960   | -1,960  | -1,967   | -1,967                                       |
| Health   | -720   | -720  | -743   | -743   |
| Transport  | -700   | -650  | -462   | -462   |
| Communities and Local Government (formerly ODPM) | -400   | -400  | -797   | -797   |
| Home Office                                      | -2,700   | -2,700  | -2,123   | -2,123                                       |
| Ministry of Justice (formerly DCA)               | -1,100   | -1,100  | -1,078   | -1,078                                       |
| Law Officers' Departments                        | -50  | -50   | -32  | -32  |
| Defence <sup>1</sup>                             | -15,000  | -15,000   | -16,063  | -16,063                                      |
| Foreign and Commonwealth Office                  | -310   | -310  | -356   | -356   |
| International Development                        | -170   | -170  | -181   | -181   |
| Trade and Industry                               | -1,280   | -1,280  | -1,630   | -1,630                                       |
| Environment, Food and Rural Affairs              | -2,400   | -2,400  | -691   | -691   |
| Culture, Media and Sport                         | -30  | -30   | -19  | -19  |
| Work and Pensions                                | -40,000  | -30,000   | -36,739  | -26,511                                      |
| Northern Ireland Office                          | -130   | -130  | -518   | -518   |
| Chancellor's Departments                         | -16,850  | -13,350   | -15,997  | -12,784                                      |
| Cabinet Office                                   | -150   | -150  | -55  | -55  |
| UK Trade and Investment                          | -200   | -200  | -200   | -200   |
| <b>Total<sup>5</sup></b>                         | <b>-84,150</b>   | <b>-70,600</b>  | <b>-79,716</b>   | <b>-66,275</b>                               |

<sup>1</sup> Civil Service, and military posts in administrative and support functions.

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

<sup>3</sup> Excludes reclassifications and other changes to the civil service workforce.

<sup>4</sup> 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. Reductions are rounded to the nearest ten.

<sup>5</sup> Totals reported to June 2007 include 65 reductions delivered by Charity Commission.



# 4

## RELOCATIONS

### PROGRESS TOWARDS RELOCATING 20,000 PUBLIC SECTOR POSTS AWAY FROM LONDON AND THE SOUTH EAST BY MARCH 2010

**4.1** 20,000 public sector posts will be relocated by 2010. Departments have reported 13,368 relocations by end June 2007. You can find further information on the Government relocation portal on the Office of Government Commerce (OGC) website.

**Table 4.1: Civil Service relocations by department**

| Department                                       | Expected relocations by 2010 | Reported relocations March 2007 |
|--|------------------------------|---------------------------------|
| Education and Skills                             | 800                          | 559                             |
| Health   | 1,110                        | 746                             |
| Transport  | 60                           | 49                              |
| Communities and Local Government (formerly ODPM) | 240                          | 197                             |
| Home Office                                      | 2,200                        | 2,381                           |
| Ministry of Justice (formerly DCA)               | 200                          | 105                             |
| Crown Prosecution Service                        | –                            | 43                              |
| Defence  | 3,900                        | 1,861                           |
| Foreign and Commonwealth Office                  | 450                          | 226                             |
| International Development                        | 85                           | 88                              |
| Trade and Industry                               | 685                          | 344                             |
| Environment, Food and Rural Affairs              | 390                          | 251                             |
| Culture, Media and Sport                         | 600                          | 520                             |
| Work and Pensions                                | 4,000                        | 3,989                           |
| Northern Ireland Office                          | 8                            | 8                               |
| Chancellor's Departments                         | 5,050                        | 1,960                           |
| Cabinet Office                                   | 250                          | 41                              |
| <b>Total</b>                                     | <b>20,028</b>                | <b>13,368</b>                   |

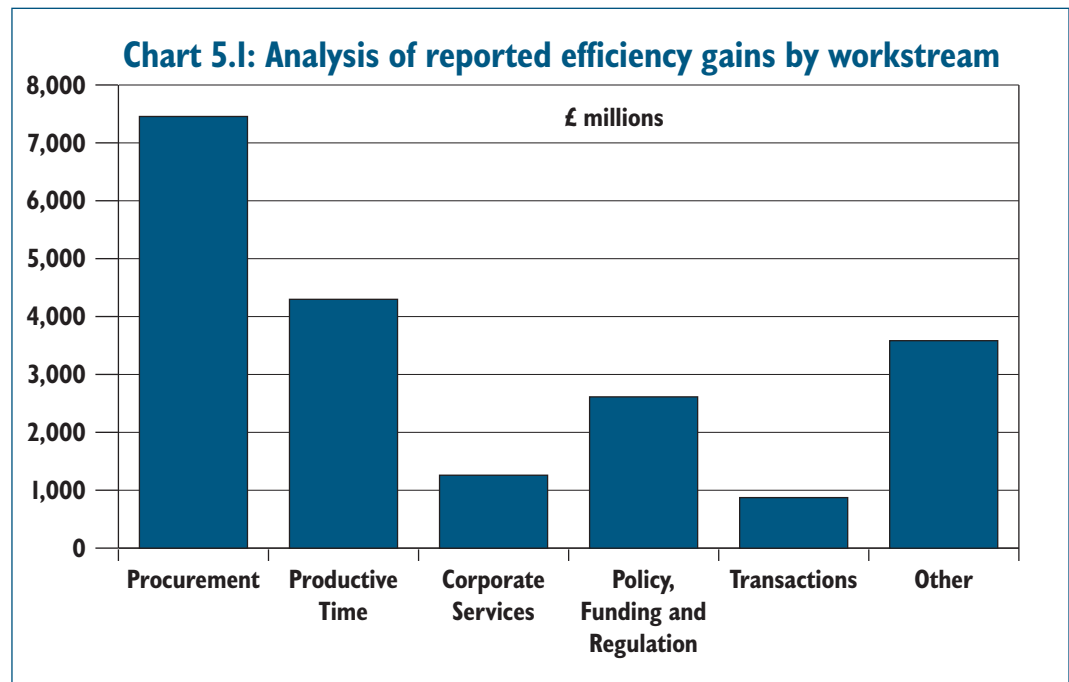


# 5

## 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. Using these same workstreams delivery to date is shown in chart 5.1.



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