

6

DELIVERING HIGH QUALITY PUBLIC SERVICES

The Government's aim is to deliver world-class public services through sustained investment and ongoing reform. The 2004 Spending Review set outcome-focused targets and spending plans to 2007-08 that locked in the increased resources delivered in previous spending reviews. It agreed efficiency targets for all departments, delivering over £20 billion of efficiency gains a year by 2007-08 to be recycled to front-line services.

Budget 2005 sets out a long-term investment programme for education. To ensure that rising educational standards are locked in and to address future challenges, the Budget announces:

- a long-term programme of investment rising by an additional £500 million in 2009-10 to deliver twenty-first century facilities in primary schools, rebuilding or radically refurbishing more than 50 per cent over around 15 years;
- increases in direct payments to headteachers of £100 million and £150 million in 2006-07 and 2007-08 to help schools deliver extended services;
- £50 million over 2006-07 and 2007-08 to support ICT in schools to help the most disadvantaged pupils;
- an additional £350 million of capital investment over 2008-09 to 2009-10 to support the transformation of the further education sector; and
- pilot programmes to ensure that every 16 to 18 year old has access to education and training.

The Government is taking its agenda for public service reform further, and announces proposals to rationalise the inspection and regulation of public services, building on the approach of the Hampton Review discussed in Chapter 3. The Government will merge the eleven main public service inspectorates currently operating into four bodies, reducing costs and the burden on front-line public services, while safeguarding the interests of public service users.

The Budget also provides an additional £340 million for the special reserve in 2004-05 and £400 million in 2005-06 for military operations in Iraq and the UK's other international obligations.

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, a modern criminal justice system and an effective 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 a fair society, which is well placed to prosper in the increasingly competitive global economy.

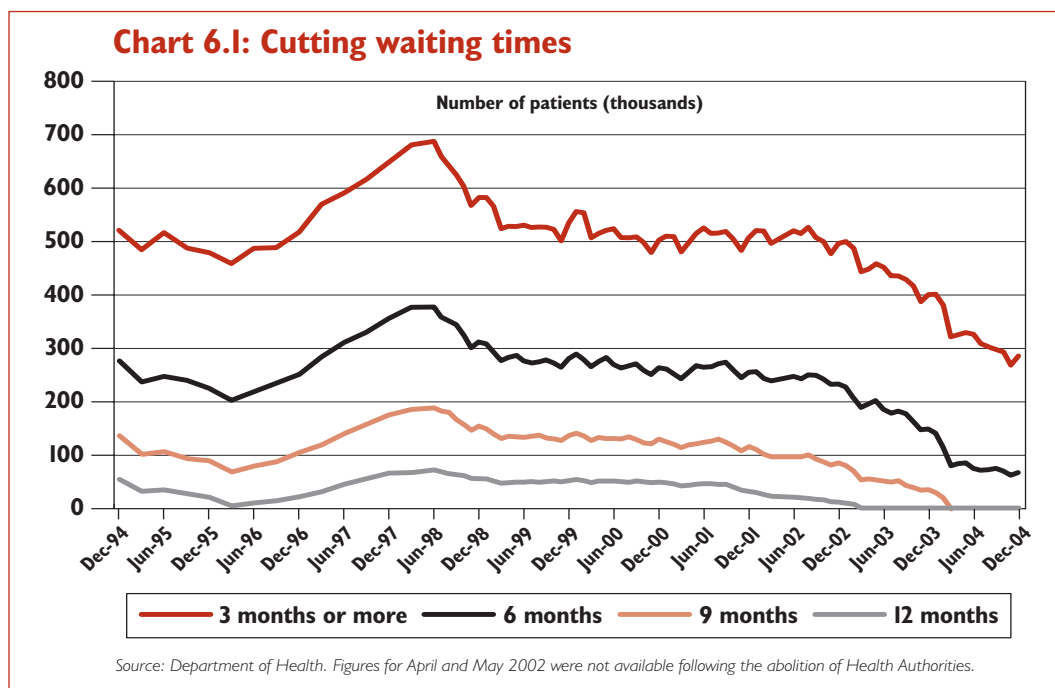
6.2 The Government has established an ambitious programme to improve public services. Its objectives are to:

- *improve outcomes*, including achieving higher standards, reduced inequalities and greater user satisfaction, by delivering excellent, equitable and more personalised public services;
- *ensure value for money*, to fulfil the Government's obligation to taxpayers and service users to employ resources efficiently and effectively; and
- *strengthen accountability*, by ensuring that those delivering public services are responsive to the needs and preferences of the individuals and communities they serve.

Improvements in public services

6.3 Significant progress is being made toward achieving these objectives for public service delivery. Recent years have seen improvements in the outputs and outcomes being delivered by public services, and in particular in the Government's key priorities:

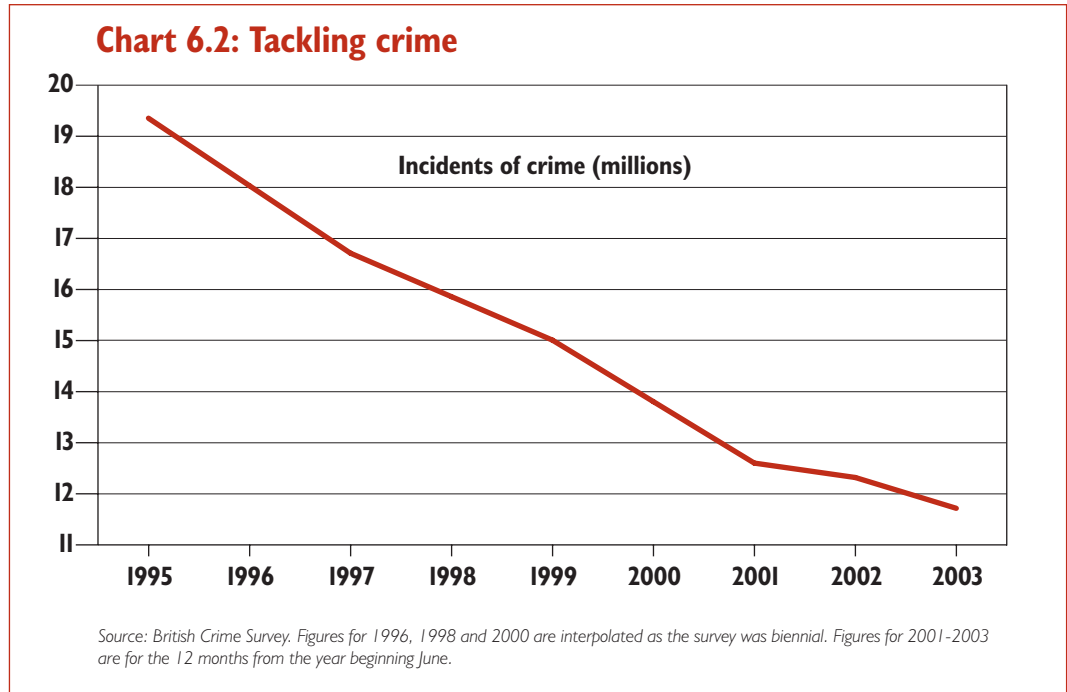
- *in health* increased resources have led to 200,000 fewer patients waiting for treatment than 10 years ago. Maximum waiting times for an operation halved from 18 months in 1997 to nine months in April 2004, and at the same time health outcomes have improved, with premature deaths from heart disease and cancer reduced by 27 per cent and 12 per cent respectively, building on earlier improving trends;
- *in education* there have been consistent improvements in attainment at all levels. The 2004 GCSE results showed that the fastest improvements are being made in areas of significant deprivation and historic low achievement. Progress is also being made towards closing gaps in attainment between different groups – Pakistani, Bangladeshi, and black pupils made the greatest progress in GCSE results last year; and
- *in criminal justice*. Crime, measured by the British Crime Survey, rose substantially in the 1980s and early 1990s and peaked in 1995 with over 19 million incidents. In 1997 there were almost 17 million incidents. By 2003-04 overall crime had fallen by a further 30 per cent, and the most recent data shows continued falls. The risk of being a victim of crime is now the lowest recorded by the British Crime Survey since it began in 1981.



A strategy of investment and reform

6.4 The Government aims to build on these successes. To help deliver its objectives, the Government will continue to take forward a public service strategy based on:

- *investing in public services*, with stable public finances and a reformed fiscal and budgetary framework as the basis for sustained increases in resources and investment in public assets; and
- *reforming public services*, securing efficiency improvements in the way they are delivered, setting clear goals and establishing national standards for performance, implementing devolved decision-making to increase front line operational freedoms and local accountability, and increasing personalisation and a focus on users.



Investing in education and skills

6.5 Education and skills are key to the Government's ambition of creating a flexible, skilled, enterprising and innovative economy. They provide security and opportunity for individuals, enhance personal fulfilment and enable people to contribute better to their communities. Prudent management of the economy and the public finances within a strict fiscal framework has allowed the Government to deliver significant increases in investment in its priorities, including education. The Budget sets out a programme of long-term investment in schools and colleges, and measures to enhance the development of skills, to ensure that everyone has the chance to make the most of their talents.

DELIVERING RESOURCES TO THE FRONT LINE

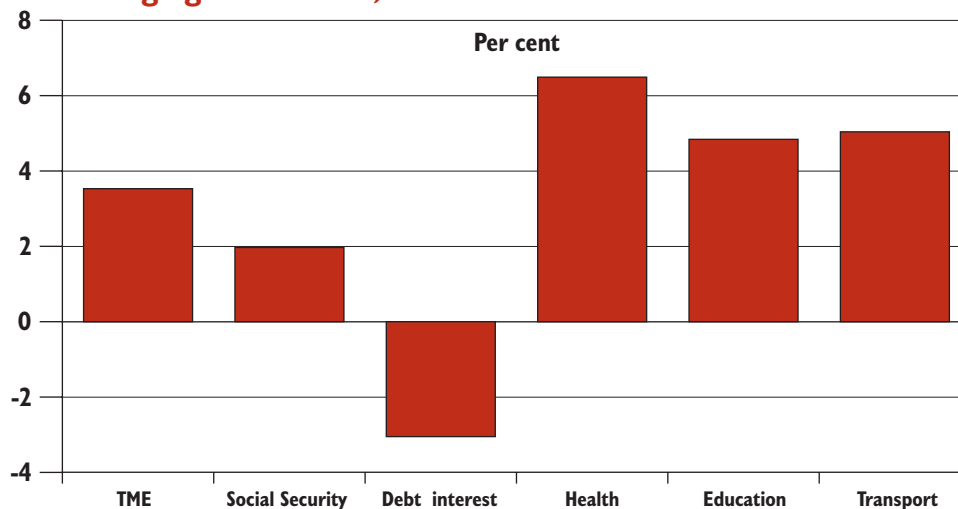
6.6 The Government has introduced a new public spending framework to ensure stable public finances can support continued investment and the right incentives are in place to deliver value for money. The Government's fiscal rules, described fully in Chapter 2, are the basis of this framework, and underlie a budgeting regime which removes past disincentives to investment and supports the prudent and efficient planning of expenditure over the medium term. Large, potentially volatile, and demand-led expenditure items are classed as Annually Managed Expenditure (AME) and subject to tough scrutiny twice a year as part of the Budget and Pre-Budget Report process. Departments are allocated firm three-year Departmental Expenditure Limits (DELs), separated into resource and capital to remove the previous bias against investment. The provision of End Year Flexibility (EYF) allows departments to carry forward unspent resources for use in future years, helping to avoid wasteful end-year spending surges.

Resources for priorities

6.7 Prudent management of the economy and the public finances within a reformed fiscal and budgetary framework has allowed the Government to deliver significant increases in investment in priorities. These increases in provision are affordable within the fiscal rules, as low debt and debt interest payments and the containment of growth in social security payments have freed up resources to be allocated to front-line public services. Chart 6.3 illustrates this, showing real growth in total spending and in spending on health, education, transport, social security payments and debt interest since 1997. By the end of the 2004 Spending Review period, compared with 1997:

- public spending on the National Health Service (NHS) will be around 90 per cent higher in real terms;
- total spending on schools will be around 60 per cent higher in real terms; and
- the share of social security and debt interest in total spending will have fallen by 8.1 percentage points.

Chart 6.3: Releasing resources for priorities – real annual average growth rates, 1997-98 to 2007-08



Source: HM Treasury.

Public infrastructure

6.8 As part of improving outcomes from public services, the Government has sought to address the legacy of under-investment in public service assets. In the 1990s, net investment in the public sector asset base fell from a high of 2.0 per cent of GDP in 1992-93 to 0.5 per cent in 1999-2000. Since then it has increased steadily, and is set to reach 2½ per cent of GDP by 2007-08. This increased Government investment is delivering improved buildings and equipment. In health, this includes 49 new hospitals which have been built and are operational since 1997, with another 33 developments under construction. New and replacement equipment for the NHS since April 2000 includes 90 linear accelerators, 184 CT scanners, 87 MRI scanners and 730 items of breast screening equipment. In schools, the Government has made a long-term commitment to provide twenty-first century facilities for all secondary pupils through Building Schools for the Future.

2004 Spending Review

6.9 Building on these increases in resources, the 2004 Spending Review provided for:

- current spending to grow by an annual average of 2.5 per cent in real terms over 2006-07 and 2007-08;
- public sector net investment to grow to 2½ per cent of GDP in 2007-08; 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 services.

Special reserve

6.10 In the 2004 Pre-Budget Report, the Government continued to make prudent provision for the costs of the military conflict in Iraq and its other international obligations, adding £520 million to the special reserve for 2004-05. **In this Budget, the Government provides a further £340 million for the special reserve in 2004-05 and £400 million for the special reserve in 2005-06.** Costs and provision will be reviewed again in time for the 2005 Pre-Budget Report.

Asset management 6.11 Alongside its major capital investment programme, the Government is putting in place a framework for taking forward better asset management across the whole of the public sector, ensuring the most effective management of renewed public sector infrastructure. Following the guidance provided in Sir Michael Lyons' report *Towards Better Management of Public Sector Assets*,¹ all departments have been asked to develop asset management strategies that are driven by their business plans, are the responsibility of finance directors, and are considered and approved at board level. Departments will ensure that there are sufficient incentives at business unit level to manage and, where they are no longer necessary for business planning, to dispose of assets.

6.12 The Government has set an objective of £30 billion of asset disposals by 2010, described as realistic but challenging by Sir Michael Lyons. Good early progress is already planned for the 2004 Spending Review period, with estimated local government asset disposals of about £12 billion by March 2008. In addition, central government departments have already identified asset disposals of some £2 billion in the same period, and improved asset management and planning will release further resources during the 2004 Spending Review and beyond. The Government is considering what further steps to take in implementing Sir Michael Lyons' recommendations.

REFORMING PUBLIC SERVICES

Programme of reform 6.13 The Government's public service reform programme, which is designed to help achieve the Government's objectives for public services, is based on four main elements:

- *setting clear goals and establishing national standards*, through the Public Service Agreement (PSA) framework, and improved inspection, regulation and information to drive up standards and increase accountability;
- *implementing devolved decision-making*, by increasing front-line operational freedoms and local accountability to deliver more responsive services, including through local government reform and provision of more autonomy to police and schools;
- *increasing personalisation* to deliver user-focused services. This includes providing greater choice in the services available and more opportunities for users to participate in their design, delivery and governance, equipping public service professionals to deliver more personalised services, and drawing on the voluntary and community sector's expertise in meeting diverse user needs; and
- *securing efficiency improvements* in the way public services are delivered, through progress in implementing the 2004 Spending Review efficiency targets.

Efficiency

6.14 Building on the Government's existing value for money targets, the 2004 Spending Review set stretching new efficiency targets across the public sector, in the light of Sir Peter Gershon's July 2004 review, *Releasing Resources for the Front Line*. The Government is ahead of schedule in meeting these targets. Against a total target of £20 billion annual efficiency gains by 2008, £2 billion of savings have already been made – even before the programme gets

¹ *Toward Better Management of Public Sector Assets*, Sir Michael Lyons, December 2004.

fully underway in April 2005. These savings are additional to the £2 billion of savings against current value for money targets announced in the Pre-Budget Report. Detailed examples are in Box 6.1.

Workforce and relocation 6.15 The Government is making good progress towards its planned gross reduction of 84,000 civil service posts by 2008. Reductions in posts will total over 12,500 by the end of 2004-05, about 3,500 more than the expected number of 9,000 announced at the 2004 Pre-Budget Report. These include:

- another 2,250 reductions from the Department of Work and Pensions (DWP) in addition to its 2004 Pre-Budget Report announcement;
- more than 400 additional posts from the Inland Revenue and HM Customs and Excise bringing their total reduction by the end of 2004-05 to around 1,250;
- the Department of the Environment, Food and Rural Affairs (Defra) is delivering more than 200 further reductions in addition to their forecast of 120 at the Pre-Budget Report; and
- as a result of early delivery against its target, the Department of Trade and Industry (DTI) will have achieved a total reduction by the end of 2004-05 of 560 posts.

6.16 The 2004 Spending Review established a target of 20,000 relocations of civil service posts out of London and the South East by 2010. The 2004 Pre-Budget Report set out the Government's aim to relocate 10,000 of those posts by the end of 2008 and the delivery of the first 4,000 by the end of 2004-05. The Budget announces that over 4,300 posts overall will already have been moved out of London and the South East by the end of 2004-05 and that Departments have agreed relocation plans for a further 3,500 posts, meaning that over 7,800 relocations have already been confirmed. In particular:

- the Department of Health (DoH) is relocating 500 posts, with at least 300 going to Yorkshire;
- the Department of Culture, Media and Sport (DCMS) is relocating 600 posts, including 200 for the Gambling Commission to Birmingham and 200 from the Big Lottery Fund going to Newcastle and Birmingham;
- Defra is moving over 300 posts, the majority of which are expected to be to Yorkshire; and
- the Foreign and Commonwealth Office is moving 450 posts to Milton Keynes.

Sickness absence 6.17 The Health, Safety and Productivity Ministerial Task Force has drawn up a detailed plan to deliver a 30 per cent reduction in sickness absence across the public sector, drawing on the experience of the Health and Safety Executive. This includes a number of initiatives which will be piloted in the civil service, including greater use of occupational health services, systematic checks for persistent short-term absence and tougher sanctions for those deemed to be abusing the system. Permanent Secretaries will report on the absence records of their departments as part of their performance partnership agreements with the Cabinet Secretary.

Box 6.1: Departmental progress on efficiency

The **Home Office** has made £600 million of efficiency gains during 2004-05. These include savings from better use of police time, smarter procurement and greater collaboration between police forces, improvements in the **National Offender Management Service**, and a substantial reduction in the cost of asylum. **Her Majesty's Courts Service** will be operational from April 2005, meaning that for the first time all magistrates, Crown, and County courts will operate together creating a more effective organisation which will deliver £14 million of efficiencies in 2005-06.

The **NHS** has negotiated a better deal for licensing of its desktop products, saving £112 million over the next three years and in excess of £330 million over the length of the contract. **DoH** has signed a joint venture to use centralised corporate service centres, saving over £220 million over the next ten years.

The **Ministry of Defence (MoD)** has already achieved £300 million of efficiency gains through improved defence logistics in the first year of its transformation programme. **Whole Fleet Management** will deliver over £17 million of efficiency gains in 2004-05, primarily through a reduction in stocks and spares as a result of the introduction of a new asset management system. The MoD's **Procurement Reform Programme** is delivering £30 million of efficiency gains in 2004-05 on items such as IT, general stores, and vehicle, ship and aircraft spares repair.

DWP is paying the benefits and pensions of 90 per cent of its customers directly into their bank accounts. The move to direct payment will save the taxpayer in excess of £1 billion over the next five years.

The **Office of the Deputy Prime Minister (ODPM)** will deliver efficiency gains of £274 million in social housing in 2005-06. The gains will be delivered in four areas: new supply, capital works, commodity procurement and management and maintenance. Money saved will be used to provide more social housing and ensure higher standards throughout the sector. **Fire and Rescue Authorities** will benefit from £105 million efficiency gains by 2007-08. For example, by April 2005 all authorities will have introduced **Integrated Risk Management Planning** action plans, providing greater flexibility and more productive use of time and resources. These plans are aimed at saving more lives by re-investing efficiency savings. **Local authorities** have reported efficiency gains in 2004-05 of £123 million.

In 2004-05, **Defra** made efficiency gains of £41 million. This includes better contract management, procurement and corporate services in the **Environment Agency**; improved e-transactions in the **Rural Payments Agency**; and efficiencies resulting from the reorganisation of the **Rural Development Service**.

The **Department for Education and Skills (DfES)**, through its lead agency for information and communication technology (ICT), has negotiated a software licensing deal which will deliver £50 million of efficiency gains over the next three years. Framework contracts have led to greater price visibility and competition, bringing down prices and saving schools and **Local Education Authorities (LEAs)** £14 million in 2004-05 on laptops and interactive whiteboards.

Through smarter procurement **Inland Revenue** and **HM Customs and Excise** have delivered efficiency gains of £12.7 million in 2004-05. **Transport for London** will deliver £107 million of efficiency gains in 2004-05 from better procurement, improved communications infrastructure and shared services in finance and human resources.

Atkinson Review 6.18 Robust, independent National Accounts measures of government output and productivity are important both as a major component of GDP and for assessing the performance of public services. They complement more disaggregated and wide ranging performance measures, such as those used to assess progress against efficiency and PSA targets. In December 2003, Sir Tony Atkinson was asked by the National Statistician to conduct an independent review of the measurement of government output and productivity for the National Accounts. Sir Tony Atkinson's final report was published at the end of January this year.

6.19 The National Statistician has broadly welcomed the report, and has announced he is setting up a new UK Centre for the Measurement of Government Activity, within the Office for National Statistics (ONS), to carry out this work. The Government fully supports the work of the Atkinson Review. The initial work enabled the ONS to publish new health output data in the National Accounts Blue Book in June 2004 and an article examining health productivity in October 2004. The National Statistician has indicated that he intends to consider nine of Sir Tony Atkinson's recommendations for refinements to existing National Accounts methodology for possible inclusion in the 2005 Blue Book, and to publish an article examining education productivity later this year.

Clear goals and national standards

6.20 The Government is committed to setting transparent long-term goals in order to drive public service improvements. PSAs are fundamental to the Government's approach, combining national goals with unprecedented levels of transparency. As set out in the 2004 Spending Review PSA White Paper, PSAs will continue to focus on the Government's highest priority outcomes, within which service providers are given maximum freedom to decide how outcomes are delivered. As those outcomes are achieved PSA targets will, where appropriate, become national standards. Building on successful public involvement in setting PSA targets, future policy on the performance management framework will actively promote an emphasis on user participation, to ensure that targets reflect citizens' priorities.

Inspection and regulation 6.21 The Government remains committed to ensuring that the monitoring of performance against these objectives through the regulation and inspection of public services provides assurance to the public, leads to real service improvements, and – because it is proportionate to risk – is not burdensome to the front line. The Hampton Review, published today and described in full in Chapter 3, makes a number of recommendations to rationalise the regulation that the public sector imposes on the private and voluntary and community sectors, including moving to a risk-based approach to reduce the burden of inspection. **Building on this approach, the Government can announce further proposals to rationalise the inspection and regulation of public services.**

Box 6.2: Public services inspection strategy

The main elements of the strategy are to:

- **refocus** inspection on what is relevant to the people who use public services, the way that they use them and the outcomes that they experience;
- **rationalise**, in order to simplify and manage better the complex pattern of multiple scrutiny that service providers experience; and
- **reduce** the amount of inspection activity and burden generated, and the variety of approaches that is a feature of having many bodies performing similar tasks.

Over time, having fewer inspectorates will enable better co-ordination and reduced duplication; better and wider identification and promulgation of best practice, including taking a risk-based, proportionate approach; a much greater ability to track the experience of users across service and institutional boundaries, and to comment on these pathways; and the ability to reprioritise work within larger bodies to focus on emerging concerns. The strategy builds on previous developments in joint-working across the inspectorates and their recognition of the need for more risk-based approaches.

Inspection 6.22 The Government's proposals build on the principles of public service inspection which were published by the Government in July 2003,² and on the implementation strategy that has since been developed (described in Box 6.2). They involve a long-term rationalisation of national public services' inspectorates from eleven to four to enable a significant reduction in, and refocusing of, inspection activity. The new bodies will be expected to develop common approaches, based on the agreed principles of government inspection endorsed by the Hampton Review. In particular their work will need to be clearly proportionate to risk, take account of the user's perspective, focus on outcomes and improvement, and provide value for money. Ultimately, they should give the best performers as much freedom as possible, help good performers improve, and help ensure appropriate and swift action and intervention takes place when performance is below standard or unacceptable.

6.23 As part of the implementation of these proposals, stakeholders will be fully consulted on the arrangements for and governance of the new bodies, including the co-ordination of inspection work within and across their jurisdictions:

- a consultation paper will shortly be published with a view to establishing a single justice and community safety inspectorate from 2007, bringing together Her Majesty's Inspectorate of Constabulary, Her Majesty's Crown Prosecution Services Inspectorate, Her Majesty's Inspectorate of Court Administration, Her Majesty's Inspectorate of Prisons and Her Majesty's Inspectorate of Probation;
- the Secretaries of State for Education and Health will shortly announce plans to bring together by 2008 the inspection of children's services, which is currently carried out by the Commission for Social Care Inspection (CSCI), into the Office for Standards in Education (Ofsted). In addition the Government will consult with employers on the future of the Adult Learning Inspectorate, with the expectation that by 2008 it will also be part of this single inspectorate for education, children's services, and skills;

² *Inspecting for improvement: developing a customer focused approach*, Office of Public Service Reform, July 2003.

- the Secretary of State for Health has agreed in principle to come forward with plans to merge CSCI and the Healthcare Commission into a single body by 2008, reflecting the increasing joint work between adult social care and health on the ground, and as part of a wider review of regulation in social care and health; and
- the Deputy Prime Minister will shortly publish a further discussion document on the performance framework for local government as part of the development of his *local:vision* strategy. It will include plans to establish a single inspectorate of local services, merging the Audit Commission's and the Benefit Fraud Inspectorate's inspection functions in relation to English local authorities. It will consider the issues involved in implementing the new inspectorate, including how it will ensure a co-ordinated approach to inspection is taken across local government services.

Regulation 6.24 As well as acting on inspection, the Government will continue to review the scope elsewhere for rationalisation and reduction in the regulation of the front-line providers of public services, to free good and excellent providers from bureaucratic burdens. Progress is already being made. The DoH is implementing its arm's length body review, which will see a 50 per cent reduction in the number of arm's length bodies and a 25 per cent reduction in posts. Defra and its sponsored bodies are implementing the recommendations from the Haskins review, which will rationalise many of their policy formulation, funding and regulatory activities.

Devolving decision-making

6.25 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. For example:

- recently announced police reform proposals will reduce bureaucracy and shift police resources to the front-line to enable them to be more responsive and accountable to their local communities and neighbourhoods; and
- 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.

Local government reform 6.26 Building a coherent relationship between central, regional and local government is at the heart of the Government's commitment to delivering high quality public services and improving the effectiveness of local government in their leadership and delivery of services to all communities. Performance, measured through the Comprehensive Performance Assessment, improved substantially between 2002 and 2004, with two-thirds 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.

6.27 In addition, the Government has worked closely with local government and its local partners, including the voluntary and community sector, to develop Local Area Agreements. The Government has announced that a further 40 Local Area Agreements will be in place by April 2006 following the successful negotiation of the initial pilots. The negotiation of local PSAs will be integrated with Local Area Agreements, providing rewards in return for greater performance in locally agreed areas for improvement.

Box 6.3: Supporting local government

This Budget introduces further measures to put local authorities at the centre of delivering improved local services. Specific measures include:

- new funding to enable every local authority to provide free off-peak local area bus travel for those aged over 60 and disabled people in England from April 2006;
- a new Local Enterprise Growth Initiative, described in full in Chapter 3, worth £150 million per year by 2008-09, subject to confirmation in the next Spending Review, to boost enterprise in the most deprived areas of England;
- in recognition of the role that local authorities play in delivering its childcare strategy, the Government will refund local authorities all of the VAT that they incur in the provision of welfare services such as childcare and Children's Centres, as described in Chapter 5;
- a single inspectorate of local services, ensuring a co-ordinated approach to inspection across local government services, and clearer delineation of responsibilities for private sector regulation; and
- the Government will work with public sector bodies and third sector organisations, through the National Procurement Strategy for Local Government, to develop better procurement practices, in accordance with the new Compact Code of Good Practice on Funding and Procurement.

Funding local services **6.28** 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 Pre-Budget Report announced a package to reduce financial pressures on local government by £1 billion. Recent independent analysis³ suggests average council tax increases in England will be 4 per cent in 2005-06, the lowest increase for eleven years. The Government is also committed to introducing three-year settlements from 2006-07, following the recent consultation. For the longer term, the independent inquiry into local government finance, headed by Sir Michael Lyons, will report by the end of 2005.

Regional funding allocations **6.29** In the 2004 Pre-Budget Report, the Government launched a consultation on proposals to establish regional funding allocations for regional transport, housing and economic development. This included establishing regional transport funding allocations for the first time and providing guidance on long-term planning assumptions for regional transport, housing and economic development beyond the spending review period. These proposals will give regions a more realistic basis on which to plan, and the opportunity to have a stronger voice in the next and subsequent spending reviews, leading to decisions that better reflect regional priorities. The Government has held consultation events with stakeholders across the English regions, received 107 written responses by the consultation deadline of 10 March, and is currently considering this feedback. The Government will set out how it intends to proceed in due course.

Regional governance **6.30** Budget 2005 announces two new measures to strengthen devolution and performance management in the Regional Development Agencies (RDAs). First, **an independent assessment, conducted by the National Audit Office, based on last year's Initial Performance Assessment (IPA) of the London Development Agency (LDA) will be introduced for the RDAs on a rolling basis during 2005-06**, as part of a more transparent, efficient and less bureaucratic system resulting in a net reduction of the audit burden. Second, **the Government intends to increase flexibilities for the LDA and strengthen the LDA's accountability to the London Mayor** in the way it offers financial assistance, recognising the LDA's 'good' rating in its IPA.

³Published online by the Chartered Institute of Public Finance & Accountancy (CIPFA), February 2005, at <http://www.cipfa.org.uk/press>

6.31 The 2004 Pre-Budget Report announced that HM Treasury would work with ODPM and other departments to review ways of improving the efficiency and effectiveness of the Government Office (GO) network. The emerging proposals are set out in Box 6.4.

Box 6.4: Review of Government Offices

The Review of Government Offices (GOs) has engaged a wide range of stakeholders from GOs themselves, local government, other regional institutions and across Whitehall. In line with the GOs' new lead role in Local Area Agreements and the proposed lead role in the Local Enterprise Growth Initiative, the Review has found broad support for a more strategic role for the GOs, with the recognition that they need key changes to add greatest value. The Review's emerging proposals include:

- a more focused role for the GOs in working with local authorities and other local partners on performance, and on the oversight of regional strategies, while looking over time to transfer grant administration functions to other agencies;
- new freedoms and flexibilities for the GOs to enable them to join up their activities more effectively across departmental boundaries;
- a transformed and more strategic network, including a higher proportion of staff with professional skills and delivery experience;
- a challenge to departments to decentralise activity from Whitehall to the regions and to integrate this activity into the GOs where this can improve delivery;
- stronger links between GO Regional Directors and departments on policy development, with a particular emphasis on policy implementation;
- a strong performance management framework to underpin these new flexibilities driven by a small corporate centre with a strong focus on improving performance; and
- building on the challenging efficiency agenda for the GO network set in the 2004 Spending Review, a smaller, more focused network in the years to come.

The Review's final report will be published this summer. It will include full details of the Government's plans to transform the GOs to fulfil their new strategic role.

Increasing personalisation and user focus

6.32 To improve public service outcomes, including improving user satisfaction, both the people who use public services and the public service employees who provide them have to be fully engaged in their design and delivery. The outcomes which public services deliver, in health, education and elsewhere, are as dependent on the actions of the public themselves as they are on the work of public service professionals. Improved outcomes from the NHS require not only a world-class health service, but also changes in the behaviour of individuals to protect their own health. Similarly, educational achievement is dependent on pupils and parents as well as teachers. As users' behaviour has a significant influence on many public service outcomes, they are in effect co-producers of services alongside public service staff.

Personalised services **6.33** In recognition of this, the Government is committed to delivering more personalised services that are responsive to the needs and experience of users, as well as those of front-line professionals. Achieving more personalised services in practice requires providing more opportunities for users to participate in the design, delivery and governance of public services. It requires the building and harnessing of a 'new professionalism' amongst front-line public service providers to improve service delivery and design. Achieving more personalised

public services often requires working more effectively in partnership with voluntary and community sector organisations, and the wider third sector, to maximise the added value they can contribute.

6.34 Personalisation is already an important theme in the Government's public service reform programme. For example:

- the Pathways to Work pilots – which include support from skilled Jobcentre Plus Personal Advisers as well as new rehabilitation services – are improving labour market opportunities for claimants of incapacity benefits;
- in education, the Assessment for Learning initiative encourages pupils and teachers to agree learning objectives in each subject and develop a plan to achieve those goals, using data to help flag up and monitor areas for development;
- the NHS Improvement Plan sets out how the NHS is offering more flexible access to services, empowering patients through more choice and shared decision-making and providing better access to information and support; and
- recent reforms provide for police to be more visible, responsive and engaged with their local communities and neighbourhoods. Greater transparency and stronger accountability will enable communities to have greater involvement in what their local police do.

User participation **6.35** Building on this, the Government aims to involve users more closely in the design, delivery and governance of public services, recognising their critical role as co-producers. Expanding opportunities for people to participate in the governance of their local services is also a key dimension of the Government's devolving decision-making agenda. The Government will examine the role of user participation in public services, drawing on existing examples where users have been successfully consulted, and then look to identify those services where it may be feasible and affordable to extend its scope.

New professionalism **6.36** The Government believes strongly in the importance of the public service ethic that motivates front-line staff to deliver, and is committed to supporting them to develop their high standards of professionalism. The Government has taken steps to foster stronger local leadership (for example setting up the National College for School Leadership, and providing funding for the Local Government Leadership Centre); to enable front-line professionals to learn from each other, encouraging greater collaboration and the spread of best practice across local government, the NHS and schools; and to reduce the burden of inspection.

Consulting frontline professionals **6.37** Engaging the knowledge and experience of public service professionals in the design of public services has the potential to make services more efficient and tailored to users' needs. In developing future public service reforms, the Government will examine the way in which employees' and professionals' input is used in the design of policy and the provision of services, ensuring a constant flow of information and ideas between policy-makers and the front line.

The third sector **6.38** Third sector organisations, including voluntary and community organisations, social enterprises and mutuals, are well-placed to put service users at the heart of their activity. The Government is committed to supporting the development of the sector's infrastructure and capacity, for example through the £80 million ChangeUp programme, the £125 million Futurebuilders fund and the *Invest to Save – Inclusive Communities* fund, described below. Achieving strong local partnerships is key to the next stage of reform. Building on two successive reviews and the recent Third Sector Summit, the Government will:

- update *Guidance to Funders*, with a focus on implementing the principle of full cost recovery to improve funding relationships for third sector organisations;
- review the impact of controls or charges applied by funders over publicly funded assets, to identify how grant conditions can enable funders to retain a reasonable and proportionate charge or interest over the asset, while at the same time supporting the role of third sector organisations in service delivery; and
- work with local government, third sector bodies and with procurement practitioners, to communicate through a series of workshops the benefits of working with the sector at a local level (see above, Box 6.3).

Carter Review of funding for sport **6.39** Drawing on Lord Carter's recommendations, the Government will set up a new national sports foundation. DCMS will provide funding of £27.5 million over the period to 2007-08 as match-funding. The Government will consider further how it can support the co-ordination of public, private and voluntary sector investment – as well as local authorities and regional bodies – in order to improve local sporting facilities.

Invest to Save Budget **6.40** The *Invest to Save – Inclusive Communities* fund was launched in the 2004 Spending Review to encourage new and joined-up ways of working that strengthen local communities. The Government is announcing the allocation of £37 million from the fund to 37 innovative projects, from health and social care for older people to integration for refugees and migrants. The fund continues to promote partnerships involving the voluntary and community sector in the delivery of public services, with 17 of the successful partnerships led from the sector. A number of partnerships plan to make use of volunteers and mentors to improve services for the most needy and vulnerable. In the year of the volunteer, *Invest to Save – Inclusive Communities* will fund some 5,000 volunteering opportunities.

PUBLIC SERVICE DELIVERY AND REFORM

Health **6.41** The NHS Improvement Plan published in 2004⁴ sets out the future priorities for the increased resources delivered to healthcare in Budget 2002, which announced a real increase in expenditure on the NHS of 7.2 per cent a year on average up to 2008. The plan aims to build on improvements already made, ensuring that NHS services are responsive, convenient and personalised for all patients. For hospital services this means that there will be a much greater choice for patients about how, when and where they are treated, and for the millions of people who have chronic illnesses, such as diabetes or asthma, it will mean much closer personal attention and support in the community and at home, and fewer unplanned admissions to hospital.

Criminal justice **6.42** The 2004 Spending Review built on the significant progress the Government has made in delivering its aims for the criminal justice system, 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, and build public confidence in the criminal justice system. These include a 15 per cent reduction in crime, increasing neighbourhood policing, including providing 25,000 Community Support Officers and Neighbourhood Wardens by 2008, and an increase in the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08.

⁴The NHS Improvement Plan: Putting people at the heart of public services, Department of Health, July 2004.

Tackling crime 6.43 The Government is committed to combating criminals operating at the local, regional or national level. The new Serious Organised Crime Agency will bring a new impetus to the fight against serious international organised crime, such as drugs and immigration crime, and individual police forces are achieving increasingly good results at the local level. There is however a need to build capacity to tackle regional criminal enterprises which operate across force boundaries, and **the Government will allocate £20 million to address this gap and to support collaboration between police forces.**

6.44 The Government knows that children and young people that offend are far more likely to become persistent offenders later in life. The Government recognises the need to do more to protect the most vulnerable children from having their life chances wrecked by crime and anti-social behaviour, even before they reach their teenage years. **To build on the progress made in the *Child Poverty Review*, the Government will make an additional allocation of £15 million to fund targeted early intervention programmes to improve outcomes for those most at risk.**

Housing 6.45 In January 2005, the Deputy Prime Minister set out five-year plans for delivering sustainable communities and meeting housing needs, including testing out more radical approaches to transforming some of the most deprived areas in the country. **This Budget announces a trebling in the number of mixed community demonstration projects** (see Box 6.5). ODPM's five-year plan also set out proposals for extending low cost home-ownership opportunities for 80,000 households, while negotiations with the Council of Mortgage Lenders suggest it may be possible to extend assistance to at least a further 20,000. Up to 300,000 social housing tenants will also gain the chance to buy a share in their home, although only a proportion of these will take up the offer in any one year. The Deputy Prime Minister will be publishing a consultation paper with further details on all of the Government's low cost home-ownership options later this month. Measures to help first-time buyers and improve the efficiency of the housing market are set out in Chapter 3.

Box 6.5: Mixed communities

The Government is committed to the vision that no person should be seriously disadvantaged by where they live. The National Strategy for Neighbourhood Renewal sets out a far-reaching programme to achieve this vision that is intended to narrow the gap between the most deprived areas and the rest of the country, ensuring minimum standards everywhere in jobs, health, education, housing and in tackling crime.

Delivering this vision in areas with the severest concentrations of deprivation and worklessness may, however, require a much more radical and intensive approach. Such concentrations have additional detrimental effects on individuals' aspirations, opportunities and outcomes – particularly for children. Overcoming these 'area effects' will require the transformation of these neighbourhoods from mono-tenure social housing estates into communities containing a much broader socio-economic mix of households.

Such transformation will require fundamental changes to the mix of housing types and tenures in the community and improved local services and amenities, in order to attract and retain a wider range of households and incomes within the area. Achieving this could require: substantial remodelling of existing properties and surrounding areas; tenure modification through mixed development, sensitive allocations policies, and incentives (such as first-time buyer assistance); and assisting existing social tenants who want more housing choice through locating to more economically diverse communities.

In the 2004 Pre-Budget Report the Chancellor announced the Government's intention to test out approaches to transforming some of the most deprived areas in the country. The first demonstration projects will be in Harpurhey (Manchester), Gipton (Leeds) and Canning Town (Newham), and a further six areas will also be invited to participate. The Government will draw on the lessons from these projects in reshaping its approach to transforming the most disadvantaged neighbourhoods everywhere.

6.46 The Government has also provided for a 50 per cent increase in the rate of delivery of new social homes through a combination of increased investment and greater efficiencies in procurement. Provision of new social housing is now being opened up to a wider range of potential suppliers in both the private and public sectors in order to encourage competition and greater value for money. From 2006-07, the whole of the Housing Corporation's social housing grant, currently around £1.6 billion a year, will be open to competition from new suppliers as well as housing associations. While housing associations are regarded as 'Bodies Governed by Public Law' and thus subject to EC public procurement rules, they remain private sector bodies for public expenditure purposes.

INVESTING IN THE FUTURE

6.47 In the increasingly integrated global economy, success will depend on building a flexible economy with a highly-skilled workforce, which can respond quickly to change and which focuses increasingly on high value-added sectors. Education and skills are key to the Government's ambition of creating a flexible, skilled, enterprising and innovative economy. Education and skills provide security and opportunity for individuals, enhance personal fulfilment and can enable people to better contribute to their communities.

6.48 The Government has committed record levels of investment to education, and expenditure on UK education is projected to rise to 5.6 per cent of GDP by 2008. Overall capital investment in schools will rise to £6.3 billion by 2008. This unprecedented level of investment in schools buildings has already enabled the Government to commit to providing every secondary school pupil with twenty-first century facilities through Building Schools for the Future, a long-term, strategic programme of rebuilding and refurbishment.

Investment in primary schools

6.49 The Government is now announcing plans to extend this transformational approach to primary schools. **Budget 2005 announces a long-term commitment to deliver 21st century learning facilities in primary schools**, to deliver quality school environments which facilitate personalised learning and which will ensure that primary schools can play a lead role at the heart of their communities.

6.50 The capital strategy previously announced for 2005-06 to 2007-08 should enable overall Government support for investment in the primary estate to rise to an estimated £1.8 billion in 2007-08. **Budget 2005 announces that additional funding of £150 million will be available in 2008-09, rising to £500 million when the full scale programme begins one year later.** Together with funds for strategic investment already in the system, the Government estimates that this additional funding will, over around 15 years, provide for a wide-ranging programme of rebuilding, refurbishing and upgrading covering at least 50 per cent of primary schools in England. Those primary schools not benefiting directly from the programme will continue to receive support for their maintenance and smaller scale capital needs. The certainty that this programme gives about future investment levels will facilitate strategic investment in primary schools which will help them to deliver high standards and contribute to the Every Child Matters agenda by providing integrated services to children. It will mean that every child and family will have access to a primary school in their locality which is a focus for local services, offers ICT facilities after hours, provides parenting support, adult education and where appropriate healthcare, and provides childcare 8am to 6pm. Every school will provide first class ICT facilities so pupils can study in a way that suits them, facilities of some scale that equip them to play a part in the Every Child Matters agenda, and quality learning environments that enhance teachers' flexibility.

Extended services 6.51 The Government's aim is for every school to offer some extended services, and for every secondary school to be open from 8am to 6pm year round by 2010. Many of these schools will deliver comprehensive services ranging from parenting support and adult learning to access to healthcare. The long-term investment in primary and secondary schools described above will deliver major improvements to school facilities to help them deliver these services

6.52 To help schools meet the challenges that provision of extended services involves in the shorter-term, **Budget 2005 announces an increase in the grant paid directly to every primary and secondary headteacher in England in 2006-07** bringing the payment in that year for a typical primary school up to around £34,000 and for the typical secondary school up to around £109,000.¹ A further increase the following year will bring the payment for a typical primary school up to around £36,000 in 2007-08, and for the typical secondary school to around £115,000.

Investing in further education 6.53 The Government wants to transform the further education sector to create world-class vocational establishments, supporting increased post-16 and adult participation in education and training and enhancing the reputation of the vocational and apprenticeship route. Reform needs to support development of the vocational reform plans set out in the 14 to 19 Education and Skills White Paper², and the growth of apprenticeships, with an extra 40,000 apprenticeships in training by 2010 and an additional 10,000 employers offering apprenticeship places. It must also support higher skill levels in the workforce to help address the UK's productivity gap.

6.54 Building on the Government's long-term commitment to investment in primary and secondary schools, **Budget 2005 announces a step change in capital investment in the Further Education (FE) sector.** This will allow transformation towards a more dynamic sector providing a diverse and specialised offer to employers and learners, supported by high quality management and teaching. It will also allow world class training infrastructure which gives employers confidence to invest in training, and a more responsive sector able to adapt to the rapidly changing needs of employers and learners.

6.55 Existing plans should enable overall Government support for investment in the FE estate to rise to an estimated £250 million in 2007-08. **Budget 2005 announces that an additional £350m of capital investment will be made over 2008-09 to 2009-10 to support the longer-term transformation of the further education sector.** Budget 2005 also sets a challenge to employers to significantly raise their investment in the sector to £100 million by 2015 and take a more active role in design and delivery of training.

Education and ICT 6.56 ICT plays an essential role in the modern classroom and is central to delivering personalised learning that meets the needs of all pupils. The Government's investment in ICT in recent years means that, while in 2000 there was on average one computer for every eight pupils in secondary schools, there is now one for every five. The Government already plans to invest £1.62 billion in ICT capital between 2005-06 and 2007-08. To help overcome the 'digital divide' which can prevent young people from disadvantaged backgrounds from enjoying the benefits that access to ICT can bring, **Budget 2005 announces that a further £25 million per annum will be available in 2006-07 and 2007-08** for schools in deprived areas to invest in home access to ICT for their neediest pupils. **Budget 2005 also announces that DfES will double their contribution to the e-Learning Foundation to £600,000 a year from 2005-06, to**

¹ These figures are an approximation based on the existing formula allocation system for School Standards Grant. As set out in the Government's recent consultation document on schools funding arrangements, however, the Government intends to revise this formula which will mean that increases in allocations to schools will be distributed differently to the current formula. These figures should therefore be taken as a broad indication only.

² 14-19 Education and Skills, DfES, February 2005 The National Minimum Wage will be £4.50 for adults from October 2003.

allow the Foundation to increase their support for schemes which enable schools to lease laptops to pupils.

Teach first 6.57 The Government aims to improve the quality and diversity of the school workforce to help deliver the personalised learning environment that pupils and parents deserve. Teach First gives opportunities for outstanding graduates to work in London schools and gain experience teaching students from challenging backgrounds. The Government has already announced the expansion of the Teach First scheme to Manchester from 2006, and **Budget 2005 gives additional funding to support the roll out of the scheme across four further cities from 2007.**

Improving participation 6.58 The UK has one of the lowest levels of post-16 participation in education and training in the OECD. The Government aims to improve the participation rate at 17 from 75 per cent of young people today to 90 per cent over the next ten years, and has announced its aim to transform secondary education so that it becomes the norm for all young people to continue in learning until at least 18.

6.59 Part of this transformation involves changes to the secondary curriculum. The Government has recently published a White Paper setting³ out the detail of the reform programme for the 14-19 phase, building on the work of Sir Mike Tomlinson and his Working Group. The White Paper describes the Government's long-term vision for an education system that provides every young person with a route to success including an increased focus on securing basic skills, reform of vocational qualifications, and measures to tackle disengagement. **Budget 2005 announces new measures to give young people the best possible opportunity to benefit from education and training between the ages of 16 and 18.**

6.60 At any one time around 150,000 16 and 17 year olds in the UK are in employment with no training. To increase access to training options for this group, **the Government is allocating £80 million over two years to pilot a negotiated Learning Agreement for 16 and 17 year olds in work with no training in eight areas of the country from April 2006.** This initiative builds on the existing statutory right to paid time off to study or train for this group. Learning undertaken as part of the activity agreement could include an apprenticeship or study towards a qualification unrelated to the young person's current job. The pilots will test the effectiveness of a range of financial incentives in encouraging employers and employees to take up this offer and in supporting apprenticeships as a key route for 16-17 year olds in the labour market.

6.61 As set out in Chapter 5, the Government will also introduce a pilot scheme offering 16 and 17 year olds who are not in education, training or employment financial support in return for a commitment to progress towards formal learning.

6.62 These initiatives to provide better support to 16-19 year olds outside education and training will be complemented by better opportunities for 14-16 year olds to experience different learning styles and settings. Improving the offer for 14-16s should raise motivation and attainment by 16, increasing post-16 participation and reducing the need for subsequent intervention. **The Government will therefore make available £20m over two years in pilot areas to boost employer and work based learning pre-16.** This will offer an extra 20,000 opportunities across the pilot areas for 14-16 year olds to benefit from better vocational learning either in colleges or with employers.

³ 14-19 Education and Skills, DfES, February.