Over the last ten years, record levels of investment coupled with reform have generated real and enduring improvements in Britain’s schools, hospitals and other public services. The 2008 Pre-Budget Report continues high levels of investment to improve public services, reprioritises spending to support the economy through the downturn and announces an ambitious extension of its plans to increase value for money.

In the short term, the Government is focused on providing targeted support to the individuals and businesses most affected by the global economic shocks. The 2008 Pre-Budget Report announces:

- as part of the Government’s fiscal stimulus package, bringing forward £3 billion of capital spending from 2010-11 into 2009-10 and 2008-09 for housing, education, transport and other construction projects, supporting industries and jobs across the country; and
- new spending measures including additional funding for Jobcentre Plus to help people move back to work, the extension of the Support for Mortgage Interest Scheme and a new Small Business Finance Scheme for small and medium enterprises.

Over the last decade, the Government has made significant progress in delivering public services that represent good value for money and is determined to do even more in the period ahead. The 2008 Pre-Budget Report announces that:

- the Government has over-achieved against the targets set by the Gershon Efficiency Programme, including delivering £26.5 billion in savings and a reduction of 86,700 civil service posts between 2004 and 2007;
- departments are making good progress towards the 2007 Comprehensive Spending Review (CSR) value for money target of £30 billion of savings by 2010-11;
- additional value for money savings have been identified through the work of the Operational Efficiency Programme (OEP) including through collaborative procurement and back office efficiencies; and
- further value for money savings will be delivered within the 2007 CSR period and beyond through a set of Public Value Programme (PVP) reforms across major areas of spend.

Given the over-achievement against the 2004 target, and the scope for these additional efficiency savings, the Government announces an additional £5 billion value for money target for 2010-11.

To achieve continued improvement and investment in public services and maintain sustainable public finances over the medium term, the Government also announces:

- assumptions for spending growth from 2011-12 onwards, with current spending growing in real terms by 1.3 per cent in 2011-12, 1.2 per cent in 2012-13 and 1.1 per cent in 2013-14; and public sector net investment moving to 1.8 per cent of GDP by 2013-14; and
- continuing and deepening its work to improve value for money in the next Spending Review period, in particular by driving forward the OEP and PVP.
6 IMPROVING PUBLIC SERVICES

DELIVERING EFFICIENT AND EFFECTIVE PUBLIC SERVICES

6.1 Since 1997, the economy has grown by 2.75 per cent a year, on average and in real terms. As a result of this economic growth, and increasingly ambitious targets for efficiency savings, the Government has been able to focus resources on priority areas of Britain’s public services such as health, education and transport. Since 1997:

- total public spending has increased by 42 per cent in real terms, compared to an increase of 15 per cent in the previous decade;
- spending on the National Health Service (NHS) has doubled in real terms;
- spending in education is today nearly 60 per cent higher, and, as a proportion of GDP, has risen from 4.6 per cent in 1997-98 to 5.5 per cent in 2007-08;
- spending on transport has increased by over 70 per cent in real terms; and
- spending on public order and safety has increased by 50 per cent in real terms.

6.2 The fiscal framework put in place in 1997 has also protected capital spending, reversing a legacy of underfunding and enabling the Government to build new schools, hospitals and transport infrastructure. Public sector net investment as a share of GDP has increased significantly, having risen from 0.6 per cent in 1997-98 to 2.1 per cent in 2007-08. As a result:

- total capital investment in education has risen from £1.7 billion in 1998-99 to £7.2 billion in 2007-08, annual average real growth of 14 per cent;
- total capital investment in housing and community amenities has risen from £2.6 billion in 1998-99, to £9 billion in 2007-08, annual average real growth of 12 per cent;
- total capital investment in transport has risen from £2.9 billion in 1998-99, to £11.4 billion in 2007-08, annual average real growth of 13 per cent;
- total capital investment in the NHS has risen from £0.8 billion in 1998-99, to £3.6 billion in 2007-08, annual average real growth of 10 per cent; and
- total capital investment by local authorities has risen from £6.7 billion in 1998-99 to £18.3 billion in 2007-08, annual average real growth of 8 per cent.

6.3 The Government has matched rising public investment since 1997 with significant new reforms to modernise Britain’s public services:

- during the first stage of reform, the Government introduced stronger performance management, with stretching Public Service Agreements (PSAs) setting priorities for delivery, the introduction of tough minimum standards and enhanced inspectorates to tackle poor performance across services; and
- the second stage of reform saw greater incentives for continuous innovation and improvement, encouraging diversity of provision, increasing competition and ultimately putting more power into the hands of service users.
Improvements in public services  6.4  As a result of this increased investment and reform, Britain’s public services have significantly improved. For example:

- the NHS will meet its ambition of a 20 per cent reduction in mortality rates of cancer patients aged under 75 by 2010 and has already achieved the target of a 40 per cent reduction in mortality rates of heart disease patients aged under 75 by 2010;
- in the last decade, the number of operations has increased by over 1 million and there are now 2.9 million more emergency and elective admissions each year;
- in 1997, over 280,000 patients were waiting over six months for an inpatient appointment. By the end of this year, virtually no one will wait longer than 18 weeks from being referred by their GP until the start of treatment;
- since peaking in 1995, crime has reduced by 35 per cent, bringing the chance of being a victim of crime to its lowest ever level;
- over 64 per cent of 15 year olds now achieve five or more good GCSEs or equivalent, up from 45 per cent in 1997; and
- the 800 Jobcentre Plus offices that have been created since 2001 have acted as the cornerstone of the Government’s welfare to work policy, dealing with benefit claims and employment advice in one place.

6.5  The Government recognises that services must continue to improve further if they are to be consistently world class. As set out in the recent publication, Excellence and Fairness: achieving world class public services (see Box 6.1), the next stage of the reform will drive improvement and increase value for money by:

- further empowering users so they can hold public services to account and participate more fully in shaping the services they receive;
- giving professionals and public sector workers the power and responsibility to innovate and drive up performance; and
- ensuring a more strategic leadership role for central government.

6.6  The Government’s new performance management framework announced at the 2007 Comprehensive Spending Review (CSR) is key in supporting delivery of improved outcomes and driving forward the vision for public service improvement set out in Excellence and Fairness. It is based around a streamlined set of 30 PSAs, which articulate the Government’s highest priority outcomes for citizens and span departmental boundaries, setting out a shared vision and providing strategic leadership for collaboration and new professionalism at all levels in the delivery system. Progress in delivering outcomes will be reported in the lead Department’s Annual Performance Report for 2008.

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1 Excellence & Fairness, Achieving World Class Public Services, Cabinet Office, June 2008.
Box 6.1: Excellence and Fairness

Excellence and Fairness: achieving world class public services sets out the Government’s aspiration for world class public services that deliver consistently high quality outcomes for users while providing a fair deal for taxpayers. In this challenging economic period, central government will have an important role in driving efficiency and value for money but it is also essential to unleash the skills, motivation and local knowledge of front-line services and citizens. The Government will do this by:

- **empowering citizens** – increasing the role of users in delivering outcomes, giving citizens more say in what services are required and how they are provided, and providing accessible information about the performance of services so they can hold them to account. The Government is already piloting the use of individual budgets for social care, increasing the control people have over the services they receive. The Government is determined to go further to empower citizens by radically improving the quality and availability of information on the performance of services. The Government announces that Communities and Local Government will work to ensure that the cross-service performance information held on their datahub is timely, easily accessible and available in a reusable format.

- **fostering a new professionalism** in services – where managers and front-line staff have the freedoms and flexibility to shape how services are delivered, cutting waste, increasing efficiency and reducing bureaucracy. For example, Modern Matrons have been given the authority to lead by example, to drive up basic standards and empower nurses to take on a greater range of clinical tasks. The Government is committed to going further to ensure front-line professionals are able to innovate, become more flexible and responsive to users needs. The Government announces that the Ministry of Justice will develop probation standards so that offender management professionals can be more flexible and responsive, while maintaining necessary minimum standards and driving efficiency; and

- **providing strategic leadership** for public services – for example through the streamlined Public Service Agreement framework announced at the 2007 Comprehensive Spending Review, by agreeing clear priorities for delivery and reform, ensuring minimum standards, building capacity, enabling quality improvements and putting decision-making in the hands of front-line professionals. For example, over 2,000 clinicians and other staff in health and social care helped create and develop the recommendations of Lord Darzi’s Next Stage Review of the NHS.a

The current economic challenges mean it is more important than ever before that services are both better for users and more efficient. The Government will therefore set out priorities for delivering further service improvements supporting the implementation of Excellence and Fairness in the New Year. This will draw on the work of every major service department.

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6.7 Public sector workers are at the heart of delivering essential public services, supporting economic growth, long-term prosperity and fairness. This is why the Government has invested in services and raised the number of front-line professionals, with 36,000 more doctors than in 1997, 66,000 more nurses, 41,000 more teachers and 116,000 more teaching assistants, alongside 14,000 more police officers. Following a period of underinvestment in the early 1990s, the public sector reward package, which includes pension benefits as well as pay, is now competitive. Looking forward, the objectives for public sector pay remain unchanged – recruiting and retaining a high quality workforce; affordability and value for money for the taxpayers; and consistency with achieving the Bank of England’s inflation target. Continued discipline in pay awards, with multi-year settlements where appropriate, is essential to drive value for money and maintain high quality public services, particularly in the context of a global economic downturn.

6.8 The third sector has a growing importance to the economy and society and makes a very important contribution to the delivery of public services. In the current economic context its agile, community-driven approach makes it well placed to respond to new and emerging needs. Through volunteering and its promotion of civic participation, the third sector can help to build trust and cooperation, fostering strong and active local communities and reducing social isolation and exclusion. The Government acknowledges that the sector is facing challenges with rising levels of demand for its services. However, the implementation of the 2007 third sector review policies, as well as a more sustainable funding framework, mean that the sector is in a good position to meet the challenges ahead. The Government will work with the third sector to help ensure its continued strength in the current economic climate.

SUPPORTING THE ECONOMY THROUGH THE GLOBAL ECONOMIC DOWNTURN

6.9 The Government’s immediate priority is to support the economy through these difficult times. As set out in Chapter 2, the Government will respond to the current economic challenges in the short term by pursuing a fiscal policy that supports economic growth. Chapters 4 and 5 set out the targeted support that the Government is providing to families and businesses.

6.10 Public services play a vital role in supporting Britain’s long-term growth and competitiveness, and increased investment over the last ten years has strengthened the ability of the British economy to respond to difficulties now. For example, investment in the science base has helped make Britain one of the best places in the world for science, research and innovation. Investment in higher education and adult skills has ensured businesses have access to the skilled workers they need to respond rapidly to new market opportunities. Rising investment in the transport network has enabled Britain to complete major projects including the Channel Tunnel Rail Link and upgrading of the West Coast mainline.

6.11 Building on the record level of investment in public services achieved since 1997, a wide range of government services are now playing their part in supporting the economy. For example:

- in September 2008, the Prime Minister announced £1 billion from the private and public sectors, including additional spending through the Warm Front programme, to provide help with energy saving and heating for households facing high energy bills;

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2 All figures are on full-time equivalent basis. Headcount figures for doctors are 39,000 and for nurses 80,000.
• Communities and Local Government (CLG) has brought forward a £1 billion housing package to help first time buyers get onto the housing ladder, help homeowners in difficulty and support the construction industry;

• the Government announced in October that it would set aside £100 million from the European Social Fund (ESF) and the Department for Innovation, Universities and Skills (DIUS) to provide integrated employment and skills support for those facing redundancy. The 2008 Pre-Budget Report announces that the total funding available from the ESF is now £158 million, and that this will be matched on the skills side by £79 million of Next Steps advice service and Train to Gain funds;

• the Department for Business, Enterprise and Regulatory Reform is providing ongoing finance for face-to-face advice on debt problems, with new provisions for Debt Relief Orders from April 2009 to reduce the costs of bankruptcy for the poorest;

• the Working Neighbourhoods Fund is promoting employment and enterprise in 65 areas with significant levels of unemployment, inactivity and deprivation. This fund will enable local authorities to create local solutions to local problems including by providing careers and interview advice, information about flexible working and childcare, and advice on starting a business; and

• the Regional Development Agencies (RDAs) are supporting the most vulnerable sectors in every part of the country by reprioritising business support networks, assisting business with the efficient use of resources, and delivering bespoke sector support packages. For example, One North East is now investing £6 million per annum to strengthen and grow the region’s manufacturing sector, including bespoke support for over 600 businesses and skills development for over 2,000 individuals, safeguarding around 1,000 jobs.

Fiscal stimulus 6.12 In the face of continuing global uncertainty, the Government is now taking further action to support the economy through the downturn. To provide a fiscal stimulus to the economy, the 2008 Pre-Budget Report announces that £3 billion of capital spending from 2010-11 will be brought forward into 2009-10 and 2008-09. This additional spending during the downturn will support a number of different industries and jobs across the country. In order to ensure that the spending has maximum economic impact the Government has brought forward a package that is:

• timely – focused on projects that can be brought forward in the time available;

• targeted – focused on supporting the domestic UK economy; and

• temporary – focused on bringing forward spending in a sustainable way.

6.13 The package includes:

• £700 million to advance the Department for Transport’s (DfT) existing plans to increase capacity on the motorways and other critical highways, and to accelerate the delivery of up to 200 new carriages on the rail network, helping Government to deliver on its targets to relieve congestion on the road network and reduce crowding on the railways;

• £775 million of housing and regeneration investment brought forward to help offset the impact of economic shocks on priority programmes,
including £200 million on Decent Homes programmes to fund improvements and improve energy efficiency in 24,000 council homes, £150 million on social rented housing to deliver up to 2,000 more social rented homes and reduce the number of households in temporary accommodation, £175 million for major repairs to council housing stock, and £100 million to support key regeneration and housing infrastructure projects. The RDAs will also consider the scope for bringing forward up to £100 million nationally to provide a fiscal stimulus to regional and national economic development;

- £800 million brought forward in the priority schools capital programmes, providing opportunities for small businesses locally and allowing schools and children to benefit early from important projects. In particular, the additional capital spending in 2009-10 will fund accelerated renewal of the primary school estate and boost local authority capital funds for modernising school infrastructure. This could bring forward the adaptation of 2,000 secondary classrooms to improve personalised learning, energy-saving measures in around 140 secondary schools, the building of kitchens in around 300 primary schools, and the conversion of rooms for mother-and-baby groups and other community uses in 800 primary schools;

- £442 million to accelerate support for around 25 capital projects to improve Further Education infrastructure and around 50 projects to improve facilities at Higher Education Institutions, and to bring forward development of scientific research facilities and improvements to university research infrastructure;

- £50 million of investment brought forward, and £100 million of additional funding, for the Warm Front programme. This means 60,000 homes will benefit more quickly from energy efficiency and heating measures, helping people heat their homes affordably during difficult economic times. Further details can be found in Chapter 7;

- £100 million to advance the upgrading of up to 600 GP surgeries to training practices, creating opportunities for small firms and targeting funding on those areas that have historically had a lower provision of doctors;

- £20 million of investment on flood defences brought forward, delivering earlier protection for over 27,000 homes, and £5 million of improvements to the British Waterways network infrastructure;

- £20 million to improve the estates of the Serious Organised Crime Agency and the National Police Improvement Agency, developing and installing high technology systems and enhancing intelligence gathering against serious organised crime. This enables the redeployment of posts out of London a year earlier than planned, in line with the Lyons relocation policy; and

- in the case of devolved areas of spending, the devolved administrations may reprofile spending in line with the Barnett formula in the normal way.

6.14 The Government also announces a number of other spending measures to support individuals and businesses through the downturn including:

- additional help for small and medium enterprises facing credit constraints through a new Small Business Finance Scheme to support up to £1 billion of bank lending. Further details can be found in Chapter 4;
the extension of the Mortgage Rescue scheme, to include cover for second charge lending, and the Support for Mortgage Interest scheme for homeowners who lose their jobs. Additionally there will be increased funding to ensure people in financial difficulties can access free and impartial debt advice. Further details can be found in Chapter 5; and

- £1.3 billion to increase the help Jobcentre Plus gives to those out of work and looking for a job, ensuring that they continue to get the dedicated and personal support they need to move rapidly back into work. There will also be increased provision for those facing redundancy through an expansion of the Rapid Response Service (RRS) to cover short-term as well as long-term redundancies, offering a range of on-site support such as retraining and job-matching. Further details are in Chapter 5.

A RELENTLESS FOCUS ON VALUE FOR MONEY

6.15 Clear priorities, strong accountability and effective performance management are fundamental in ensuring that increased resources result in higher standards across public services. Over the last decade, the Government has made significant progress in delivering more efficient and effective services and is determined to do even more in the period ahead.

6.16 In the current economic climate, at a time when families and businesses are tightening their belts, it is more important than ever that the Government ensures that investment is targeted effectively at improving front-line services, locking in the improvements delivered over the last decade. Building on this record, the Government can now announce key parts of the next stage of the value for money programme.

Over-delivery of the 2004 SR Gershon efficiency targets

6.17 As part of the 2004 Spending Review (SR), the Government set stretching efficiency targets for departments to deliver by March 2008 as recommended by Sir Peter Gershon in Releasing Resources to the Front Line – Independent Review of Public Sector Efficiency. The 2008 Pre-Budget Report announces significant over-delivery against each efficiency target set in 2004. In particular, the Government announces:

- over £26.5 billion of efficiency savings, substantially exceeding the target of £21.5 billion set in 2004. Further details on departmental efficiency savings can be found in Chart 6.2 and the supplementary document 2004 Spending Review: final report on the efficiency programme;

- over 86,700 net workforce reductions, significantly over-delivering against the target of 70,600 net workforce reductions and allowing the Government to employ more front-line professionals such as doctors, nurses, teachers and police officers; and

- over 17,100 staff relocated out of London and the South East by June 2008, putting the Government on track to deliver the Lyons relocation target to move 20,000 posts by 2010.

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4 Departments have classified all efficiency gains as “Final,” the most robust measurement classification as set out in HM Treasury Measurement Guidance.
Box 6.2 Delivering the 2004 Spending Review Efficiency targets

During the 2004 Spending Review, departments focused on delivering more efficient public services, over-achieving the targets set by the Gershon efficiency programme, for example:

- the Department for Children, Schools and Families delivered over £630 million of efficiency savings by improving schools’ financial management skills and capability through the introduction of new standards, benchmarking systems, and improved training to make better use of their resources to deliver pupil outcomes;

- the Department for Transport delivered, through the Highways Agency, £238 million of efficiency gains against a target of £200 million through improved procurement and achieving better value in maintenance contracts for the Strategic Roads Network, for example by using pre-cast arches rather than onsite built arches over a railway line;

- the Home Office renegotiated accommodation contracts for asylum support services and substantially reduced the number of people housed in temporary emergency accommodation. This has saved over £500 million whilst providing greater stability of accommodation for asylum seekers; and

- the Department for Work and Pensions saved around £1 billion of transactional costs over the last five years by introducing direct payments, saving taxpayers’ money while being more convenient for customers.

Chart 6.1: Departments’ efficiency savings (agreed target and reported delivery)

Source: HM Treasury

2007 CSR targets

6.18 The 2007 CSR went further and agreed a more ambitious value for money programme, which will deliver savings worth £30 billion by 2010-11. By using the capability developed within departments over the previous three years it has been possible to require all gains to be cash-releasing and reported net of costs. Departments are in the process of delivering
these savings and will report on progress in their Autumn Performance Reports. Examples of Departments’ plans to deliver the 2007 CSR value for money targets are set in Box 6.3 below.

**Box 6.3 Delivering the 2007 CSR value for money targets**

The public sector has been actively engaged in identifying value for money savings over the Comprehensive Spending Review period. For example:

- local government will achieve £4.9 billion of annual net cash-releasing efficiency savings by 2010-11 through - business process improvements and collaboration initiatives, which could deliver up to £1.8 billion by 2010-11; smarter procurement, which could deliver up to £2.8 billion by 2010-11; and better asset management which could deliver up to £300 million by 2010-11;

- HM Revenue and Customs transformation programme is expected to save over £190 million through more efficient property management. A further saving of £57 million is expected as more customers use on-line services;

- the Ministry of Defence (MoD) plans to achieve £31 million of savings by reducing non-operational energy consumption by at least 15 per cent, also reducing the Department’s carbon footprint. MoD also expects to reduce its civilian workforce by some 10 per cent over the period 2008 to 2011, yielding a further £25 million per annum saving for each of the remaining Comprehensive Spending Review years;

- HM Court Service plans to make over £140 million of savings through modernising processes and making use of new technology. There will be significant improvements in the way in which caseloads are managed, increased electronic links with other agencies and better access to services; and

- the Department of Health announced agreement in November 2008 to a new Pharmaceutical Price Regulation Scheme (PPRS), including a price cut of 3.9 per cent in the first year of the new agreement with a further price cut of 1.9 per cent with the introduction of generic substitution in January 2010. This deal is expected to deliver savings in the UK of around £350 million in 2009-10, and approximately £550 million per year thereafter.

**The Operational Efficiency Programme**

6.19 As the next stage in the Government’s rolling programme of value for money improvements, Budget 2008 launched the Operational Efficiency Programme (OEP) to examine opportunities for further efficiency savings in five cross-cutting areas. The five OEP workstrands are – back office and IT, collaborative procurement, asset management, property and local incentives and empowerment. Although the Operational Efficiency Programme is due to report at Budget 2009, significant progress has already been achieved and the 2008 Pre-Budget Report announces a number of emerging findings for each of the five workstrands.

6.20 In the first OEP workstrand, a programme of work led by Martin Read, former Chief Executive of Logica, has identified substantial additional savings from 2010-11 onwards through greater efficiencies in back office operations including human resources, finance, estate, security, marketing, travel and legal services.

6.21 Martin Read has examined examples of good practice that already exists in the public sector. For example, following a review of back office functions as part of the 2004 Spending Review, HM Prison Service set up a shared services centre for 128 Prison Service establishments to deliver finance, procurement and human resources functions. As a result, 32 per cent savings in staff costs are expected with just over 30 per cent savings against gross costs of back office operations. In the NHS, a shared services centre established through a 50:50 joint venture between the Department of Health (DH) and Steria now serves over
100 organisations in England. The shared services centre uses best practice processes and solutions to deliver improved management information and cost efficiencies. Organisations are guaranteed savings against gross costs when entering NHS Shared Business Services and industry standards show that shared services deliver 20-30 per cent savings on like for like services.

6.22 However, considerable cost variation still exists across the public sector including areas such as human resources, where the cost per employee can vary by 300 per cent. Rigorous benchmarking, sharper management information and greater standardisation and simplification of back office operations will deliver billions of further savings across the public sector.

6.23 In the second OEP workstrand, a programme of work led by Martin Jay, Chairman of Invensys, has identified substantial additional savings from 2010-11 onwards through actions such as improving compliance on centrally negotiated deals and optimising the complex and fragmented public sector buying landscape.

6.24 Martin Jay has examined a number of examples of best practice across the public sector where collaborative procurement is already saving money. For example, four new pan-government fleet deals have been put in place covering vehicle purchase, vehicle leasing, glass and tyres, which are collectively leveraging over £200 million in fleet spend, delivering at least £25 million in annual savings. Also, the prices public sector organisations pay for their office stationery, printer cartridges, paper and magnetic media will be cut by up to 62 per cent in a collaborative deal led by the Ministry of Defence (MoD). Significantly reduced prices were achieved here by holding the largest UK public sector e-auction to date, with the greatest savings for UK taxpayers ever achieved using an auction process.

6.25 However, considerable price variation still exists, and the OEP is working to achieve billions of savings through raising performance across the public sector. For example, the OEP is working with the Department for Children, Schools and Families (DCSF) and the Office of Government Commerce to help schools identify ways of reducing energy costs using professional buying organisations to aggregate demand and realise efficiencies of scale. Some schools already do this, but many still have individual contracts with energy companies, contributing to the current variation of more than 50 per cent in the rate paid for one kilowatt hour of electricity across the public sector.

6.26 It is vital for the public sector to make efficient use of its assets in order to deliver value for money for the taxpayers. As part of the third OEP workstrand which is focused on asset management and sales, Gerry Grimstone, Chairman of Standard Life, will work with departments and the Shareholder Executive to take forward studies on a range of assets (see Box 6.4), reporting progress at Budget 2009. These studies will look into ways of using different public sector assets more efficiently, including the potential for alternative business models, commercialisation, new market opportunities and, where appropriate, alternatives to public ownership.

6.27 On property, the fourth OEP workstrand, Lord Carter of Coles is leading work to examine the efficiency savings that could be achieved across the UK’s public sector property holdings, which have an estimated book value of around £370 billion. He will be focusing on some of the larger holdings in areas such as health, local government, defence and justice. Work will also link in with Baroness Ford’s review on the release of surplus land for housing. Lord Carter will continue to work with these sectors to develop a series of recommendations for Budget 2009 that will incentivise more efficient public sector management of property assets.
As identified in *Excellence and Fairness* (see Box 6.1), innovation at the front line is key to delivering customer-focused public services and driving value for money. Parts of the public sector are already enabling this kind of innovation. Operation QUEST, for example, empowers front-line staff in the police service to reform everyday working practices, cutting out wasteful processes to focus on meeting citizens’ needs. As a result, Norfolk Constabulary realised £3 million savings (of which £500,000 is cash-releasing) through improved efficiency and effectiveness, and customer confidence and satisfaction increased from 86 per cent to 97 per cent. The Government is determined to ensure that this sort of innovation and reform is the norm across the public sector, and therefore the 2008 Pre-Budget Report announces that:

- the Chief Secretary to the Treasury has appointed Sir Michael Bichard, Executive Director of the Institute for Government, to lead the local incentives and empowerment workstrand of the OEP, to analyse how best to facilitate front-line innovation, reporting by Budget 2009;

- the Government will empower and support front-line staff to drive bottom up innovation, with a new efficiency award for public servants on the front line who have reformed public services and delivered greater value for money; and

- to provide the space to innovate, the Better Regulation Website is being redesigned to make it even easier for citizens, businesses and front-line staff to suggest ways to reduce bureaucratic burdens.
Box 6.4: Operational Efficiency Programme – Asset strand

Gerry Grimstone is heading the asset strand of the Operational Efficiency Programme (OEP), and will be working with departments, agencies, and the Shareholder Executive to consider, for a number of Government assets, the potential for alternative business models, commercialisation, new market opportunities and, where appropriate, alternatives to public ownership. The work includes:

- a review of British Waterways’ model for managing its canal-side property portfolio which will assess how best public value might be delivered from these assets in the medium term;
- options for the Queen Elizabeth II conference centre, after a recent study concluded there was no public policy rationale for the Government to own it;
- a strategic review into the future business model of the Ordinance Survey, that will take into account its role as a public sector information provider, together with providing value for money for the taxpayers;
- work with the Land Registry to explore ways to improve its operating framework;
- widening the scope of the study of capacity requirements at the Dartford Crossing to include the potential to realise value for the taxpayers and, in addition, continuing to explore options for the commercialisation of other transport assets;
- a study to explore the potential benefits of alternative future models for the Royal Mint; and
- reviews of the Met Office, Oil & Pipeline Agency, and Defence Storage & Distribution Agency examining alternative business models.

Budget 2009 will report on progress, and will also take into account market conditions and the views of relevant stakeholders. Gerry Grimstone will work with Lord Carter of Coles, who heads up the OEP Property workstrand, in ensuring that any appropriate efficiencies in relation to property associated with these assets are taken in account.

Departments are also working to achieve efficiencies on other Government assets:

- the Ministry of Defence will shortly publish its response to a recent consultation on its plans to release and share parts of its electromagnetic spectrum holdings, with the release process for initial spectrum bands beginning in Spring 2009;
- the Government continues to explore options for realizing value from its stake in Urenco;
- a study of the Forestry Commission’s portfolio in England is being launched to examine options for delivery of public value from the estate in the long term; and
- a major redevelopment by Covent Garden Market Authority will aim to put it on a sustainable financial footing, enabling the Government to achieve its long-term objective of disengagement.

In addition, it was concluded in October not to pursue a sale of the Tote in light of current market conditions, and that it should be retained in public ownership for the medium term, to be brought to the market when conditions are likely to deliver value for the taxpayers and the racing industry.
The Public Value Programme

6.29 In Budget 2008, the Government also launched the Public Value Programme (PVP), to look at all major areas of public spending in order to identify smarter ways of doing business and taking wider policy decisions. The PVP will inform the Government’s value for money frameworks for 2010-11 and for the post-CSR period.

Key PVP Reforms 6.30 The 2008 Pre-Budget announces that the Public Value Programme has already identified key reforms that will deliver savings and efficiency improvements in 2010-11 and in the next Spending Review period. Key reforms include:

- improvements to NHS estate utilisation which will reduce the need for new hospital space by up to £3 billion, and save up to £100 million per annum of estate costs over the next spending period. In addition, DH will introduce new models for providing primary care estate by enabling Primary Care Trusts (PCTs) to extend Local Improvement Finance Trust (LIFT) public-private partnerships to the management of their entire estate;

- the Ministry of Justice (MoJ) will increase its use of competition to improve efficiency and effectiveness in the National Offender Management Service (NOMS). Specifically, this will mean that all new build prisons are to be built and managed by the private sector over the next three years; five commercially let contracts will be competed by 2010-11 to new NOMS specification standards with bids invited from the public, private and third sectors; high cost or under performing prisons will be identified against the new NOMS standard specifications and failure to improve will lead to services being contracted out without a public sector bid. Further details on the NOMS competition programme will be published in the NOMS Agency Corporate and Business Plan in January 2009;

- the Policing Green Paper contains proposals which relate to increasing, over time, the productivity of the police workforce, including by supporting forces in streamlining working practices. Similar work in other sectors, and also by some police forces, has delivered productivity increases of 15 per cent. The 2008 Pre-Budget Report announces that this will be worth around £1 billion, equivalent to increasing the size of the police service by around 20,000 officers. The plans will be reinforced by a targeted inspection, in 2010, of the police workforce, to ensure resources are being deployed to maximum effect, and continued roll-out of Operation QUEST, a programme of front-line improvement work that has already delivered substantial successes, such as increasing customer satisfaction to over 90 per cent;

- the Highways Agency has been investigating how it can go further to deliver efficiencies over the 2007 CSR period. The Highways Agency will seek to double the efficiency savings it aims to deliver, which could potentially save an additional £150 million by 2010-11. The Government will continue to consider where it can go further over the longer term, and will provide a further update at Budget 2009; and

- as set out in Chapter 4, DIUS will take further steps to drive forward the Leitch reforms and move to a more demand-led system for skills, and will ensure that subsidies are targeted on raising demand in the most economically valuable areas.
The Public Value Programme will continue to focus on the scope for additional value for money across all major areas of spending policy, with further investigation in the following key areas:

- All PCTs have submitted to Strategic Health Authorities their draft five year strategic commissioning plans to improve local health care. As PCTs enhance their commissioning skills towards world class standards over the next years they will develop their strategic and financial plans to ensure they unlock cashable value for money improvements across the £70 billion of commissioned health services. Budget 2009 will set out the projected value for money impact of World Class Commissioning. Budget 2009 will also report on the scope to increase efficiency further in the hospital sector through the tariff prices paid by PCTs and progress on extending pricing to new areas of the health service;

- DCSF is assessing the value for money of Building Schools for the Future (BSF), childcare and teaching assistants. Building on the success to date of BSF and Academies, the PVP will inform decisions on the cost effective delivery of key strategic objectives through the schools capital programmes, including the roll-out of Waves 7 to 15 of BSF. On teaching assistants, the PVP is assessing their deployment, and impact on educational outcomes. The PVP has also developed the evidence-base on how best to deliver the Government’s long-term childcare objectives. The value for money evidence demonstrates that providing a level of free provision for the most deprived 2 year olds, in line with the Prime Minister’s commitment, is likely to have a greater positive impact on child outcomes than extending the number of free hours of childcare available to 3 and 4 year olds beyond the 15 hours per week they will receive by 2010-11;

- MoJ will continue to consider the scope for value for money improvements within legal aid procurement;

- Following its successful pilot on the M42, the Government will announce in the New Year the conclusions of its work to investigate where hard shoulder running should be rolled out more widely on the motorway network in preference to motorway widening. Initial results suggest that hard shoulder running schemes can be delivered on average around 40 per cent cheaper than the equivalent motorway widening schemes. DfT will also assess how best to provide transport funding to local authorities so that it continues to be targeted to areas of greatest need;

- MoD is developing work on value for money reforms, building on existing work being taken forward in the Defence Acquisition Change Programme. This will further improve the MoD’s commercial capability and will ensure better commercial value for money by changing the terms of the MoD’s relationship with industry;

- CLG’s forthcoming regeneration framework will improve the efficiency of regeneration spending, including strengthening accountability for delivering improvements in economic growth and employment, providing clear regional prioritisation of capital investment and strengthening local coordination;

- In the context of wider work on energy saving and rising activity to help low income households, the new Department of Energy and Climate Change
(DECC) is considering how to maximise value from the Warm Front programme.

- the Department for International Development will build on its current work to improve the effectiveness of its aid, by analysing key aspects of its spending on health and education to identify opportunities to improve its effectiveness in the future. The initial findings of this work, focused on education spending, will be reported in Budget 2009;

- the RDAs are playing a vital role supporting the regions in dealing with the economic downturn and laying the foundations for future economic growth. The Government will work with the RDAs to maintain and where possible increase the value realised from the Single Pot Funding; and

- the Student Loans Company (SLC), working with DIUS, is undertaking a review to establish the extent of income-related fraud within the student support system, with a particular focus on fraudulent grant claims. Depending on the outcome, DIUS will work with the SLC to implement measures to reduce the level of fraud and ensure that financial support to students goes only to those that are genuinely entitled to it.

FUTURE SPENDING GROWTH

New 2010-II value for money target

6.32 These initiatives all show that there is considerable scope to go further on value for money. So, at this time of global economy uncertainty, and with the need to ensure our public finances are sustainable over the medium term, the Government believes it is right to do more. Building on the record of delivery – and as a result of the new announcements on the OEP and PVP set out above – the Government announces that the existing cross-Government value for money target for 2010-11 will increase from £30 billion to £35 billion, releasing £5 billion of additional recoverable savings in 2010-11. Savings which can be achieved by individual departments will be set out, and allocations for 2010-11 adjusted accordingly, at Budget 2009, alongside the final report from the OEP. The Barnett formula will be applied as usual to the devolved administrations’ budgets when reductions to departments’ budgets are announced.

Spending growth assumptions

6.33 The Government is determined to support the economy in the short term and continue to improve and invest in public services in the years ahead. To secure the improvements and investment within a framework that delivers sustainable public finances over the medium term, the 2008 Pre-Budget Report therefore also sets assumptions for spending growth in the period from 2011-12 onwards:

- total spending will continue to grow by 1.1 per cent a year in real terms over the years 2011-12 to 2013-14;

- current spending will grow by 1.3 per cent in 2011-12, 1.2 per cent in 2012-13 and 1.1 per cent in 2013-2014; and

- public sector net investment will remain at historically high levels moving to 1.8 per cent of GDP by 2013-14.

6.34 These new spending assumptions will ensure continued real terms increases in current spending and protect the historically high levels of capital investment achieved since 1997. By 2013-14, total spending will be sixty per cent higher in real terms than in 1997. Public sector net investment will be three times larger as a proportion of GDP than in 1997-98.
To ensure that the Government continues to deliver high quality public services in a way that represents value for money in the next Spending Review period, the Government will broaden and deepen work to drive efficiency from 2011-12 onwards, in particular by driving forward the OEP and the PVP. In addition to early announcements set out in paragraphs 6.19-6.28 and Box 6.4, Budget 2009 will announce the final conclusions of the OEP’s work in all five workstrands, identifying further savings for the next Spending Review period. In addition to this, the PVP will continue working on a range of specific areas to explore whether further savings can be achieved in the next Spending Review period, as set out in paragraph 6.31. By releasing these efficiency savings the Government will be able to guarantee that front-line public services will continue to grow and improve in the years ahead.