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DELIVERING HIGH QUALITY PUBLIC SERVICES

The Government's goal is to deliver world class public services through investment and reform, while ensuring efficiency and value for money. The 2004 Spending Review set departmental Public Service Agreement (PSA) targets and spending plans for the three years to 2007-08, within the overall envelope for public spending set in Budget 2004 and consistent with the fiscal rules.

The Pre-Budget Report outlines further measures directing resources toward the Government's priorities, including:

- additional resources to fund the ten year strategy for childcare, as outlined in detail in Chapter 5;
- a further £520 million assigned to the special reserve for 2004-05 for military operations in Iraq and the UK's other international obligations, and additional resources for counter-terrorism and resilience; and
- taking action to reduce pressures on council tax in 2005-06 by £1 billion by releasing an extra £125 million of resources for England alongside a reduction in ring fencing and other obligations and £512 million from departmental reallocations.

The 2004 Spending Review agreed stretching efficiency targets for all departments, delivering over £20 billion of efficiency gains a year by 2007-08 to be recycled to front-line public services. The Pre-Budget Report details the progress departments have already made in delivering efficiencies, including:

- savings on branded and generic medicines for the NHS of £1 billion per year from 2005-06;
- value for money gains of £2 billion in central civil government procurement; and
- a total of around 4,000 posts moving out of London and the South East by the end of 2004-05.

The Pre-Budget Report outlines further work to implement more efficient management in the public sector, including the publication of Sir Michael Lyons' recommendations on asset management, calling for detailed asset disposal plans.

Finally it outlines the next steps in the Government's continued public sector reform programme, focusing on devolving decision-making closer to the front line and providing greater personalisation of services.

6.1 The Government's goal is to deliver world class public services, including high-quality education and training, a modern and reliable transport network, and an effective and responsive health service, through sustained investment and reform. World-class public services are central to delivering the Government's objective of building a flexible economy and fair society, well-placed to prosper in the global economy both now and in the future. Efficiency is central to this objective, to allow sustained improvements in performance into the long term. The Government aims to:

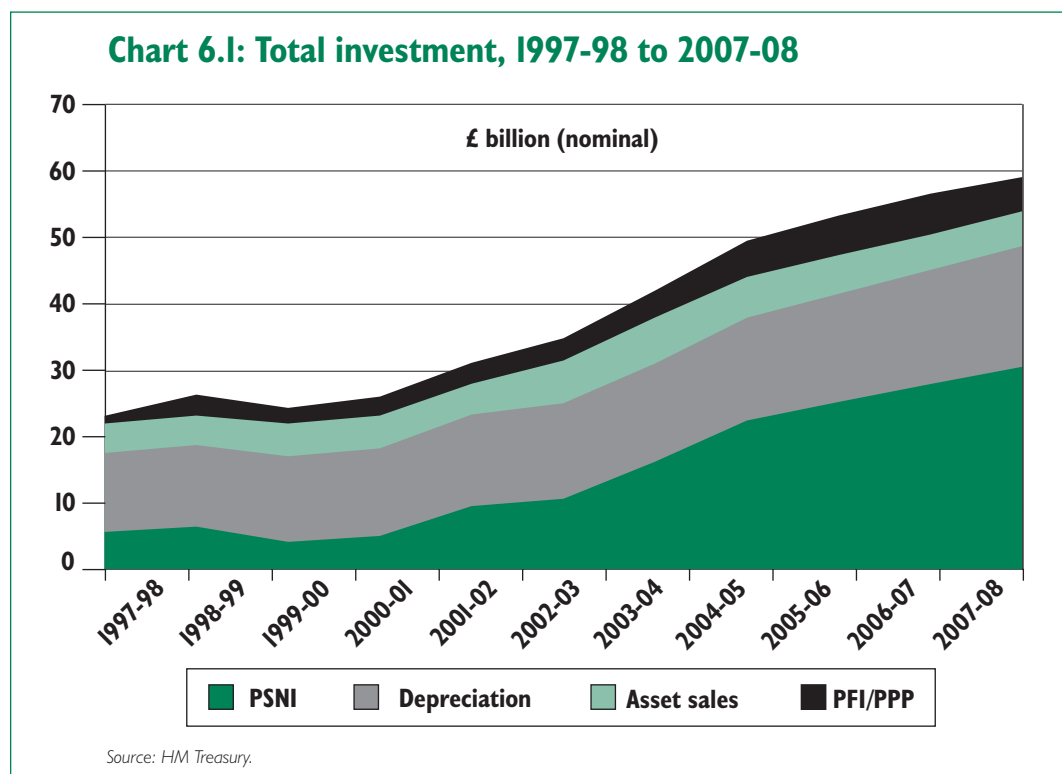
- deliver resources to the front line, ensuring that the best value for money is achieved for the taxpayer;
- provide sustained investment in the Government's long-term priorities, to achieve clear, outcome-focused goals for performance; and
- work within long-term planning horizons, set most recently in the 2004 Spending Review, on the basis of sound public finances and a stable economy.

INCREASED RESOURCES FOCUSED ON PRIORITIES

2004 Spending Review **6.2** In the 2000 and 2002 Spending Reviews, the Government delivered sustained and significant increases in investment in its priorities, while ensuring stability by continuing to meet its strict fiscal rules. The 2004 Spending Review set priority outcome targets in departmental Public Service Agreements (PSAs), alongside spending plans for 2005-06 to 2007-08 that lock in these increases, while providing for further investment in priority public services. The 2004 Spending Review plans provided for:

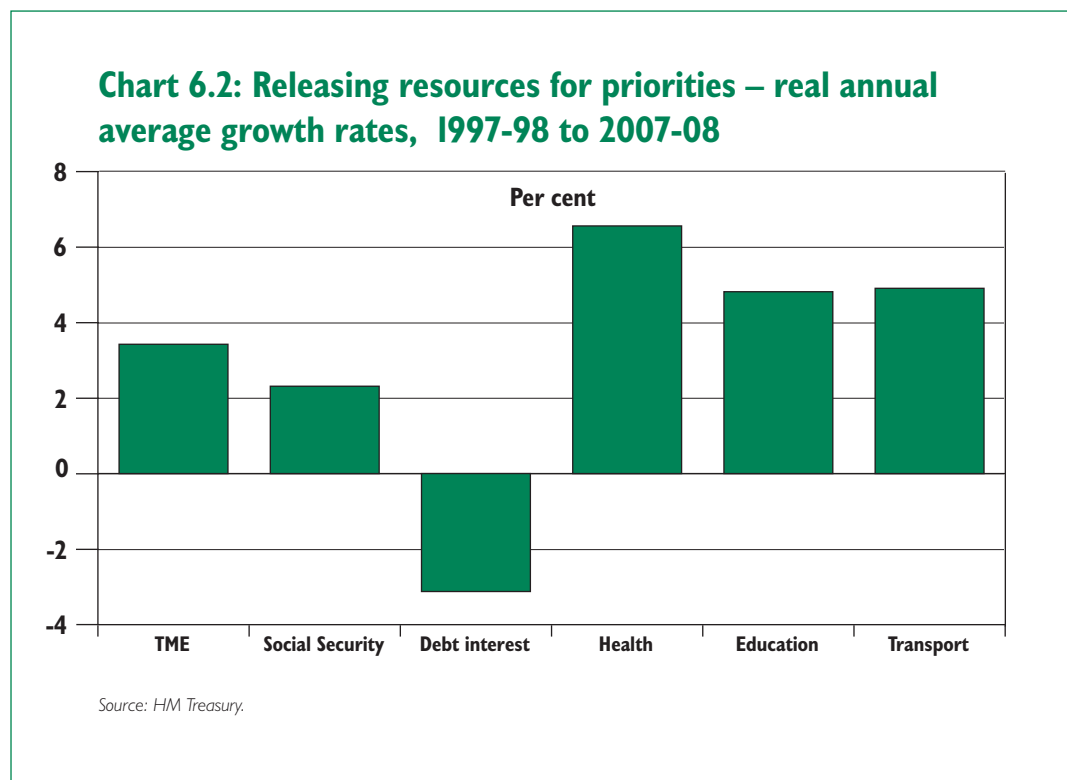
- current spending to increase by an annual average of 2.5 per cent in real terms over 2006-07 and 2007-08;
- public sector net investment (PSNI) to rise from 2 per cent of GDP to 2½ per cent by 2007-08, to continue to address historic under-investment in the UK's infrastructure while meeting the sustainable investment rule; and
- agreed efficiency targets for all departments, delivering over £20 billion of efficiency gains a year by 2007-08 to be recycled to front-line public services.

Public capital investment **6.3** The Government is addressing the legacy of underinvestment in the UK's infrastructure by reforming the public spending framework to ensure prioritisation of investment, and by providing for increasing public capital spending. To date, the Government has delivered significant increases in capital investment in public services with net investment increasing to an estimated £21.7 billion in 2004-05. Although estimated investment this year, mainly in local authorities and public corporations, is below the Budget 2004 forecasts, resources will be carried forward to future years to ensure delivery of the Government's aggregate investment plans. Total investment in public services, which includes gross capital spending by the public sector, including that financed by asset sales, and estimated investment scored to the private sector undertaken through Public Private Partnerships (PPPs), is set to rise to almost £60 billion by 2007-08, as shown in Chart 6.1.



6.4 It is important that these historic increases in investment in public assets are effectively planned, delivered and managed. To reinforce this, the Government commissioned Sir Michael Lyons to report on how to further improve public sector asset management and his report, *Toward Better Management of Public Sector Assets*, is published today alongside the Pre-Budget Report. Sir Michael's report is described later in this chapter. His recommendations will be taken forward and reflected in Departmental Investment Strategies.

6.5 This step change in funding for public service priorities is affordable as a result of prudent management of the economy and the public finances, which have enabled the Government to continue to contain growth in social security and debt interest payments, as illustrated in Chart 6.2.



Provision for 6.6 The Pre-Budget Report announces further resources directed to the Government's priorities. In particular it announces:

- additional resources to fund the ten year strategy for childcare, as outlined in detail in Chapter 5;
- further resources for military operations in Iraq and the UK's other international obligations, and for counter-terrorism and resilience; and
- taking action to reduce pressures on council tax in 2005-06 by £1 billion by releasing an extra £125 million of resources for England alongside a reduction in ring fencing and other obligations and £512 million from departmental reallocations.

Special reserve 6.7 The Government has to date provided £4.4 billion to meet the extra costs of the military conflicts in Afghanistan and Iraq and other international obligations. In this Pre-Budget Report, as a prudent allowance against continuing commitments, **the Government adds £520 million to the special reserve for 2004-05** – raising the overall provision to nearly £5 billion by April 2005.

6.8 Since 11 September 2001, the Government has given increased priority to improving the UK's ability to respond to the terrorist threat. In total, annual spending on counter-terrorism and resilience across departments will be over £2 billion in 2007-08, compared with £1.5 billion in 2004-05 and less than £1 billion before 11 September 2001. Since the Spending Review, the Government has allocated, in total, a further £105 million to this priority: to the Office of the Deputy Prime Minister for civil resilience; for counter-terrorism measures in the Home Office; and to strengthen HM Customs and Excise's work on improving security at ports.

Funding local services 6.9 The Government is committed to achieving stability and sustainability in the funding of local authorities, so that they can play a full part in delivering high quality public services. The 2004 Spending Review announced a number of commitments to strengthen the ability of local government to contribute to public service delivery, including the introduction of full three-year settlements for local authorities and real terms annual increases in funding between 2005-06 and 2007-08 averaging 2.7 per cent for revenue and 4.8 per cent for capital.

6.10 However, the Government accepts that many of the problems in the current local government finance system in general, and council tax in particular, can only be solved in the longer term. The independent inquiry into local government finance, headed by Sir Michael Lyons, has been established to take a fundamental look at how this system can be reformed and will report by the end of 2005.

6.11 Since the 2004 Spending Review, the Government has been working closely with local authorities and others to ensure that local government is able to deliver public service improvement across all the key areas for which it has responsibility, including schools, children's services, adult social services, housing, planning, waste disposal and many others, without imposing unacceptable rises in council tax.

6.12 To this end the Government has taken action to reduce pressures on council tax by £1 billion in 2005-06. This will be achieved both through an increase in resources provided by central government and by changes to increase flexibility, reduce ring fencing and reduce obligations for local government. **Direct grant will be increased by more than £600 million above the grant set for 2005-06 in the 2002 Spending Review settlement. To fund this, Departments have reallocated £512 million of existing funding from central programmes to local authorities. An additional £125 million in new funding for England has also been allocated to local government.** Alongside this additional money, the Government will be implementing measures to reduce local authorities' need to raise council tax by one third of one billion pounds, for example reducing by £75 million the amount that local authorities will be obliged to pass on to schools and setting upper limits for some recycling targets.

6.13 This increased funding and flexibility means that local authorities will be able to deliver better public services alongside council tax rises significantly lower than last year's 5.9 per cent. The Government will be prepared to take even tougher capping action in 2005-06 than last year to ensure that rises in council tax are acceptable for all people, including pensioners and others on low or fixed incomes, in all areas.

¹ £125 million will be transferred from the Exchequer to local government revenue support grant, with an additional £24 million going to Scotland, Wales and Northern Ireland under the Barnett formula.

DELIVERING RESOURCES TO THE FRONT LINE

6.14 The Government's vision is to create modern and efficient public services. The Government is committed to securing efficiency improvements that will either directly increase the output and quality of public services, or will free up major resources that can be better spent on front-line services. This will be achieved by transformational change in key areas so that the public services:

- work across departmental boundaries and maximise the opportunities for securing good value across the public sector when procuring goods and services;
- promote the use of electronic services across government making transactions with government departments more accessible for people;
- share corporate services such as IT, Human Resources (HR) and finance functions where it makes sense to do so;
- have fewer staff in support services and more staff on the front line; and
- have a better regional balance of activity with fewer non-front line staff in high cost locations.

6.15 Following Sir Peter Gershon's independent review of public sector efficiency,² the 2004 Spending Review published targets for government departments to deliver efficiency gains, in aggregate, in excess of £20 billion by 2007-08. Local government is expected to contribute at least £6.45 billion of these efficiency gains. At least half of these savings must be cashable, which will allow resources to be recycled to fund priorities at the front line. Other efficiency gains will lead to increases in public sector outputs including improvements in quality.

6.16 Achieving this transformational change means that workforce restructuring is necessary. Alongside an overall increase of 250,000 public sector staff delivering front-line public services, there is a planned gross reduction of around 84,000 civil service posts, with net reductions of around 70,000; and the relocation of over 20,000 posts out of London and the South East in line with the recommendations of Sir Michael Lyons' review.³

6.17 Reducing administration costs is integral to driving economy and efficiency. To meet this commitment, the 2004 Spending Review set administration budgets for each department at or below the 2005-06 nominal level for 2006-07 and 2007-08 (representing a real terms reduction of at least 5 per cent) with the exception of the Security and Intelligence Agencies and the Foreign and Commonwealth Office where additional spending is necessary on vital security needs.

Progress on the ground

6.18 Since the 2004 Spending Review there has been good progress both by departments in delivering efficiencies and in cross-government action to support efficiency. Detailed long-term plans are being developed for the whole spending review period up to 2008 and departments have published Efficiency Technical Notes, explaining how efficiency gains will be measured. Box 6.1 describes some of the efficiencies departments are implementing already, in advance of the period covered by the 2004 Spending Review.

² *Releasing resources to the front line. Independent Review of Public Sector Efficiency*, Sir Peter Gershon CBE, July 2004.

³ *Well placed to deliver? – Shaping the pattern of Government service*, Sir Michael Lyons, March 2004.

6.19 On relocation, around 4,000 posts will have moved out of London and the South East by the end of 2004-05. Plans are on track that will result in over 10,000 posts – more than half the announced total target for 2010 – relocating by the end of 2007-08.

6.20 There has also been progress in the broad areas of efficiency identified by Sir Peter Gershon, including procurement, electronic government and the use of benchmarking to reduce the costs of corporate services such as IT:

- the Office of Government Commerce (OGC) has reported £2 billion of value for money gains in central civil government procurement for 2003-04. Around £500 million has been saved through collaboration between departments and as a result of direct negotiation between departments and suppliers. Nearly £600 million of procurement savings have been made between the Home Office, Department for Work and Pensions (DWP) and the Inland Revenue. OGCbuying.solutions, the Ministry of Defence and the NHS Purchasing and Supplies Agency have agreed to co-ordinate their purchase of energy which will yield estimated annual savings of between £5 million and £10 million. Further action by the Government to improve value for money in procurement is set out in Box 6.2;
- a recent Defra IT-outsourcing contract used benchmarks to secure efficiency savings of at least £25 million per year by 2007-08; and
- the successful introduction of bar-coded transactions at the Post Office means some 40 million licensing transactions are processed electronically each year. This has significantly improved the accuracy of vehicle records and reduced DVLA processing costs.

Box 6.1: Departmental progress on efficiency

The Department of Health (DoH) has negotiated a price cut with the drugs industry of 7 per cent, providing savings of £370 million per year on branded medicines in England. This will be channelled back into front-line NHS services by local Primary Care Trusts. Further savings on generic medicines will increase total savings for the NHS of £1bn per year from 2005-06 available for allocation to front-line health services. DoH has also announced savings in its arms-length bodies: savings of £140 million in 2005-06, rising to £500 million by 2007-08; staffing reduced by around 5,000 and another 750 posts released for front-line service delivery by 2007-08.

The Department for Work and Pensions has relocated 2,050 posts and has reduced workforce numbers by over 6,000 – well on course to deliver the ambitious targets set in the 2004 Spending Review.

The Ministry of Defence has consolidated army junior entry training in North Yorkshire, resulting in 1,230 posts relocating out of the South East, and has reduced HQ numbers by around 300 staff. It is also on track to deliver over £400 million in savings through improved Defence Logistics available for allocation to front-line defence services.

The Department for Transport (DfT) will deliver efficiency gains of around £140 million in 2004-05 as a result of the Highways Agency improving its procurement regime and the DVLA implementing electronic service delivery. On top of its existing efficiency programme, and as part of implementing the reform agenda set out in the recent Rail White Paper, the DfT is legislating to streamline the public sector organisations involved in the delivery of rail services – including abolishing the Strategic Rail Authority (SRA). Further detailed design work remains to be carried out, but these reforms will reduce by about half, from around 600, the current public sector posts covering rail in the DfT, the SRA and their associated bodies.

The Inland Revenue and HM Customs and Excise are on track to meet their workforce targets, with reductions of 836 staff and relocation of 274 posts during 2004-05.

The Department for Education and Skills has reduced its workforce by 450; the **Department of Health** is on track to reduce its HQ staffing by over 700 by the end of 2004-05; and the **Department for Environment Food and Rural Affairs** has already delivered a reduction of 120 staff this year. **The Office for Standards in Education (Ofsted)** has announced plans for a workforce reduction of 500, with the relocation of 324 posts to Manchester, Nottingham and Bristol, by 2007-08.

The Police Service is on track to deliver total efficiency improvements of £190 million in 2004-05 through improved procurement and more effective use of officers' time.

The Department of Trade and Industry has moved 85 posts out of London, and the **Department for International Development** has moved 45 posts with a further 40 to follow during 2005.

National Savings and Investments will continue to build on the efficiency gains achieved so far through their partnership with Siemens Business Service, as announced by Siemens on 13 August 2004.

Local Government is expected to release £30 million of resources this year through e-enabling service delivery and securing unit cost savings in e-payment mechanisms and e-procurement. This builds on £20 million of cashable savings achieved last year.

Box 6.2: Procurement

The Government is committed to achieving value for money in public sector procurement to support the delivery of high quality public services through a range of initiatives led by the Office of Government Commerce (OGC). In addition to supporting the Government's productivity agenda, the initiatives set out in Chapter 3 are a key driver of value for money in procurement. In particular, the implementation of the Kelly Review of competition and capacity planning in procurement markets will drive forward improvements including:

- improved dialogue between the public and private sectors, which will help Government better frame its requirements to ensure value for money;
- opening up the supply chain to develop flexible and innovative procurement solutions; and
- reinforcing the existing drive to improve departmental client capability through the development of departmental Centres of Excellence and improving skills in programme and project management.

Building on OGC's success in promoting value for money improvements in central civil government procurement, including the achievement of £2 billion in value for money gains for 2003-04, the Government has decided that OGC's remit should be extended into the wider public sector from April 2005. OGC is currently engaged with stakeholders in key sectors, particularly at the local level, to identify the best way of working together to address challenges in project delivery, improving procurement performance and achievement of value for money targets. Engagement plans with each sector will be agreed with stakeholders by 1 April 2005, with OGC geared up to deliver its contribution at the same time.

Developing the efficiency agenda

6.21 The Government, building on Sir Peter Gershon's review of efficiency, is taking further steps to identify and implement more efficient business planning and management in the public sector.

Asset management

6.22 Securing the efficient delivery of public services depends on effective management of public sector assets. In the light of the estate implications of the efficiency and relocation reviews, the Chancellor asked Sir Michael Lyons to undertake a study of the management of public sector assets, including disposals, and to make proposals to improve asset management planning in the public sector which would help generate efficiency savings as well as contribute to the Government's objective of £30 billion worth of asset disposals by 2010.

6.23 The report, *Toward Better Management of Public Sector Assets*, is published alongside the Pre-Budget Report. The report concludes that the objective of £30 billion of public sector asset sales by 2010 is achievable but challenging and requires the Government to strengthen the management of assets by departments and others. The Government welcomes the report and will take forward the implementation of Sir Michael's recommendations that:

- the Government should review the linkage between investment and asset management at a strategic level to ensure a national framework which balances future capital investment with exploitation and maintenance of existing assets;

- departments should develop asset management strategies driven by their business plans which are the responsibility of finance directors and considered at board level;
- departments must show how they will contribute to the Government's objectives for asset management, including achieving £30 billion of asset disposals by 2010;
- the Government should review and where appropriate strengthen incentives for improved asset management;
- there should be improved asset management planning at local level with local government taking a lead role and departments and other agencies being required to engage locally;
- the Government should strengthen public sector property coordination in London and the effective use of workspace; and
- the Government should consider the establishment of a task force drawn from both the public and private sectors, to advise ministers, provide external challenge to departments on asset management, and explore the scope for further engagement with the private sector.

Financial Management Review **6.24** Efficient delivery of public services requires effective management of departmental spending on the basis of good information. There has been significant progress in the last five years in improving the management of resources in government, including the introduction of full resource accounting and budgeting and the establishment of the current public expenditure framework. At the same time, the Efficiency Review made clear that further work was needed to ensure departments are in a position to manage their resources in the most efficient way. To this end, Mary Keegan, Head of the Government Accountancy Service, is leading a department-by-department review of the effectiveness of financial management within government.

Government Offices' Review **6.25** Government Offices (GOs) represent the Government in the regions, working with local partners to administer or influence funding streams on behalf of departments. The 2004 Spending Review announced a reduction in the GOs' administration budget from the nominal 2005-06 level by 2.5 per cent a year in cash terms, as part of the drive for greater public sector efficiency. In the light of this, and of new roles and changing departmental demands on the GOs such as negotiating Local Area Agreement Pilots, HM Treasury is working with the Office of the Deputy Prime Minister (ODPM) and other departments to examine ways of improving the efficiency and effectiveness of the Government Office network. This work is expected to be completed early next year.

Atkinson Review **6.26** Public sector performance – both against efficiency targets and in delivering against the Government's priorities – must be judged on a clear and consistent basis. As described in Box 6.3, it is important to have robust measures of both efficiency and productivity in the public services. Reflecting this, Sir Tony Atkinson, Warden of Nuffield College Oxford, was asked by the National Statistician in December 2003 to undertake an independent review of the future development of measures of government output, productivity and associated price indices. Sir Tony published an interim report in July 2004, and will publish a final report in January 2005. The Office for National Statistics (ONS) have made a commitment to implement a response to the final report following its publication.⁴ Further material on the potential impact of the Atkinson Review on the measurement of government output is provided in Annex A.

⁴Office for National Statistics: *Performance Management Framework*, Office for National Statistics, July 2004.

Box 6.3: Measuring efficiency and productivity in the public services

Improving the efficiency and productivity of the public sector are important components of the Government's objective of excellent and equitable public services. Both efficiency and productivity are concerned with the relationship between public sector inputs and outputs. They can both be improved by reducing the amount of inputs, while maintaining the same level of service provision, or by producing additional outputs – either greater quality or quantity – for the same level of inputs. There are currently two complementary processes respectively developing ways of improving efficiency and measuring productivity:

- the Government's efficiency programme follows the conclusions of Sir Peter Gershon's independent review of public sector efficiency, which focused on releasing "major resources out of activities which can be undertaken more efficiently into front line services that meet the public's highest priorities". As part of Spending Review 2004, departments agreed efficiency targets, alongside outcome-focused PSAs and departmental budgets, to ensure that significant resources can be released to front-line activities, and to deliver further improvements in public sector performance. In delivering these targets, departments will focus on processes in areas that can be simplified or streamlined; and
- the Atkinson Review was commissioned by the National Statistician to advise on ways of measuring public services' output and productivity for the National Accounts, focusing mainly on four major areas of spending – health, education, public order and safety, and social protection. National Accounts measures of output and productivity need to be as complete as possible, measuring output across all relevant spending.

Improvements to the service received by users as a result of the Government's efficiency programme, may come in ways that will be captured by current National Accounts measures of output, for example, more out-patient appointments. However, they may also come through other effects such as better communication skills among pupils as a result of spending more time with teachers. These effects are harder to measure and will not necessarily be fully captured in the current National Accounts. Consequently, efficiency savings arising from Sir Peter Gershon's review of efficiency may have impacts in terms of improvements for users which are not reflected in the National Accounts measures of productivity.

Both measures are important, and alongside PSA targets, which incorporate equity objectives not relevant to National Accounts, they form a range of indicators that are necessary to inform policy decisions and to help ensure public accountability and transparency. Improving measurement and making measures publicly available is therefore an important part of the Government's commitment to accountability in the provision of public services. Nevertheless, it is clear that no single indicator, however well measured, can ever fully describe the performance of complex public services.

Workforce reform

6.27 Plans set in the 2004 Spending Review, including from resources freed up by efficiency gains, will allow for up to 250,000 more public service staff to deliver frontline services in key areas like education, healthcare and criminal justice by 2008. This will include: an estimated 143,000 more front-line health workers, such as nurses, GPs and consultants; over 33,000 more criminal justice workers in prisons, the police and youth justice; and about 55,000 more early years and childcare workers.

6.28 At the same time, savings from past investment in IT of around £6 billion, designed to streamline functions such as finance, HR and ICT across departments and delivery of transactions by departments like DWP and the new integrated revenue department, meant that in the 2004 Spending Review the Government could set out plans for gross reductions of around 84,000 administrative and support posts by April 2008, on the basis of the levels of activity and policy commitments set out at the time. 13,500 posts will be reallocated to the provision of front-line services to the public by the civil service.

A new deal for civil servants

6.29 The Government will ensure that departments act as responsible employers in taking forward the staffing implications of the Efficiency Programme. It has put in place a new service, the Efficiency & Relocation Support Programme, to provide information, advice and support for those civil servants affected by the changes. Over the next few months, the Government will ensure that wider public service job and retraining opportunities are communicated to these staff down to local levels. Jobcentre Plus is working to ensure that vacancies are accessible to facilitate the deployment of surplus staff. The Northwest Regional Network has been established to broker vacancies across the region. This will open up opportunities within the wider public sector and will be rolled out nationally. Affected staff in the region are being made aware of these opportunities.

Sickness absence

6.30 The 2004 Spending Review commissioned the Secretary of State for Work and Pensions to review the causes of long-term sickness absence across the public sector, and the Cabinet Office to examine options for tackling short-term absence, while recognising the right to sickness absence and support for the genuinely sick. The review, which will be published by the Secretary of State for Work and Pensions and the Minister for the Cabinet Office next week, highlights the potential saving from better management, and picks out good practice from across the economy. It concludes that good absence management depends on:

- leadership from top-level managers;
- real-time data on absence, and triggers for intervention and audit of management action;
- line managers having the skills and support to deal with case management, referral and return to work; and
- regular and supportive contact for those who are absent due to sickness.

6.31 The civil service is taking a lead in acting on these conclusions. Departments and agencies will draw up detailed plans for absence management. Each department will answer an annual Parliamentary Question on its absence record. **The Cabinet Secretary will ensure that Permanent Secretaries, Agency Chief Executives and departmental boards take responsibility for the management of absence in their organisations and account for progress through existing performance review mechanisms.** The civil service will also pilot innovative approaches to tackling absence, including the wider use of occupational health professionals to certify absence and offer support. The civil service will instigate further work looking at the issues of job and workplace design in relation to absence. A detailed delivery plan will be drawn up, agreed with stakeholders and published by Budget 2005.

Local pay

6.32 In the civil service, departments are being asked to analyse the case for more local pay variation through the pay remits process and through revisions to pay and workforce strategies. In the wider public sector, all of the Pay Review Bodies (PRBs) have been given a clear locus to investigate the role that local pay could play in addressing specific recruitment and retention issues. They will make recommendations to Ministers in the New Year.

DELIVERING PROGRESS AND REFORM

6.33 In addition to the focus on improved efficiency, broader reform of the public services is needed to ensure they can meet the Government's long-term objective of building a flexible economy and fair society. The investment delivered in the last three spending reviews has translated into significant improvements in public service outcomes, as set out below. As in previous Spending Reviews, to ensure these improvements continue, extra investment provided in the 2004 Spending Review is linked to reforms to enhance further service delivery and ensure that public resources are focused where it counts – on the patient, the pupil and the citizen. The next steps in public service reform build on existing strong foundations to enable continuing improvement in public services. The 2004 Spending Review announced measures to:

- strengthen further the achievement of national objectives;
- increase devolution and flexibility for front-line professionals and communities;
- enable front-line staff to develop a new professionalism; and
- achieve more personalised public services.

Strengthening national objectives **6.34** As part of the 2004 Spending Review, the framework of PSAs was strengthened and refined to reflect the conclusions of the Devolving Decision Making Review, published alongside Budget 2004.⁵ In particular, the Government has strengthened PSAs by:

- focusing even more closely on outcomes, removing input targets and giving the front line maximum scope to determine how to deliver outcomes most effectively at the local level in consultation with stakeholders and the public;
- introducing PSA 'standards' in particular areas of public service delivery. PSA standards highlight areas where the Government's ambitions for delivery expressed in previous PSA targets have been achieved but where performance data will continue to be monitored and reported to ensure that high levels of performance are maintained;
- increased consultation with a wide range of stakeholders, particularly the front line, on the phrasing and measurement of targets;
- greater use of evidence and analysis to ensure that the targets are informed by delivery expertise and best practice; and
- reducing the burdens on front-line staff by the removal of 500 Service Delivery Agreements (SDAs) that previously set targets below PSAs and increasing the freedom to set local priorities alongside national targets, for example through reformed local PSAs.

6.35 Progress against PSA targets will continue to be made public regularly through Autumn Performance Reports, Departmental Reports and web-based reporting.

6.36 Improvements to the PSA framework will be matched by reform of inspection. The Government will work to ensure that independent audit and inspection continues to challenge the public services to improve further, by taking greater account of the experiences of those who use the services under assessment. It will work to rationalise further inspection and regulation regimes to maintain public confidence without unnecessary burden to public service providers.

⁵ *Devolving decision making: 1 – Delivering better public services: Refining targets and performance management*, HM Treasury, March 2004.

Devolving decision-making

6.37 The Government is clear that robust national standards work best as part of an overall framework of devolution and local accountability. A devolved approach to public service delivery can help deliver excellent and equitable public services that are better suited to different local and regional needs and individual circumstances. In line with the findings of the Devolving Decision Making Review, the Government has been giving local and regional services greater flexibility to enable them to meet better central priorities and decide on local ones. Devolution and local decision-making empower public service staff and professionals, allowing services to be tailored to meet local needs and encouraging innovative approaches to delivery. For example:

- recently announced police reform proposals will reduce bureaucracy for the police to enable them to be more responsive and accountable to their local communities and neighbourhoods;
- the Government will increase autonomy for schools by providing them with three year financial settlements and establishing a New Relationship with Schools, freeing secondary schools from unnecessary bureaucracy through a single point of contact; and
- the Government is also developing the relationship between central and local government, strengthening local PSAs, developing the Safer and Stronger Communities Fund and piloting Local Area Agreements.

6.38 The second Devolving Decision Making Review, also published alongside Budget 2004, set out the case for more devolved decision-making, including to strengthen the capacity of regional institutions to meet their specific economic challenges.⁶ Building on this approach the 2004 Spending Review:

- devolved additional responsibilities for business support, business-university collaboration, enterprise in disadvantaged areas and rural socio-economic development to the Regional Development Agencies (RDAs);
- established greater flexibility for RDAs through a new, strategic 'tasking framework' linking RDA outputs in their Corporate Plans more closely to key regional and national priorities. The new framework for 2005-08 will be made public shortly, with Corporate Plans being published early next year;
- was informed by a strong input from the English regions through the Regional Emphasis Documents (REDs). The Treasury published an overall response to the REDs in July 2004, and will publish a response to each RED later this year; and
- announced the intention to enhance further regional input into decision-making.

6.39 Alongside the Pre-Budget Report, the Government is now consulting the regions and others on how best to involve them in key decisions through indicative regional funding allocations and longer-term planning assumptions for transport, housing and economic development. (Box 6.4 outlines the proposals further.) On the basis of this consultation, the Government will detail this further step in Budget 2005.

⁶ *Devolving decision making: 2 – Meeting the regional economic challenge: Increasing regional and local flexibility*, HM Treasury, March 2004.

Box 6.4: Regional funding allocations for transport, housing and economic development

The Government recognises that choices for each region on transport, housing, planning and economic development cannot be taken in isolation. The Government also believes that these choices are best taken when informed by regional stakeholders. Building on proposals from the regions in the Regional Emphasis Documents, the 2004 Spending Review announced that the Government would examine new ways to integrate transport, economic and spatial development strategies in each region, within a framework of indicative funding allocations for each region.

The Government is setting out proposals for consultation alongside the Pre-Budget Report to establish regional transport funding allocations for the first time, and to supplement the regional transport, economic development and housing funding allocations set over the 2004 Spending Review period with guidance on long term planning assumptions for the regions beyond the spending review period.^a These regional funding allocations and longer term planning assumptions will give regions a far stronger base on which to plan. By submitting proposals consistent with these assumptions regions will have a stronger voice in the next Spending Review.

^a*Devolving decision making: A consultation on regional funding allocations*, HM Treasury, DfT, DTI and ODPM, available at www.hm-treasury.gov.uk

New professionalism 6.40 More streamlined achievement of national objectives and greater devolution of decision-making will empower frontline professionals to exercise a greater role in their own improvement and to deliver more personalised services. The Government aims to engender a new professionalism that gives frontline professionals the capacity to take advantage of greater freedoms and flexibilities, motivated by their public service ethos. To achieve this, as well as providing more resources to the frontline, the Government is:

- taking steps to foster stronger local leadership through setting up institutions such as the National College for School Leadership and the NHS Leadership Centre; and
- enabling frontline professionals to learn from each other through greater collaboration and the spread of best practice across local government, the NHS and schools.

Personalisation 6.41 The Government is committed to delivering public services that are excellent for everyone. Each individual has unique needs and circumstances. Delivering fair outcomes therefore requires differentiated services that can be responsive to each individual's needs and circumstances. The Government's goal is to provide flexible public services that are personalised to individuals and can ensure fairer outcomes. The 2004 Spending Review and departmental five-year plans set out how the Government will ensure greater personalisation through increased choice and more flexible access to a greater range of services, delivered in a more integrated fashion and with more opportunities for user and citizen involvement. For example:

- in the health service key steps include ensuring a maximum wait of 18 weeks from GP to hospital treatment and more integration of health and social care for elderly people in health and social services;
- as described in Chapter 4, DWP is continuing to increase personalisation through tailored pathways to work and support for particular groups, such as claimants of incapacity benefit;
- future reform to 14-19 education and services for young people will aim to provide more diverse services that are both more joined-up and delivered according to the needs of children, young people and parents; and

- the recent police reform white paper provides for police to be more visible, responsive and engaged with their local communities and neighbourhoods. Greater transparency and stronger democratic accountability will enable communities to have greater involvement in what their local police do.

Voluntary and community sector

6.42 Voluntary and community organisations are often well placed to help deliver public services, especially where their close understanding of local communities and of the needs of particular groups of the population enables them to provide more responsive and personalised public services. The Voluntary and Community Sector (VCS) Review reported interim findings at the time of the 2004 Spending Review, and reached several key conclusions:

- the sector can offer many clear advantages in public service delivery and reform but is limited by access to financial capital and poor levels of understanding within the public sector;
- there is potential for a greater or more effective role of the sector in particular in health care services for older people, homeless hostel provision, correctional services, ethnic minority employment, and parenting support and adult learning. Departments are publishing actions plans in each of these areas; and
- effective involvement of the sector relies on strong partnerships with local public sector bodies. There are many examples of good practice, but there is more to be done to learn from these, in a range of areas.

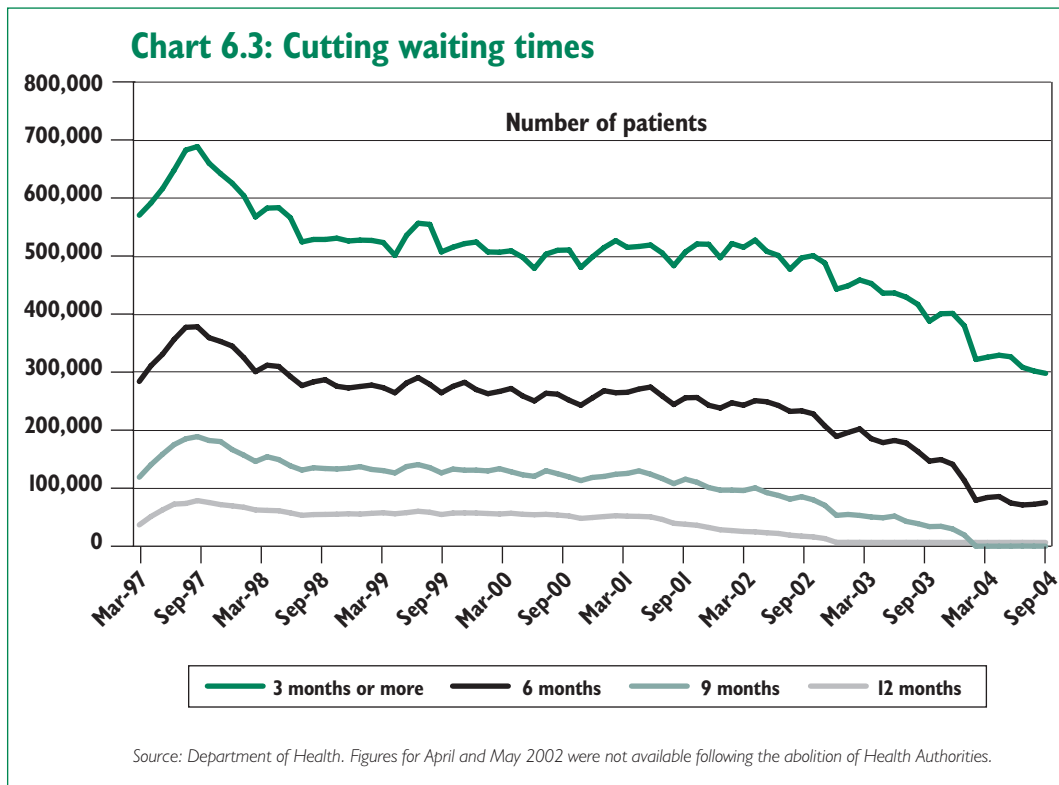
6.43 The full findings of the VCS review will be published in the new year through three publications: *Working Together, Better Together*, a summary pamphlet recording the findings of the review; *Exploring the role of the third sector in public service delivery and reform*, a discussion document on the development of this field; and *Effective Local Partnerships*, a leaflet setting out a practical checklist for local practitioners entering into partnership arrangements with the voluntary and community sector. The Government will host a third sector summit early next year with a series of seminars to discuss how the role of the VCS in public service delivery can be taken forward.

6.44 The Local Community Sector Taskforce, set up as part of the 2004 Spending Review, will take forward the development of regional Compacts between the VCS and RDAs in public service delivery and community participation, and will assist the VCS in managing the effects of the wind down of the Single Regeneration Budget. The Taskforce will report to the Deputy Prime Minister and the Chancellor and is made up of representatives from Government departments, the RDAs and the VCS.

6.45 The Government's commitment to developing the capacity for the VCS has already been demonstrated through the £125 million Futurebuilders fund, which aims to improve public service delivery through long-term investment in the VCS in England. The Fund has so far received more than 600 applications and the first investments will be announced in early 2005.

Delivery and reforms on the front line

6.46 The Government's approach to improving public service performance – matching investment with a clear framework of delivery and reform – is being put into practice across the public services, producing real progress in standards and outcomes. The 2004 Spending Review set out how the public services will build on these advances, outlining the agenda for further reform, efficiency gains, and improvements in service delivery.



Health 6.47 In Budget 2002, the Government announced an annual average real increase in NHS funding of 7.2 per cent over five years, linked to far-reaching reform. This has helped deliver significant improvements in service standards and outcomes. Compared to 1997-98, there are now 450,000 more operations per year, while maximum waiting times for an operation have been halved from 18 months in 1997 to nine months in April 2004, and more than 300,000 fewer patients are waiting for treatment. Premature deaths from heart disease and cancer have also fallen sharply – by over 23 per cent and 12 per cent respectively since the period from 1995-97.

6.48 Over the 2004 Spending Review period, the Government's priority will be to lock in the reforms set out in the NHS Plan,⁷ building on the successes already achieved while driving through further fundamental reforms. The challenge is to deliver more personalised health care to patients at a time and place of their choosing, while improving primary and preventative care to tackle the underlying causes of ill health and health inequalities. Key measures to meet these challenges are:

- greater priority for disease prevention, tackling health inequalities and improved chronic disease management;
- a new PSA target to deliver a maximum wait from GP referral to hospital treatment of 18 weeks by the end of 2008. NHS patients will also have the right to choose from at least four or five different healthcare providers from the end of 2005, and from 2008, from any provider that meets NHS standards and can do so within the NHS's national maximum price; and
- a focus on adult social care, protecting and promoting independence for the elderly and the vulnerable and supporting social inclusion. Investment will be delivered in social services worth £1.8 billion more a year by 2007-08 than in 2004-05.

⁷ *The NHS Plan: a plan for investment, a plan for reform*, Department of Health, July 2000.

**Childcare,
Children's
Services and
Youth Services**

6.49 The Government is committed to working toward affordable, quality childcare available to all and is investing record amounts in childcare and early years. In the 2004 Spending Review, funding for Sure Start was increased by £769m in 2007-08 compared to 2004-05. The Government has published *Choice for parents, the best start for children; a ten year strategy for childcare*, alongside this Pre-Budget Report, to build on this investment and improve childcare services. The strategy is described in detail in Chapter 5. The Government will also bring forward a green paper on youth and young people within the next few months, outlining its vision of integrated and improved youth services, building on the ongoing reforms to children's services set out in *Every Child Matters*.⁸ The Children Act, which received Royal Assent in November 2004, will provide the legal basis to implement recommendations and associated statutory Guidance on children's services. This includes Guidance that will place a duty to cooperate on local authorities and other key stakeholders.

Funding for sport 6.50 The independent review of funding for sport, led by Lord Carter, will make recommendations on improving the efficiency and effectiveness of investment in sports facilities and participation. Box 6.5 describes the provisional interim findings of the Carter Review.

Box 6.5: The Carter Review of funding for sport

In July 2004, the Chancellor and the Secretary of State for Culture, Media and Sport asked Lord Carter to review the coordination of national sports effort and resources. Lord Carter's report will be published in Spring 2005.

The Government's strategy for sport was set out in Game Plan^a. Achieving increased participation in sport depends on educating and persuading potential users, coaching, efficient and effective structures and funding, and on the provision of quality sports facilities for communities. Investment in new facilities for schools is being provided through the Government's Building Schools for the Future programme and by the National Lottery. As well as investment in facilities, the Government has announced a new cross-government public health campaign to raise awareness of the benefits of including physical activity in everyday life.^b

The review is examining the scope for involving private and public sectors together in a new National Sports Foundation. A foundation could act as a sponsorship clearing house for sports projects and act as a catalyst for the untapped energies of sports organisations by developing their capacity to involve local communities and private management expertise in the running of grassroots facilities.

^a *Game Plan: a strategy for delivering Government's sport and physical activity objectives*, Strategy Unit, December 2002.

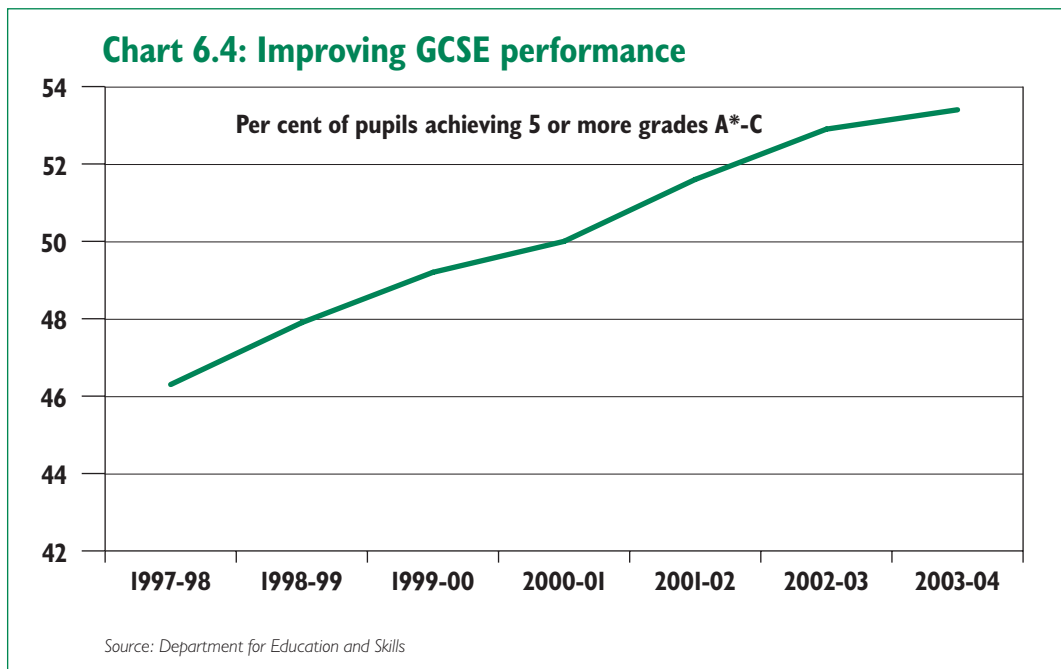
^b *Choosing Health: Making healthy choices easier*, Department of Health, November 2004.

Education 6.51 The 2004 Spending Review provided for education spending in England to grow by an annual average of 4.4 per cent in real terms, building on the sustained high investment and improving standards in education since 1997. For example, 53.4 per cent of 16 year olds achieved five or more A* to C grade GCSEs in 2004, compared to 45 per cent in 1997. The Government has reached its target to help 750,000 adults gain basic skills by 2004 and there are over 250,000 young people currently learning through apprenticeships.

⁸ *Every Child Matters*, September 2003.

6.52 The Department for Education and Skills (DfES) recently published its *Five Year Strategy for Children and Learners*,⁹ which sets out the next steps in the Government's work to drive improvements at all levels of the education system. Personalisation and devolved decision making will be central to those reforms, which aim to narrow the attainment gap between schools and between individual pupils. In addition to the Five Year Strategy the Government:

- will publish a white paper in the new year outlining its response to the final report of the Working Group on 14-19 reform, chaired by Mike Tomlinson. The Government has welcomed the report, which outlines plans for a reformed curriculum structure; and
- to ensure the FE sector is able to meet the challenge of 14-19 reform, delivering the aims of the Skills Strategy and Success for All, in both the medium and long term, a review will be undertaken by Sir Andrew Foster – Chair of the joint DfES/Learning and Skills Council Bureaucracy Review Group and Deputy Chairman of Royal Bank of Canada.



Transport 6.53 Long-term planning is vital for transport infrastructure. *The Future of Transport White Paper* published by the Department for Transport (DfT) in July 2004 sets out a long-term strategy for reform of the transport system backed by a sustained programme of investment over the next 15 years.¹⁰

6.54 As described above in Box 6.4, the DfT's regional agenda is an important element of this strategy, designed to make regional transport spending more transparent and to help regions to develop integrated, prioritised and affordable strategies for transport, land use and economic development. This will be complemented by a Transport Innovation Fund (TIF), to support the cost of regional and local transport schemes that contribute towards national productivity growth and innovative approaches to integrating different transport modes. DfT will administer the TIF, and will publish details of how the Fund will work in practice at the time of Budget 2005.

⁹ *Five Year Strategy for Children and Learners*, Department for Education and Skills, July 2004.

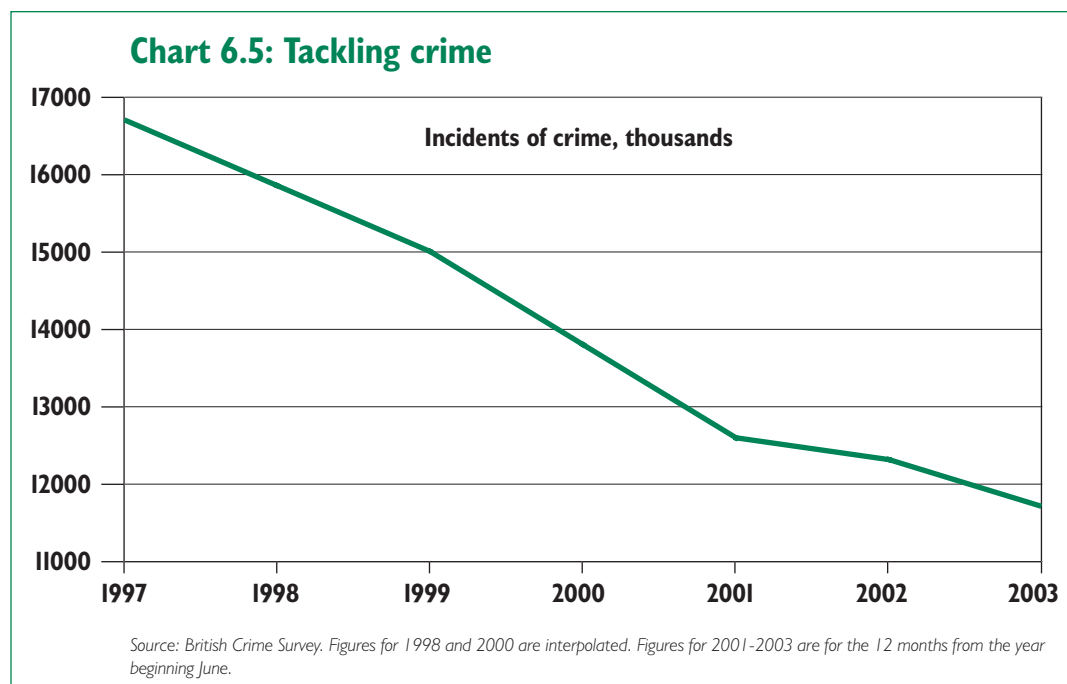
¹⁰ *The Future of Transport: a network for 2030*, Department for Transport, July 2004.

6.55 DfT is making positive progress in delivering against its PSA targets, in particular:

- on road safety, total road deaths fell by 22 per cent and child road deaths fell by 40 per cent in 2003 compared to the 1994-98 baseline;
- the use of local public transport has risen, with good progress toward the target of a 12 per cent rise in combined bus and light rail patronage from 2000-2010. Combined patronage has risen by 4 per cent over the first two years of the period; and
- rail performance is gradually improving, with the proportion of trains arriving on time increasing by 2 percentage points between 2002-03 and 2003-04. DfT set out a comprehensive reform package in the recent Rail White Paper.

Criminal Justice 6.56 The Government has made significant progress in its aim of building a safe, just and tolerant society with stronger local communities, including by:

- cutting overall crime by 30 per cent since 1997, with falls in domestic burglary and vehicle crime of 39 per cent and 40 per cent, respectively; and
- reforming the police to raise performance and increase community engagement, backed up by investment leading to record numbers of police officers and the introduction of Community Support Officers (CSOs).



6.57 The 2004 Spending Review builds on this investment and success, providing for an increase in spending on crime, justice and communities of £3.5 billion in 2007-08 compared to 2004-05. It also set stretching new targets for the Home Office, Department of Constitutional Affairs and Crown Prosecution Service to sustain progress and reform, including:

- a 15 per cent reduction in crime and increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08;

- increasing neighbourhood policing, including providing 20,000 CSOs by 2008; and
- addressing the underlying causes of crime in communities, including through youth intervention programmes and simplified local funding arrangements, and reducing further the harm caused by illegal drugs.

Housing 6.58 The Government has made significant progress in tackling homelessness. There are now two-thirds fewer people sleeping rough than in 1997, and the inappropriate use of bed and breakfast accommodation for homeless families with children has been ended. In addition, the Government has improved the condition of the social housing stock, with over a million homes brought up to the Decent Homes standard, with the aim of making all social housing decent by 2010.

6.59 The 2004 Spending Review announced a 50 per cent increase in new social house-building by 2007-08 compared to 2004-05, and an extra 10,000 homes a year funded through a £430 million increase in direct investment, an expanded Private Finance Initiative (PFI) programme, and significant efficiencies. It also announced extra investment to regenerate areas suffering from low housing demand, with funding of over £450 million a year by 2007-08 compared to £150 million in 2004-05. The 2004 Housing Act is opening up provision of new social housing to a wider range of suppliers and managers and the £200 million set aside to be competed for in 2005-06 will increase significantly over the subsequent two years. As set out in Chapter 3, the Government is taking forward the recommendations of the Barker Review of housing supply for reforms of the planning system.

6.60 The ODPM will shortly be publishing its 5-Year Strategy for housing and sustainable communities, including a pilot for transforming deprived estates into mixed communities and providing support for first-time buyers.

Royal Mint 6.61 The Government is committed to ensuring public service professionals have the flexibility to meet their priorities. In light of this, **the Government intends to transform the Royal Mint from a trading fund into a Government-owned company**. This will provide a more appropriate corporate governance structure and the opportunity for the Mint to improve its performance.

Local Government 6.62 Building a coherent relationship between central, regional and local government is at the heart of the Government's commitment to deliver high quality public services and improve the effectiveness of local government in their leadership and delivery of services to all communities.

6.63 To support this, the Government is strengthening the conversation between central and local government. The second generation of local PSAs provide an increased focus on addressing local priorities and building more effective local partnerships. Local Area Agreements are also being piloted to provide increased consultation and negotiation between central and local government on their respective priorities, within a single framework for ring-fenced local funds.

6.64 The Comprehensive Performance Assessment (CPA) introduced in 2002 gives local people a much better understanding of how well their council serves them and their community. Performance improved substantially between 2002 and 2003, with over half of county and single tier councils as well as around half of district councils now rated excellent or good across the full range of services.

6.65 The 2004 Spending Review provided substantial increases in resource and capital investment for local authorities. Alongside this, local government will be responsible for delivering at least £6.45 billion of efficiency gains by 2007-08. At least half of these savings will be cashable, releasing further resources to front-line activities.

6.66 To improve certainty and financial planning the 2004 Spending Review announced the Government's commitment to introduce three-year revenue and capital settlements for local authorities. A consultation document setting out the Government's proposals will be published later this month. This will invite views from local authorities and other stakeholders on announcing three-year revenue and capital settlements for 2006-07 and 2007-08 by Autumn 2005.

Conclusion 6.67 This chapter has shown how, through investment, efficiency and reform, the Government is transforming the quality of public services, consistent with the fiscal rules.

