

# 2009 Value for money update

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April 2009



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# Foreword

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Over the last decade public services in Britain have been transformed. Years of underinvestment have been put right: schools have been rebuilt, hospitals refurbished and our transport infrastructure strengthened. Public servants have been empowered, and there are more doctors, teachers and police officers than ever before.

The results have been dramatic. Back in 1997, over 280,000 patients were waiting over 6 months for an in-patient appointment. Virtually no-one now waits longer than 18 weeks from being referred by their GP until the start of their treatment. In education the number of young people achieving 5 or more good GCSEs or equivalent has increased from 45 per cent in 1997 to over 65 per cent in 2008, and there are now over 2,900 Children's Centres. Since 1997 crime has fallen by 30 per cent and there has been a 44 per cent increase in the numbers of offenders brought to justice since 2002. Individuals, families and businesses right across the UK have benefited.

These improvements have been enabled by the investment the Government has made in key priorities. Since 1997, education spending has increased by 60 per cent; investment in the NHS has increased from £35bn to £89bn while investment in the police has risen by 50 per cent. Alongside this additional investment the Government have also put in place substantial reforms to improve the way public services are delivered and release efficiency savings wherever possible. These efficiency savings have directly supported the drive to improve the quality of services, releasing substantial resources for re-investment in key areas.

The Government has a strong track record in delivering efficiency savings, having secured £26.5 billion of savings by March last year following Sir Peter Gershon's report. But it's vital that all opportunities to deliver greater value for money are seized, which is why last year the Government set up the Public Value Programme and the Operational Efficiency Programme to explore whether further savings could be delivered. On the back of the early findings of these two programmes and the over-delivery against Gershon targets, the 2008 Pre Budget Report announced that the Government would increase its 2010-11 value for money target from £30 billion to £35 billion. This document provides further detail on how the public sector plans to meet this target, releasing more resources for our priorities and directly supporting our drive to further improve the quality of key public services.

Departments have been able to find additional efficiency savings in 2010-11 whilst still continuing with planned substantial increases for key front-line public services. For example:

- The Department of Health will be able to make additional savings while continuing to increase allocations to PCTs by 5.5 per cent, as announced in December 2008;
- The Department for Children, Schools and Families will be able to make additional savings while continuing to increase allocations to schools by 4.3%;
- The Department for Communities and Local Government will be able to make additional savings while keeping the 2010-11 local authority formula grant as announced in the local government finance settlement, rising by 2.5 per cent;
- The Home Office will be able to make additional savings while keeping the 2010-11

police grant as announced in the police and community safety settlement, rising by 2.7 per cent;

- The Department for Innovation, Universities and Skills will be able to make additional savings while continuing to increase the science budget by 6 per cent; and
- The Department for International Development will be able to make additional savings while its budget increase at an annual average real growth rate of 11.4 per cent over the 2007 CSR period. The Government also remains on track to deliver £9.1 billion of Overseas Development Aid by 2010-11 as set out in the 2007 CSR.

The Government is determined to continue investing and improving in public services so that it can support the economy, families, and businesses across the country in the future. These efficiency savings will help to do that whilst delivering even better value for money too.

# 1

## Introduction

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The Pre Budget Report 2008 announced that the Government would deliver a further £5 billion value for money savings in 2010 –11. This would be in addition to the £30 billion of savings by the end of 2010-11 agreed during the 2007 Comprehensive Spending Review. This document sets out, Department by Department, how the Government intends to deliver the £35 billion through an ambitious programme of value for money reforms across the public sector.

### Background

**1.1** Last year the Government launched two major value for money programmes – the Operational Efficiency Programme and the Public Value Programme – to explore how further efficiency savings could be achieved in the medium term:

- Launched at Budget 2008, the Public Value Programme focuses on major areas of spend to identify smarter ways of operating and key policy reforms. Budget 2009 announces further progress, including:
  - the health PVPs have identified up to £5 billion per year of cash-releasing savings and quality improvements by 2013-14 through improving the capability and planning capacity of NHS commissioners and extending the success of the NHS tariff pricing system introduced in April 2009 into new areas, most notably community services and mental health. In addition, the roll out of new metrics to improve utilisation of the NHS estate, reducing the need for new hospital space by up to £3 billion, and saving up to £100 million per year of estate costs by 2013-14
  - working with schools to ensure the most cost effective use of Teaching Assistants to enhance educational performance;
  - the Highways Agency, working to double its performance against its value for money target by 2010-11, through improved cost management of major schemes and the re-tendering of routine and winter maintenance contracts;
- Budget 2008 announced that the Government would take action, through the Operational Efficiency Programme, to ensure that future efforts to drive efficiency in the public services kept pace with developments in the private sector. Five private and public sector leaders with relevant expertise were appointed to advise the Operational Efficiency Programme and examine five key areas of operational expenditure in the public sector:
  - back office operations and IT, led by Dr Martin Read;
  - collaborative procurement, led by Martin Jay;

- asset management and sales, led by Gerry Grimstone;
- property, led by Lord Carter of Coles; and
- local incentives and empowerment, led by Sir Michael Bichard.

**1.2** The Operational Efficiency Programme has succeeded in identifying significant potential for savings through operational efficiencies across the public sector as set out in the *Operational Efficiency Programme: Final Report*<sup>1</sup> published on 21 April 2009.

**1.3** Early findings from both the OEP and PVP have suggested that not only is there significant scope for further efficiency savings in the medium term which the Government will be pursuing, but that in some areas savings could be delivered in 2010-11.

**1.4** As a result of this evidence and the record of over-delivery against Gershon targets, the Government announced in the 2008 Pre-Budget Report that an additional £5 billion of value for money savings could be delivered in 2010 –11 on top of the £30 billion of savings target over the current Comprehensive Spending Review period. This will ensure that the public sector is being genuinely challenged to achieve efficiency savings, releasing additional resources to support key priorities.

**1.5** Departments have been able to find additional efficiency savings in 2010-11 whilst still continuing with planned substantial increases for key front-line public services. For example:

- The Department of Health will be able to make additional savings while continuing to increase allocations to PCT's by 5.5 per cent, as announced in December 2008;
- The Department for Children, Schools and Families will be able to make additional savings while continuing to increase allocations to schools by 4.3%;
- The Department for Communities and Local Government will be able to make additional savings while keeping the 2010-11 local authority formula grant as announced in the local government finance settlement, rising by 2.5 per cent;
- The Home Office will be able to make additional savings while keeping the 2010-11 police grant as announced in the police and community safety settlement, rising by 2.7 per cent;
- The Department for Innovation, Universities and Skills will be able to make additional savings while continuing to increase the science budget by 6 per cent; and
- The Department for International Development will be able to make additional savings whilst its budget increases at an annual average real growth rate of 11.4 per cent over the CSR period. This means that the Government remains on track to deliver 0.56 per cent ODA/GNI in 2010 and 0.7 per cent ODA/GNI in 2013.

**1.6** Following Sir Michael Lyons' Independent Report into *Public Sector Relocation*,<sup>2</sup> in 2004 the Government also agreed to relocate 20,000 posts out of London and the South East by March 2010. Having already moved more than 19,000 of these posts, Budget 2009 announces plans

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<sup>1</sup> *Operational Efficiency Programme: Final Report*, HM Treasury, April 2009

<sup>2</sup> *Well Placed to Deliver? Independent Review of Public Sector Relocation*, Sir Michael Lyons, March 2004.

to increase the target to 24,000 posts by 2010-11, and the Office of Government Commerce will work with departments to review the level of ambition and relocations in the medium term.

## Departmental Chapters

**1.7** Budget 2009 sets out further background on the Government's value for money agenda. Further detail on the OEP can be found in the *Operational Efficiency Programme: Final Report*. This document sets out how the Government will meet its £35 billion value for money target in 2010-11 with each department providing a chapter of further detail on the reforms they will make to deliver their value for money contributions.

**1.8** This document sets out, for each Department:

- An introduction to how the Department has improved public services over the last decade, supported by higher investment and the delivery of efficiency savings;
- The Department's record of delivering efficiency savings, including how they over-delivered against Gershon efficiency targets in the 2004 Spending Review to enable the re-investment of £26.5 billion savings into the frontline; and
- The increased ambition in achieving value for money going forward. This gives detailed examples and of how each department will deliver its portion of the £30 billion of savings by the end of 2010-11 agreed during the 2007 Comprehensive Spending Review as well as how it intends to go further to contribute to the additional £5 billion of savings in 2010-11. Further progress will be reported in every Departmental Report.



# 2

## Department for Business Enterprise and Regulatory Reform

BERR's aims are to;

- promote the creation and growth of businesses and a strong enterprise economy
- lead the better regulation agenda; and
- champion free and fair markets.

### Improving public services

**2.1** The Government is determined to support businesses through the global economic downturn and ensure the UK remains an attractive and competitive place to do business. The Department for Business Enterprise and Regulatory Reform (BERR) has a strong record of helping UK industry and citizens. Between 1998 and 2007 BERR contributed to ensuring that UK Gross Domestic Product (GDP) per worker grew by 19%, faster than in any other G7 country. BERR has also assisted individual businesses to grow: the Manufacturing Advisory Service has added £770 million of value to businesses in six years, and between 1997 and 2008 BERR has enabled over 40,000 firms to borrow around £2.5 billion through the Small Firm Loan Guarantee Scheme. The department has delivered £1.9 billion of annual savings to businesses through significant reductions in administrative and regulatory burdens, saving businesses £5 million a day. Consumers are also well served by the department, for example over 200,000 people have benefited from face to face debt advice.

### A record of delivering efficiency savings

**2.2** Over the 2004 Spending Review period BERR over-delivered against their Gershon efficiency target, securing £358 million of efficiency savings against a target of £209 million. BERR managed this overachievement through a wide range of value for money reforms, including:

- £70 million - Rationalisation of BERR's Business Support Schemes; and
- £61 million - Efficiency savings in Regional Development Agencies (RDA) workstreams.

### An increased level of ambition going forward

**2.3** Building on their track record of delivering substantial value for money gains, BERR have identified scope to achieve additional annual value for money savings worth £121 million by 2010-11. This is BERR's contribution to the £30 billion in value for money savings across Government announced in the 2007 Comprehensive Spending Review (CSR07), and represents annual value for money savings of 3 per cent on BERR's core programme budgets and 5 per cent on its administration budget. Significant reforms have already been put in place and BERR are on track to exceed their value for money target. BERR will report figures for the first year of the programme in their Departmental Report following full validation, but examples of savings already delivered include:

- £5 million savings from delivering capital investment in assisted areas through the Selected Finance for Investment in England scheme, which focuses on higher value projects and provides better value for money than the previous Regional Selective Assistance scheme;
- £1.4 million savings delivered from the Competition Commission Council's fundamental review of the Competition Commission. These savings are from reducing the burden on business, making more effective use of staff, improving team working and improving outcomes;
- £1.5 million savings in exiting business support legacy schemes; and
- £2 million saving in administration budgets through the outsourcing of pensions administration, integration of the finance function, and through driving efficiencies in ICT provision, information management and finance, audit and accounting services.

**2.4** BERR's CSR07 savings target increases from £64 million in 2008-09 to £121 million by 2010-11. Savings are being planned right across BERR's budgets including:

- £21 million from The Insolvency Service, including productivity improvements from the 'Enabling the Future' programme;
- £13 million from ACAS, including through cost recovery of traded services; and
- £10 million in accommodation and ICT savings from within BERR's administration budgets.

**2.5** In addition to BERR's delivery of value for money savings, the RDAs delivered their efficiency savings target of £144 million in 2007-08 and are on track to deliver their target value for money savings in 2008-09, achieving significant savings through the more efficient delivery of transferred programmes and services (e.g. European Regional Development Funds and Rural Development Programme for England), streamlining Business Link operations, improving leverage, reducing headcount and collaborative procurement.

**2.6** These plans are ambitious. However there is a drive to improve value for money right across the department, and over the past year BERR have been engaging fully with the Operational Efficiency Programme (OEP) and reviewing other areas where further value for money savings could be delivered. As a result BERR have managed to identify scope for an additional £27 million of value for money savings in 2010-11, increasing their target from £121 million to £148 million as part of the Government's £35 billion value for money target.

**2.7** Savings will be achieved in a number of programmes, including:

- DSO 1: Promote the creation and growth of business and a strong enterprise economy – £12 million, including through further increases in value for money in the digital TV switchover programme.
- DSO 3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees – £12 million, including:
- value for money savings associated with creation of Consumer Focus from its predecessor consumer bodies;
- improved value for money through implementation of dispute resolution regulations by ACAS; and
- savings for Government from changes to the funding model for the Financial Reporting Council.

## 2.8 Administration budgets - £3 million, including:

- further substantial cash-releasing savings from BERR's corporate centre and back office functions; and
- efficiency savings from UK Trade and Investment's (UKTI) ICT costs as it rolls out its new digital strategy.

### **Administration Budget savings:**

BERR will be making substantial cash-releasing savings in its administration budgets to live within its 2010-11 administration budget control total, including from:

- increasing the effective utilisation of accommodation space, and generating further income from its property portfolio;
- driving efficiencies in the BERR corporate centre including seeking opportunities for the sharing of services;
- achieving improved costs as its ICT contracts end;
- implementing new technologies to replace those at end of life; and
- reviewing ICT spend that is no longer appropriate as recent Machinery of Government changes have altered the economies of its desktop contract.

**2.9** Recognising the need to maximise the impact of RDA investment on economic growth, the RDA network is exploring ways to achieve further efficiencies individually and collectively, through a range of measures including shared services, shared service procurement, regional efficiencies with partner organisations, streamlining processes, increasing leverage of funding streams and rationalising operational estate.

## **Continuing to invest to strengthen service delivery**

**2.10** The Government has set out at Budget 2009 how it will provide improved support to business through new initiatives and funding. In addition, delivering improved value for money, alongside the new funding made available since the Pre-Budget Report, has allowed BERR to provide increased support to business. This support includes:

- a £2.3 billion programme of loans and loan guarantees to assist the automotive sector;
- a Trade Credit Insurance top-up scheme to provide trade credit insurance cover to the market, helping businesses who have had their insurance cover reduced;
- the Working Capital scheme, launched on 2 March 2009, providing guarantees to banks for their working capital loan portfolios, freeing up capital and so enabling banks to provide additional lending to businesses.
- an Enterprise Finance Guarantee, securing up to £1.3 billion of additional bank loans to small firms with a turnover of up to £25 million; and

a £75 million Capital for Enterprise Fund to invest in small businesses that need equity.



# 3

## Cabinet Office

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The Cabinet Office's role is to improve the way Government works, including through supporting the Prime Minister, supporting the Cabinet and strengthening the Civil Service. Its priorities include:

- helping Britain act together to come through the global downturn faster and stronger – and prepare Britain for the opportunities the global recovery will bring;
- co-ordinating the Government's work to keep Britain safe from terrorism and other threats to life and livelihood;
- making sure public services are high quality, responsive and personalised and deliver the maximum value for money;
- ensuring Government acts together so everyone can achieve their potential; and
- ensuring charities, voluntary organisations and social enterprise become stronger still.

### Improving Public services

**3.1** The Cabinet Office has a vital role to play in co-ordinating policy and strategy across government. However, the Government is determined to ensure that this role is carried out in the most efficient way possible and the Cabinet Office has faced tight spending settlements to ensure that resources are directed at frontline services. This has helped ensure that the cost of running Government has fallen in recent years and will continue to fall.

**3.2** To live within its settlement while continuing to deliver high quality services, the Cabinet Office has put in place an ambitious value for money programme which has already succeeded in releasing considerable resources for new priorities, such as providing the secretariat for the National Economic Council.

### A record of delivering efficiency savings

**3.3** Cabinet Office have a strong track record in delivering efficiency savings, having over-delivered against its Gershon Efficiency targets by 40 per cent, securing £35 million of savings by March 2008. These savings were achieved through a range of measures including:

- workforce reductions of 140 posts, overachieving on a target of 100 posts and achieving £7.6 million of savings as part of the Cabinet Secretary's aim to make the Cabinet Office more strategic and better focused on its core objectives;
- improving procurement, saving £16.2 million, including £14 million on consultancy spend;
- rationalising corporate services, saving £5.5 million, including renegotiated IT support; and

- consolidating the estate, saving £3.5 million, achieved by vacating and disposing of space in six leased buildings and using space in the core freehold buildings more intensively.

## An increased level of ambition going forward

**3.4** As part of the Comprehensive Spending Review Cabinet Office identified scope to save a further £35 million of value for money savings by 2010-11. This includes £20.1 million of savings in administration costs and £14.7 million of savings in procurement costs through a major drive to improve procurement value for money.

### Box 3.A: Procurement value for money savings:

- procurement savings realising £14.7 million net cash-releasing savings by 2010-11; and administration costs savings realising £20.1 million net cash-releasing by 2010-11; and
- a major drive to strengthen the department's procurement capability including:
- greater use of the Government Procurement Card (GPC) to reduce transactional costs;
- improved travel contract arrangements, including on-line rail ticket ordering and delivery, reducing overhead costs;
- new contract arrangements for office supplies;
- use of OGC's collaborative frameworks, leveraging the public sectors buying power to get a better deal on commonly procured goods and services;
- taking part in the Consultancy Value Programme (CVP);
- improving deals with suppliers, particularly for ICT services; and
- improving project, contract, process and asset management.

**3.5** This drive to achieve greater procurement savings has already delivered real benefits including through continued exploitation of collaborative procurement. Examples include:

- £353,500 savings in the first half of 2008-09 by buying through Buying Solutions frameworks with a similar level of savings expected for the remaining part of the year;
- £318,800 saved in 2008-09 through policy changes on class of travel and an improved management charging regime for rail fares through the use of on-line ordering and on-site ticketing; and
- our current contract on air travel saved £280,000, in 2008-9. The new Government Air Programme (GAP) should deliver savings of a further 25 per cent and planned implementation of on-line ordering and government deals for air travel during 2009-10 are expected to deliver savings of £462,000.

**3.6** Cabinet Office's 2007 CSR value for money targets are challenging, but the Government is determined to go further, which is why in Budget 2008 it was announced that the Operational Efficiency Programme would be exploring whether there was scope for additional value for money savings, including through leveraging best practice from the private sector. Following the early findings of this programme and a range of other work, Cabinet Office has identified a number of additional savings, including:

- a centralised approach to consultancy to achieve further downward pressure on expenditure;
- a re-organisation of corporate services function to identify and remove duplication of effort; and
- embedding enhanced performance management and reporting linked to smart business planning to drive down costs.

**3.7** These savings have allowed the Cabinet Office to increase its value for money target by £10 million to £45 million by 2010-11.

## **Continuing to invest to strengthen public services**

**3.8** With the global economic downturn, the Cabinet Office has enhanced its support for the Government by setting up the New Economic Council using its existing resources. At the same time it has continued to provide the Prime Minister and the Cabinet with the on-going support they need. Resources will continue to be provided to support the voluntary sector in the key role it plays in the economy and society, particularly by helping the most vulnerable.



# 4

## Chancellor's Departments

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HM Treasury is the United Kingdom's economics and finance ministry. It is responsible for formulating and implementing the Government's financial and economic policy. Its aim is to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life with economic and employment opportunities for all. HM Revenue and Customs main objectives are to;

- Improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled
- Improve customers experiences of HMRC and improve the UK business environment
- Reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being

### Improving public services

**4.1** The Chancellor's Departments play an important role in delivering the Government's objectives of sound public finances, rising prosperity and a better quality of life.

**4.2** HM Revenue and Customs (HMRC) collect the revenue that underpins strong public finances, support millions of families and working people through benefits and credits while the Treasury Group develops and implements the Government's financial and economic policy. The Chancellor's Departments also include National Savings and Investment and the Government Actuary's Department. In April 2008 the UK Statistics Authority was established and the Office for National Statistics ceased to be part of the Chancellor's Departments.

### A record of delivering efficiency savings

**4.3** The Chancellor's Departments made a positive start on efficiency during the Gershon Efficiency Programme, over delivering with savings of £693 million against a target of £526 million. Examples of efficiency savings include:

- HMRC instigated a major change programme in 2005-06 and 2006-07, which focussed on improving customer experience alongside making efficiency savings. Investment was made in a modern, high capacity IT infrastructure to support higher take-up of online services, more efficient processing and communication of information and better risk-based compliance checks;
- HMRC staff reductions and office closures were effectively managed to support a gross reduction of 18,832 full-time equivalent posts against a target of 16,000. A regional review programme ensured 2,492 posts were relocated out of London and the South East against a target of 1,950 posts by 31 March 2008; and
- an innovative approach in Group Shared Services brought the HM Treasury, Office of Government Commerce (OGC) and Debt Management Office (DMO) corporate

services together to achieve savings of £2 million by 30 September 2007 and £4.2 million as at 31 March 2008.

## An increased level of ambition going forward

**4.4** The Chancellor's Departments have identified ways to improve efficiency and effectiveness over the CSR period. Savings of £673 million for HMRC and £30 million for the Treasury Group have been committed to. Examples include:

- HMRC is implementing new, enhanced, online services for Self Assessment, PAYE, VAT and Corporation Tax and measures to encourage online filing. Over two thirds of self assessment returns were filed online using the new service in 2008-09 - a 50 per cent increase on the previous year. This created reductions in administrative work coupled with greater accuracy as a result of direct data input. The programme is expected to deliver annual savings of over £50 million by March 2011;
- HMRC is rationalising and developing a more strategically located estate to meet customer service and operational requirements. HMRC aims to reduce the size of its estate by one third and has carried out 60 closure projects in 2008-09. Savings from reduced estate and workforce costs of up to £18 million in 2008-09 have already been realised. The programme is expected to deliver annual savings of over £70 million by March 2011; and
- the Treasury Group will save £13.5 million from its spending on procurement contracts by 2010-11. It will establish a benchmarking process across its procurement activities, to assure that its major contracts – especially in ICT and consultancy – continue to deliver good value. It will also drive increased value for money from third party spend on consultancy and advice through tools such as OGC's Consultancy Value Programme.

**4.5** Given the need to respond effectively to the prevailing economic conditions, the Chancellor's Departments have re-focused resources and plans in the light of changing priorities. Additional savings have been found to increase the CSR value for money target by £80 million for HMRC and by £5 million for the Treasury Group. This will be achieved through a range of value for money reforms, including:

- the Treasury Group has been benchmarking its office workspace against the cross-Government standards set out by OGC's High Performing Property Initiative. By optimising its use of space, it has increased the number of desks in its London headquarters by 53 during 2008-09. As part of this, the number of workstations occupied by other public sector bodies has risen by 29, producing annual Value for money gains of more than £0.4 million. The Treasury is currently reviewing all of its workspace usage to seek further gains by 2011; and
- following the early findings of the Operational Efficiency Programme and a range of other work, HMRC have currently identified additional savings in the back office area. A review of central and corporate service areas will ensure that the appropriate levels of resource and interaction with frontline businesses are in place, which is expected to deliver additional value for money savings of £60 million by the end of 2010-11.

## Continuing to invest to strengthen service delivery

**4.6** HMRC remains committed to helping individuals and businesses through difficult times by means of Time To Pay arrangements and the Rapid Response Helpline.

**4.7** HMRC will continue to support millions of families and working people through the benefits and credits it administers.

**4.8** The Debt Management Office (DMO) and appropriate policy, finance and delivery teams within the Treasury Group (along with UK Financial Investments) will be adequately staffed and resourced to continue to implement policies to support the economic recovery.

**4.9** The Treasury Group continues to implement policies to support the economy and maintain stability in the financial services sector. Through realising further value for money gains and the redeployment of existing resources where necessary, the Government will ensure that the Treasury has the resources it needs in the remaining years of the CSR period.



# 5

## Department for Children, Schools and Families

The Department for Children, Schools and Families (DCSF), created in June 2007, aims to make this the best place in the world for children and young people to grow up.

### Improving public services

**5.1** Since 1997, substantial investment, matched by reform, has resulted in significant improvements in education and children's outcomes:

- there are 157,300 more teachers and teaching assistants;
- there are 1,200 new or rebuilt schools, and around 1,800 substantially refurbished;
- school results have improved dramatically with the number of pupils achieving 5 good GCSEs up by 20 percentage points;
- the number of schools with fewer than 30 per cent of pupils gaining 5 or more good GCSEs or equivalent including English and maths has fallen from over half of all schools in 1997 to one in six today, with continued progress including through the National Challenge; and
- The Government is well on the way to meeting the target of 3,500 Children's Centres by 2010 – exceeding its interim target of 2,500 open by 2008, currently offering high quality learning, health advice and childcare to over 2.3 million young children and their families.

**5.2** The Government has committed historic levels of investment to education, children and young people, with £78.1 billion spent on education in 2008, 60% higher in real terms than in 1997. Between 1997-98 and 2009-10, revenue funding per pupil in England has gone up by 80% in real terms (at 2007-08 prices) from £2,840 to £5,120.

**5.3** Alongside the additional investment that has driven these improved outcomes, the Department for Children, Schools and Families (DCSF) has also put in place an ambitious package of efficiency reforms to ensure that resources are targeted on key frontline priorities. These reforms have already succeeded in releasing significant resources for reinvestment, directly contributing to the Government's key goals for education and children's outcomes.

### A record of delivering efficiency savings

**5.4** DCSF, in partnership with schools, colleges, children's centres and youth services has a strong track record of delivering substantial value for money savings. The department over-delivered against its Gershon efficiency target for 2005-2008, securing £3.9 billion of savings. This was achieved through a range of reforms including:

- enabling frontline professionals in schools, colleges and higher education institutions to use their time more productively and achieve more with their resources;
- improving school's financial management, skills and capability through introduction of new standards, benchmarking systems and improved training;
- streamlining the delivery system of each sector through improvements in policy, funding and regulation, streamlined data collection and reduced reporting and monitoring arrangements; and
- reducing civil servant posts and relocating posts out of London and the South East.

## **An increased level of ambition going forward**

**5.5** Building on this record, as part of the 2007 Comprehensive Spending Review (2007 CSR), DCSF identified scope to deliver a further £4.5 billion of value for money savings by 2010-11 through a wide range of reforms including:

- £307 million of savings in 2008-09 in schools through applying a one per cent efficiency saving against cost pressures in schools to free up resources to support more personalised learning. Schools are continuing to improve educational outcomes while achieving efficiencies, including through improving their financial management, capability and skills; and
- making three per cent efficiencies in Non Departmental Public Bodies.

**5.6** Strong progress has already been achieved and DCSF are on-track to deliver £1.6 billion of cash-releasing savings in 2008-09. The Department's Departmental Annual Report will provide further details.

**5.7** This strong progress has allowed DCSF to agree to find an additional £650 million value for money savings in 2010-11, to be achieved without adversely affecting the quality of key services. Scope for additional efficiencies will be found from NDPBs, from efficiencies and underspends across the Department and also from economies of scale arising from the growth in post-16 learner numbers over the next two years, which will mean that learning places can be delivered with greater efficiency after this year.

## **Continuing to invest to strengthen public services**

**5.8** The new spending plans announced at this Budget for DCSF for 2009-10 and 2010-11 will see an annual average real growth of 2.8 per cent on resource spending and 7.6 per cent on capital spending over the 2007 CSR period. Taken together, this represents a 3.4 per cent annual average real terms increase over the 2007 CSR period.

**5.9** The revised spending plans will enable the Government to fulfil its commitment to increase the share of national income spent on education, which is forecast to rise to 6.1 per cent of GDP by 2010-11.

# 6

## Department for Communities and Local Government

Communities and Local Government is working hard to create thriving, sustainable, vibrant communities that improve everyone's quality of life. To achieve this the Department is:

- building more and better homes - and reducing homelessness
- improving local public services
- regenerating areas to create more jobs
- working to produce a sustainable environment
- tackling anti-social behaviour and extremism

Communities and Local Government sets policy on local government, housing, urban regeneration, planning and fire and rescue. The Department has responsibility for all race equality and community cohesion related issues in England and for building regulations, fire safety and some housing issues in England and Wales.

### Improving public services

**6.1** Investment has driven real change, reducing the number of households living in non-decent social homes by over a million, providing over 225,000 affordable homes over the last five years, and underpinning the Government's target on housing growth to deliver 240,000 new houses in England per year by 2016.

**6.2** Over the past decade the Government has invested record amounts in housing and community amenities, with total capital investment rising from £2.7 billion in 1998-99 to £9.0 billion in 2007-08, annual average growth of 12 per cent. But alongside this investment real reforms have been introduced to ensure that taxpayers receive value for money. The Department for Communities and Local Government (CLG) has an impressive track record delivering efficiency savings, having over-delivered against its Gershon efficiency target by 130 per cent. Going forward robust plans are in place to embed and build on this impressive record and the Department has identified significant opportunities to deliver value for money savings in the years ahead, to support delivery of the Government's priorities.

### A record of delivering efficiency savings

**6.3** CLG (and its predecessor, the Office of the Deputy Prime Minister) agreed an efficiency target in the 2004 Spending Review to achieve at least 2.5 per cent per year efficiency gains, equating to at least £620 million by March 2008. CLG managed to deliver efficiency gains worth £1,444 million by March 2008. These savings were delivered through a wide range of reforms including:

- establishment of local procurement consortia to maximise efficiencies in Registered Social Landlord (RSL) capital works;

- modernisation of the Fire and Rescue Service, with innovation in shift patterns, crewing arrangements and aligning resources with risk; and
- investment in homelessness prevention, generating efficiencies by reducing the cost of expensive temporary accommodation.

## An increased level of ambition going forward

**6.4** During the 2007 Comprehensive Spending Review, CLG identified ways to build on this record of successful delivery and deliver additional value for money savings worth £887 million by 2010-11. This included:

- £734 million through the supply of new affordable housing, by developing a competitive mixed economy of providers, seeking to maximise the private finance contribution and optimise the balance between planning gain and social housing grant;
- £110 million from the Fire and Rescue Service, including through revising shift patterns and crewing arrangements to release resources for reinvestment in Fire and Rescue Authorities to improve services and strengthen performance, reducing accidental fire deaths and deliberate fires; and
- £43 million by reducing the cost of running the Department, including by bearing down on administration budgets across the Department and through corporate projects to reduce overheads, such as the plan to rationalise and reduce the size of the London estate, which involves CLG leaving Ashdown House on Victoria Street this summer.

**6.5** All savings achieved on these programmes are available to be recycled, enabling improvement in key front line services. However, progress on delivery of affordable housing has been affected by the downturn in the housing market. CLG are reviewing the impact of the changed market conditions on the new affordable housing value for money target and will report on progress in summer 2009.

**6.6** The £887 million package of savings identified during the Comprehensive Spending Review is a stretching and ambitious target, especially given the changed housing market and broader economic conditions. However it is important that new opportunities to drive value for money are constantly sought, which is why last year the Government set up the Operational Efficiency Programme and the Public Value Programme to explore whether there was scope for additional value for money savings, including through learning from private sector best practice. Following the early findings of these programmes, and a range of other work, CLG has identified further reforms, which will deliver VFM savings in 2010-11 worth £100 million in addition to the CSR target. These reforms include:

- £65 million of value for money savings through more effective use of funds to tackle the problems of the most difficult housing estates, by concentrating on supporting local authorities in their work with communities, local and regional partners;
- £20 million of value for money savings from the Housing and Planning Delivery Grant (HPDG), through reassessment of priorities in the light of changed economic conditions, and a tighter focus of spending in support for Local Authorities to deliver more housing and build planning capacity; and
- £15 million of value for money savings from a range of programmes across the Department. These include savings from planning budgets, which will be re-profiled to deliver better value for money, whilst preserving outputs.

**6.7** Building on work conducted as part of the Operational Efficiency Programme, CLG is supporting the drive to secure improved collaborative procurement in the Fire and Rescue Service in England to deliver value for money savings from contracts such as: vehicles fire appliances, smoke alarms, breathing apparatus, insurance and telecoms.

#### **Box 6.A: The Fire and Rescue Service**

In England, value for money savings achieved have been recycled by the Fire and Rescue Service and combined with the Home Fire Risk checks and Fire Prevention Grant Programmes have enabled 1.98 million Home Fire Risk Checks to be carried out and 2.43 million smoke alarms to be fitted. As a result of this and other investment statistics show:

- accidental fires in the home have fallen by a fifth in the last decade (1997-2007);
- fewer than 200 people died in accidental fires in the home in England in 2007, compared to 376 a decade ago; and
- deliberate vehicle fires more than halved between 2001 and 2007.

## **Continuing to invest to strengthen public services**

**6.8** CLG will continue to invest to strengthen public services now and in the future. CLG is investing over £17 billion between 2008 and 2011 through the Homes and Communities Agency in housing and regeneration programmes, including new affordable homes, supporting housing growth through infrastructure funding in the Thames Gateway and other growth areas, and improving the quality of the social housing stock through the Decent Homes programme. In response to the downturn in the housing market, CLG has brought forward £1.8 billion investment in housing and regeneration in the September housing package and the Pre-Budget Report 2008 fiscal stimulus to help households in difficulty remain in their homes; assist first-time buyers in getting onto the property ladder; and support the house building industry. Fire and Rescue Service Authorities will receive over £2 billion a year of funding, continuing the momentum for modernisation and improving performance.



# 7

## Department for Culture, Media and Sport

DCMS aims to improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence and to champion the tourism, creative and leisure industries.

### Improving public services

**7.1** In recognition of the value that culture and sport offer our communities, and the key role that tourism and the creative industries have in our economy, the Government has invested record levels of investment in the sector. Total spending on Culture, Media and Sport has increased from £900 million in 1997-98 to £2.6 billion in 2008-09. Alongside this investment, a successful programme of value for money reforms has released additional resources for reinvestment in key programmes, directly supporting delivery of their key goals.

**7.2** Investment has delivered substantial benefits. For example: 90 per cent of all school children now spend more than 2 hours a week doing PE and sport, an increase of 4 million children since 2002 and; with numbers at national museums and galleries up 60 per cent, supported by a continuation of the free admission policy.

### A record of delivering efficiency savings

**7.3** DCMS have a strong track record of delivering value for money savings having over-delivered against their Gershon efficiency target agreed for the 2004 Spending Review period, achieving £298 million of efficiency savings against a target of £260 million. A wide range of reforms were taken forward including:

- £15 million efficiency gains by Non Departmental Public Bodies (NDPBs) in procurement. Savings were realised by outsourcing certain workstreams and reviewing existing contracts. For example, the British Museum saved over £3.6 million by enhancing their procurement process in areas such as maintenance;
- £808,000 operational savings in drug testing by UK Sport. Savings were made whilst maintaining a constant level of testing. The annual number of tests remained at 7000 over the period; and
- as a result of the Lyons Relocation target, 771 posts have been relocated outside of London and the South East as at October 2008. This is against a target of 600 by 2010.

### An increased level of ambition going forward

**7.4** Building on the capability developed across the Department over the past few years, as part of the Comprehensive Spending Review, DCMS were able to identify scope to achieve further value for money savings worth £148 million by 2010/11. Strong progress has already been achieved, and although final figures are still being verified, DCMS have made strong progress having achieved value for money gains worth approximately £32.7 million in the first two

quarters alone. These savings have been delivered through a wide range of reforms right across DCMS's delivery chain including through:

- the Arts Council England is saving £6.5 million a year through a restructuring programme. The proposed new structure will allow people to share resources and knowledge in a more flexible way leading to a saving in staff numbers. There will be a smaller head office, co-locating with the London regional office and a smaller executive board which will be more strategically focused and able to make faster decisions. Finally, creating a centralised Grants for the Arts team based in Manchester will simplify processes;
- the Tate has reduced its storage capacity in London while increasing the number of sculptures put in deep storage outside London making a net saving for organisation of £132, 000 in 2008-09; and
- the Museums, Libraries and Archives Council have recently relocated out of London. Their new office in Birmingham will save £290,000 a year (through reduced rental and service charges, and savings on wage costs which are paid at a lower rate in response to the local labour market).

**7.5** DCMS's 2007 Comprehensive Spending Review value for money target is ambitious and stretching. However over the past year DCMS have been challenging themselves to explore whether additional savings could be achieved, including by engaging fully with the Operational Efficiency Programme (OEP), which has been seeking to leverage best practice from the private sector. The Department will continue to explore the scope for further savings in this area.

**7.6** As part of the Government's target to deliver an additional £5 billion savings in 2010-11, the DCMS has agreed to deliver an additional £20 million. These savings will be delivered across the Department and its sponsored bodies, through a variety of measures, including:

- the department has set up a procurement council, which will focus on delivering the savings that both the OEP and procurement capability review have shown can be made through increased use of collaborative procurement and other procurement best practice techniques across NDPBs and the core Department;
- building on the success of the Museums, Libraries Archives Council and Arts Council England in releasing savings for the frontline by rationalising their regional and back office structures, DCMS will explore the potential for rationalising operations in other key NDPBs;
- DCMS are committed to making savings of £4 million from core Department spend by 2010/11. DCMS have identified scope for making further savings from central and back office functions; and
- a further £20 million of savings, through driving further efficiencies including across core DCMS and NDPBs' back office and lower priority programmes. This includes £3m from S4C and £4m from Arts Council England.

**7.7** In addition, DCMS are committed to finding ways to make additional value for money savings and deliver sustained improvements in operational efficiency and will build on the recommendations of the OEP through working with their sponsored bodies on a variety of measures. DCMS are already conducting a benchmarking exercise across all NDPBs (as well as the core Department) to compare spending on a number of functions, beginning with human resources, administration, property and information and communication technology, which will allow them to focus on those areas that have the potential for delivering the most savings.

## Continuing to invest to strengthen public services

**7.8** Significant investment over the CSR period has enabled DCMS to maintain funding in real terms for the arts, museums and galleries, improve sports offerings at all levels and provide for the effective programme management of the 2012 Olympic Games, including the cultural Olympiad and sporting legacy. Investment in cultural infrastructure has included improvements to landmark sites as Tate Modern, the Baltic and Sage.

**7.9** The successful delivery of the 2012 Olympic Games and a UK wide sustainable sporting legacy for future generations will be key work strands for the Department in the run-up to 2012. More widely DCMS continues to support community and elite sport and sustain its partnership with DCSF on sport in schools. The number of hours of sport and physical education offered in schools has now increased from two to five hours a week for those aged 6 to 19 years.



# 8

## Department of Energy and Climate Change

The Department of Energy and Climate Change (DECC) was created in October 2008, bringing together energy policy (previously with BERR - the Department for Business, Enterprise and Regulatory Reform) with climate change mitigation policy (previously with Defra - the Department for Environment, Food and Rural Affairs). Its three overall objectives are:

- ensuring our energy is secure, affordable and efficient;
- bringing about the transition to a low-carbon Britain; and
- achieving an international agreement on climate change at Copenhagen in December 2009.

### Improving public services

**8.1** The creation of the Department of Energy and Climate Change (DECC) in October 2008 demonstrated the importance the Government attaches to both energy policy and climate change mitigation, and the recognition that the two are closely linked. Securing affordable energy supplies, moving swiftly to a low-carbon economy and taking action both at home and internationally to tackle climate change are key priorities for the Government, and the record levels of investment over the past few years reflect this. Alongside this investment DECC have put in place a substantial programme of value for money reforms to release resource for re-investment in priority areas, further supporting delivery of the Departments' key goals.

### A record of delivering efficiency savings

**8.2** Although DECC is a relatively new department, historically both their component parts have a strong track record of over-delivering against their Gershon efficiency targets for the period from 2005 to 2008. During this period the DEFRA managed to exceed their efficiency target by 23 per cent whilst the Department for Trade and Industry managed to exceed their efficiency target by almost 90 per cent.

### An increased level of ambition going forward

**8.3** The capability developed within teams over the course of the 2004 Spending Review period provided a strong foundation for further savings to be identified during the 2007 Comprehensive Spending Review (2007 CSR). As part of the £30 billion value for money programme agreed during the 2007 CSR DECC will deliver savings of £259 million by 2010-11, releasing resources for reinvestment in key priorities.

**8.4** This commitment builds upon plans inherited from BERR and Defra and will achieve value for money savings in a range of areas including:

- 1 £125 million of value for money savings by 2010-11 from the Nuclear Decommissioning Authority (NDA): over the 2007 CSR period, DECC will oversee the NDA to ensure that the UK's civil nuclear liabilities continue to be managed safely, securely and cost effectively. The

introduction of competition and subsequent implementation of new ways of working have the potential to significantly enhance decommissioning work, and the NDA will generate annual net cash-releasing savings totalling £125 million by 2010-11. NDA has delivered efficiencies in 2008-09 due to improved control and management of costs and the creation and realisation of income opportunities.

- 2 £45 million of value for money savings by 2010-11 in Sustainable Energy Capital Grants: Sustainable Energy Capital Grants support the UK goal of a 60 per cent (now 80 per cent) reduction in carbon emissions by 2050. Through better targeting and reprioritising of resources to where they can have the most impact, these grants provide direct financial assistance to demonstration and early stage deployment projects for low carbon emerging energy technologies. The money is spent on a range of capital grant programmes such as offshore wind, bio energy, wave and tidal energy and carbon abatement.
- 3 £52 million of value for money savings by 2010-11 will be made through cross-departmental initiatives. These include:
  - An IT outsourcing contract, which will utilise the existing BERR contract to deliver lower cost operational services and applications development and the introduction of efficient Smart Working policies, which will allow all the Department's staff to be located in one building; and
  - the most lucrative cross-departmental initiative is the procurement programme which aims to reduce DECCs expenditure on goods and services. Some of the value for money savings will be delivered by utilising framework agreements for areas such as business travel, temporary staff and some areas of professional services inherited from BERR and Defra.

**8.5** DECC are determined to constantly explore whether further savings are possible and have fully engaged with the Operational Efficiency Programme and Public Value Programme. Following the early findings of these programmes and a range of other work, DECC have identified a range of additional savings, including:

- greater improvements in the management of contracts;
- maximising income from assets; and
- reduction in back office costs.

**8.6** These savings have allowed DECC to increase their value for money target by £20 million to £279 million by 2010-11.

## **Continuing to invest to strengthen public services**

**8.7** These savings will ensure DECC continues to be able to deliver its objectives in 2010-11 including:

- by passing the Climate Change Act in November 2008, the UK became the first country in the world to set a long-term legal framework to reduce emissions, setting a target of reducing greenhouse gas emissions by at least 80 per cent by 2050. Alongside Budget 09, the Government will set the levels of the first three legally-binding five-year carbon budgets, covering the period 2008 to 2022;
- through the Environmental Transformation Fund, supporting the transition to a low-carbon economy by protecting investment in environmental technologies domestically and in developing countries;

- continuing to provide increasing activity to support household energy efficiency, reducing both greenhouse gas emissions and people's vulnerability to fuel poverty; and

the safe, secure and cost-effective management of energy liabilities, particularly nuclear decommissioning.



# 9

## Department for Environment Food and Rural Affairs

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The overarching challenge for Defra is to secure a healthy environment in which we and future generations can prosper.

As we build a low carbon, resource efficient economy, Defra helps people to adapt to changes, deals with environmental risks and makes the most of the opportunity we now have to secure a sustainable society and a healthy environment. This will help see us through the difficult economic times, volatile food and energy prices and a changing climate which all make us more aware that we can't take our environment for granted.

### Improving public services

**9.1** Created in 2001, the Defra has driven real improvements at the frontline to protect our environment, support farming and enable the transition to a low-carbon economy:

- over 176,000 households have been protected from the risk of flooding since 2003-04;
- the environmental impact of waste has been reduced with almost a quarter less waste going to landfill than in 2000-01 due to waste reduction and increased recycling;
- the Rural Development Programme for England (RDPE) has been expanded so that 65 per cent of agricultural land is now under environmental management schemes; and
- the Rural Payments Agency have improved their performance achieving a target of 90 per cent of Single Farm Payments to farmers by the target date of March 2009.

**9.2** This has been supported by a substantial increase in funding with Defra's budget rising from £2,678 million in 2003-04 to £3,262 million in 2007-08. Alongside this additional investment, Defra has put in place an ambitious package of value for money reforms which have released additional resources for investment in key priorities.

### A record of delivering efficiency savings

**9.3** Defra has a strong record of delivering against ambitious efficiency targets, having over-delivered against their Gershon efficiency targets by more than 20 per cent, securing £752 million of savings by the end of 2007-08. These savings were achieved through a range of reforms:

- the **Environment Agency** found £129 million cash releasing and productivity savings across the whole organisation, including from improved project value management and reductions in overheads, allowing for significant reinvestment in front line services;

- improved **procurement in core Defra** saved £101 million by introducing framework contracts and greater procurement efficiency on major project based procurements; and
- Defra's **Executive Agencies** contributed savings of £55 million through better procurement practices and more efficient back office processes.

## An increased level of ambition going forward

**9.4** Defra has identified significant scope to go further in the 2007 Comprehensive Spending Review period, building on this record of over-delivery. Following the subsequent creation of the Department of Energy and Climate Change and the associated machinery of government changes, Defra committed to delivering £306 million of annual savings by 2010-11:

- the **Environment Agency** will save £65 million by the end of the CSR period through a strong focus on commercial procurement negotiations, integrated project management, streamlined project development, improved asset management and through centralising and automating Flood Warning Direct. £31.7 million of savings have already been achieved by March 2009;
- Defra has delivered £6 million savings in **animal health** areas, mainly through industry resuming responsibility for the collection and disposal of adult fallen cattle that need to be tested for BSE, and a further £21 million will be saved by the end of 2010-11; and
- **Natural England** has delivered £4.9 million including £1.5 million from a leaner back office, £1 million from estate rationalisation, £0.7 million from strategic procurement savings, and £1 million from improved workforce vacancy management. Total savings of £10.3 million will be delivered by the end of 2010-11.

**9.5** Building on this progress, Defra has identified scope to deliver more efficiencies worth £75 million as part of the additional CSR value for money savings package announced in the 2008 Pre-Budget Report. The savings will be mainly delivered by deploying opportunities identified in Defra's back office and IT functions, through collaborative procurement, better asset management and rationalisation of the department's estates under the Operational Efficiency Programme. Other initiatives include:

### Box 9.A: Sustainable Built Environment Workplace Support (SBEWS)

Defra and its Agencies work across the UK, delivering a wide range of services in cities and in rural areas. To do this requires a broad network, and so Defra and its agencies occupy over 234 sites and currently spend £70 million per annum on maintaining and running the Defra estate. SBEWS brings much of the estate into a single Facilities Management contract realising economies of scale and increasing the flexibility and quality of Defra's facilities. The contract will save Defra £6 million each year from 2010-11 onwards.

- an additional £17 million will be saved on BSE and scrapie measures, including through a more risk-based approach to monitoring and enforcement;
- the Animal Health Agency will save £7 million through modernised working practices supported by IT-enabled process change;
- creation of the Food and Environment Research Agency will reduce overhead costs by £2.5m through the merger of the Central Science Laboratory, the Government

Decontamination Service and Defra's Plant Health Service and Plant Variety Rights and Seeds Office; and

- Defra's waste management and resource efficiency activities will be delivered through a single delivery channel, the Waste and Resources Action Programme (WRAP), saving £3 million.

## **Continuing to invest to strengthen public services**

**9.6** These savings will ensure Defra continues to be able to deliver its objectives in 2010-11 including the Government's commitment to better protect 145,000 businesses and households from the risk of flooding and coastal erosion by the end of the Comprehensive Spending Review period.

**9.7** Defra's continued focus on efficiency will ensure the department has the resources to meet its commitments while also freeing up funding that will help support the Government's wider strategy for economic recovery.



# 10

## Department for International Development

The Department for International Development (DFID) is the part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty.

### Improving public services

**10.1** Despite the global economic downturn the British Government remains determined to continue to provide greater assistance to developing countries to support the fight against poverty and ensure progress towards the eight Millennium Development Goals. The impact of the downturn is already being felt in the developing world. Private finance flows are already falling, remittances are dropping and demand for trade exports is slowing.

**10.2** The Government is determined not to allow the downturn to reverse hard-won gains in the fight against poverty. It is in our shared interest to help – supporting developing countries at this time is essential to achieving sustainable global economic growth. As a part of this support the UK is contributing £200 million to the Rapid Social Protection Fund (RSPF) to provide immediate help in meeting the basic needs of the poorest. In Ethiopia DFID has already given £15 million for social protection to help sustain the livelihoods of 7 million people.

**10.3** The UK is committed to playing a leadership role in the fight against extreme poverty across the world. UK aid alone:

- helps lift an estimated 3 million people out of poverty every year;
- helped over 7 million people in sub-Saharan Africa gain access to water and sanitation; and
- helped get more than 6 million Afghan children in school, a third of them girls, through financing basic education costs.

**10.4** Over the last 10 years, the Government has made a real investment in the UK's aid and development budget, with DFID's budget tripling in size from £1.9 billion in 1997-98 to £5.8 billion in 2008-09 and total UK aid spending reaching £6.3 billion last year. Alongside this additional investment DFID has put in place a stretching value for money programme that has already delivered significant savings and will continue to do so, releasing resources to further support the UK's efforts to tackle extreme poverty across the world.

### A record of delivering efficiency savings

**10.5** DFID has a strong track record of delivering substantial efficiency savings, having over-delivered against their Gershon target for the 2004 Spending Review Period by securing £561 million of efficiency savings against a target of £310 million. These savings were achieved through a wide range of reforms including:

- Improving procurement practices: DFID strengthened post-contract negotiations while stepping up quality standards agreed with contractors. By the end of 2007-08 DFID achieved £5 million of cashable savings, representing 5 per cent of total procurement spend;
- Making substantial savings in back office functions: DFID reduced UK based staff numbers (full-time equivalent posts) by 295 from a baseline of 1907 at March 2004. This is a reduction of over 15 per cent. Other back-office costs were reduced by transforming business processes and developing new corporate systems; and
- Increasing the effectiveness of individual projects: In March 2005, 62 per cent of DFID's projects were assessed as wholly or largely meeting their objectives, but by March 2008 this figure had reached 80 per cent.

## An increased level of ambition going forward

**10.6** Building on this significant over-delivery, as part of the 2007 Comprehensive Spending Review DFID identified scope for a further £492 million of value for money savings by 2010-11. Strong progress has already been made towards this target. Final figures will be published in DFID's Departmental Report but initial data suggest that approximately £142 million of savings have already been secured, releasing significant resources to reinvest in key priorities to lift more people out of poverty.

**10.7** Value for money savings have been identified right across DFID's budget including:

- where countries can deliver development on their own or others are better placed to assist them, DFID has exited those countries and closed offices, for example in Georgia, Armenia, Albania, the Gambia, Brazil and Bolivia, resulting in savings of over £2 million.
- sharing offices - DFID and FCO are now sharing offices in 31 countries, reducing costs while contributing to the effectiveness of our work abroad;
- shifting more resources towards countries where our aid will have the greatest impact in terms of reducing poverty. So far in this CSR we estimate that this process has generated £110 million of savings, whose reinvestment has helped to lift an additional 100,000 people out of poverty. Additional money allocated to Tanzania and Uganda has helped maintain almost a quarter of a million children in Tanzanian primary schools and contributed to providing around 34,000 pregnant women in Uganda with anti-retroviral treatments; and
- DFID is also driving further efficiencies in the back office including by implementing IT systems for programme and financial management. DFID has achieved over half of the planned administrative savings of £12 million.

**10.8** The Government is determined to go further, which is why the OEP was set up to explore whether there was scope for additional value for money savings. Following the early findings of the OEP programme and a range of other work DFID has identified a number of additional areas which will result in a further £155 million of savings including:

- £5.6 million from more effective, focused central communications work and using more efficient web and social media;
- £10 million from strengthened partnerships on research and analytical work, and improved procurement and management of policy and research contracts; and
- £7 million from extending the timeframe of the Governance and Transparency Fund as requested by partners.

## Continuing to invest to strengthen public services

**10.9** In addition, DFID's Public Value Programme on maximising the effectiveness of its spending on education has identified key areas where DFID will take action to increase the impact of this spend. These include a greater focus on improving the quality of education, increasing resources in countries where the impact will be higher, and more focus on monitoring results and using analysis to improve those results. A similar PVP on health spending will report in November 2009.

### **Box 10.A: The Millennium Development Goals**

The UK remains committed to achieving the Millennium Development Goals and helping the world's poorest people. After recent rises, the UK's development assistance is at historic levels and will continue to rise to meet our commitments. We must make sure our aid has the greatest impact possible and is delivered as efficiently as possible.

Continuing to strive for greater efficiency and value for money will not affect major UK aid commitments or the aid going to the poorest. But it will drive greater efficiency in the delivery of aid and ensure we use the most effective approaches possible.

DFID's budget will grow at an annual average real growth rate of 11.4 per cent over the 2007 Comprehensive Spending Review period, and the Government remains on track to deliver £9.1 billion of Overseas Development Aid (ODA) by 2010-11 as set out in the 2007 Comprehensive Spending Review. This means that the Government remains on track to deliver 0.56 per cent ODA/GNI in 2010 and 0.7 per cent ODA/GNI in 2013.





# Department for Transport

The Department for Transport's aim is transport that works for everyone. This means a transport system which balances the needs of the economy, the environment and society.

The Department for Transport provides leadership across the transport sector to achieve its objectives, working with regional, local and private sector partners to deliver many of the services. This section contains information on the Department's aims and objectives, its organisational structure, and the responsibilities of the various affiliated agencies.

## Improving public services

**11.1** Investment has driven real improvement, with the completion of more than 100 road schemes to reduce congestion; the delivery of railway services whilst passenger numbers have grown by over 45 per cent; and the introduction of free concessionary bus travel for residents of England aged 60 and over and eligible disabled people.

**11.2** The Department for Transport (DfT) is committed to continuing to invest to improve the quality of Britain's transport infrastructure, supporting the economy through the downturn and equipping it for the upturn whilst continuing to further the Government's commitments on Carbon Dioxide and climate change. This builds on a strong record of Government investment in transport, which increased by 70 per cent in real terms between 1997 and 2007. To ensure that this investment is utilised as effectively as possible, whilst delivering best value for money for the taxpayer, the Department has placed continual emphasis on driving efficiency and value for money as outlined below:

## A record of delivering efficiency savings

**11.3** As part of the SR04 Efficiency Programme, which ended in March 2008, the Department for Transport delivered £973 million of efficiency gains against a target of £785 million, an over-achievement of 24 per cent against the target. Efficiency savings were made in a range of areas including the following:

- the Highway Agency delivered £238 million of efficiency gains against a stretch target of £200 million, through improved procurement and achieving better value in maintenance contracts for the Strategic Roads Network. It also assisted Local Authorities in achieving procurement savings using the Highways Efficiency Liaison Group (HELG) which acted as a change agent to assist local authorities in achieving efficiency gains of £189 million in their roads procurement spending by 31 March 2008; and
- transactional efficiency savings were achieved by the former Driver Vehicle and Operator (DVO) Group Agencies by adding e-channels to the choice available to customers. By the end of March 2008 take-up of online vehicle tax disc sales had increased to 45 per cent while 80 per cent of all driving theory tests were booked

online, delivering a more convenient 24/7 service to customers, whilst reducing the cost of each transaction.

## **An increased level of ambition going forward**

**11.4** The Department's 2007 Comprehensive Spending Review value for money programme builds on the successful record of delivering efficiency gains and will deliver annual, sustained, cash-releasing savings worth £1.76 billion by 2010-11. This significant increase in the size of the target reflects the continuing ambition of the Department in driving value for money and also reflects the scope of the programme being expanded to include a number of new areas, such as Network Rail and Rail Franchising, in the programme.

**11.5** The Office of Rail Regulation (ORR) set strict efficiency targets as part of its recent settlement, which Network Rail must achieve in order to live within its budgets. As a result of this, the Network Grant, which is the Department's contribution to Network Rail, has been reduced.

**11.6** The Department also expects to achieve savings through the rail franchising process and through the systems used to manage train operator performance. This will mean that the Department will continue to be able to ensure the delivery of rail services which represent good value for money for the taxpayer.

**11.7** At the end of the first year, 2008-09, the Programme is expected to overachieve against its £680 million trajectory. These value for money savings have been delivered through a range of reforms including:

- by the end of December 2008, Highways Agency had identified £49 million of value for money savings through the Value Engineering Workshops. Savings are identified through the sharing of engineering best practice across the Highways Agency, which ensures that more efficient ways of working are developed and shared effectively. For example, these workshops have delivered savings through encouraging the re-use of materials found at construction sites and through promoting the recycling of waste from local quarries, both of which can be alternatives to purchasing materials when constructing roads;
- in addition, continuous improvement and sharing cost reductions between the client and agent in the delivery of routine and winter maintenance has enabled several of the Highways Agency's contract renewals for Maintenance Areas to deliver efficiency gains of £23 million in 2008-09. It is anticipated that these gains will increase to £35 million per year once the programme of contract renewals has been completed; and
- the Driver and Vehicle Licensing Agency (DVLA) are ensuring that spend on compliance measures is efficient and effective. An example of this is that DVLA have reduced the number of costly potential court cases by 108,000 in 2008-09 by using alternative enforcement methods.

**11.8** However, the Government is determined to ensure that Departments are constantly challenged to go further, which is why last year the Operational Efficiency Programme (OEP) and Public Value Programme (PVP) were set up to explore whether there was scope for additional value for money savings to be made, including through leveraging best practice from the private sector.

**11.9** These programmes will ensure that the Department realises efficiencies throughout its core spend areas and continues to drive forward improvements in best practice across the public sector whilst focussing on its core strategic objectives. Following the early findings of the OEP

and PVP programmes and a range of other work the Department has been able to increase its value for money target by £200 million of recoverable savings.

#### **Box 11.A: The Highways Agency's Public Value Programme**

**The Highways Agency's PVP has identified scope to double delivery against the Agency's value for money target by 2010-11. These savings will be delivered through a number of initiatives, including:**

- the rollout of the Managed Motorways Programme, which will reduce congestion by allowing motorists to use the hard shoulder, reducing the need for expensive motorway widening;
- cost and efficiency savings made through holding unit costs for maintenance renewals at a level at or below inflation; and
- anticipated over-delivery against the Agency's value for money programme target through improved maintenance and local improvement of the network and also through improved cost management of major schemes.

**11.10** The Highways Agency will deliver £140 million of these savings, partly as a result of savings identified through the PVP and partly through a variety of other measures, such as the re-tendering of routine and winter maintenance contracts. These contract renewals have generated at least 15 per cent savings in 2008-09. In addition, the Agency expects to identify cost savings from its programme of maintenance renewal schemes. The re-profiling of these maintenance renewal schemes across the 2007 CSR period should also enable the Agency to deliver a programme of work that will maintain the condition of various infrastructure assets whilst allowing for a reduced level of expenditure on maintaining these assets in future.

**11.11** In order to achieve the balance of these savings, the Department has put together a portfolio of savings across smaller spend areas. These savings will be delivered across the Department and its executive agencies through a variety of measures, including, for example £7 million of savings in Vehicle Excise Duty enforcement at the DVLA.

**11.12** In addition, to the savings identified over the Comprehensive Spending Review 2007 period there are a number of medium term opportunities. These include:

- the Local Authority PVP is exploring local transport funding by considering how Government support for transport is allocated and how local authorities make decisions on transport expenditure. This PVP is currently examining opportunities to use collaborative procurement, improved transport asset management planning and Regional Improvement and Efficiency Partnerships to identify efficiencies in local authority spending on roads maintenance. In the longer term, the PVP will examine the scope for improving the value for money of small transport improvement schemes;
- the Department is working on all the main strands of the OEP. It will build on the recommendations of the OEP through the implementation of its Procurement Transformation Programme (PTP). The PTP aims to improve the level of expertise and relevant information available across the Department through the adoption of procurement best practice techniques. It is expected that this work will generate cashable savings and encourage better ways of working through a more streamlined structure and through better targeting of the work of procurement

professionals across the Department. This work should leave the Department well-placed to work towards increasing collaborative procurement as part of the OEP;

- the Department has also been examining its property holdings and will build on this work as part of the OEP's property management workstrand. The Vehicle Operator and Standards Agency (VOSA) is working on substantially reducing its estate through reducing the number of specialist vehicle sites which it requires. By bringing vehicle testing to the customer as part of its 'Testing Transformation' Programme, VOSA aims to test 85 per cent of heavy goods vehicles and public service vehicles at sites where the vehicles are maintained by April 2012. This initiative will also ensure better customer service by reducing vehicle down time. The Department is investigating the scope for similar initiatives with the Driving Standards Agency and the Driver and Vehicle Licensing Agency; and
- these longer-term efficiency plans will contribute to DfT's ability to continue to target investment where it is most needed, including through the Department's £15 billion five-year rail investment programme, its plans to invest up to £6 billion in the strategic road network and through its investment in Crossrail and London Underground.

## **Continuing to invest to strengthen public services**

**11.13** These longer-term efficiency plans will contribute to DfT's ability to continue to target investment where it is most needed, including through the Department's £15 billion five-year rail investment programme, its plans to invest up to £6 billion in the strategic road network and through its investment in Crossrail and London Underground.

# 12

## Department of Health

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The Department of Health (DH) exists to improve the health and wellbeing of people in England.

### Improving public services

**12.1** Since 1997 the services that the National Health Service provides and the outcomes delivered for patients have been transformed. There are now 80,000 more nurses and almost 40,000 more doctors. Long waits for treatment have become a thing of the past. Mortality rates for heart disease have fallen by over 40 per cent and for cancer by nearly 20 per cent, saving over 40,000 lives in 2007. MRSA infections have been more than halved since 2003. NHS patient satisfaction is higher than ever before.

**12.2** The government has transformed the NHS by pursuing a comprehensive reform agenda. This includes:

- increasing the autonomy of front line professionals through Foundation Trusts;
- listening to patients and allowing them to choose where and how their care takes place;
- introducing payment by results in the acute sector, and the quality and outcome framework in primary care, to ensure the right financial incentives are in place to deliver for patients; and
- introducing a tough regulatory system with Monitor and the Care Quality Commission to tackle weak clinical and financial performance.

**12.3** Building upon these achievements, *High Quality Care for All* set out the vision of the next phase of NHS improvements in which high quality care becomes the underpinning principle of everything the NHS does, taking reform further by building an evidenced picture of what high quality care looks like, supporting clinical leadership and diffusing innovation across the NHS.

**12.4** The NHS has also benefited from historic levels of investment - real terms funding has doubled since 1997, radically enhancing NHS capacity.

### A record of delivering efficiency savings

**12.5** The Department for Health has a strong track record of delivering efficiency savings. Under the Gershon efficiency programme, the NHS delivered annual savings of £7.057 billion by March 2008, significantly over-achieving its target of £6.5 billion.

**12.6** Over £3 billion was delivered through more effective procurement of goods and services. In addition a further £3 billion was saved through better harnessing 'productive time' by modernising the delivery of front line services.

**12.7** These savings have not resulted in service cuts or compromised the quality of patient care. On the contrary, driving improvements in the quality and safety of patient care go hand in hand with better value for money. Doing things right the first time is both better for patients and cheaper. For example, £75 million - and many lives - have been saved by reductions made in healthcare-associated infections in recent years.

**12.8** Equally, treating patients in the right place is not only more convenient and comfortable for them but is also more efficient. For example, reductions in the length of hospital stays have saved billions of pounds in recent years and enabled patients to return home, return to work and resume their normal lives more quickly. And the Partnerships for Older People Projects (POPPs) pilots with local government have demonstrated that targeted support outside hospital can reduce total costs by reducing costly emergency admissions, as well as improving quality-of-life.

**12.9** These transformations have been possible because the unprecedented growth in funding for the NHS has been supported by significant improvements in NHS value for money.

## **An Increased level of ambition going forward**

**12.10** The transformations in NHS funding, services and efficiency have provided a solid base to further improve value-for-money. The CSR set a target of improving NHS value for money by 3 per cent year-on-year, equivalent to £8.2 billion per year by 2010-11. The Department of Health's value for money Delivery Agreement sets out how this will be achieved and the substantial savings that are already being realised. For example:

- the new Pharmaceutical Price Regulation Scheme has been agreed with industry and came into effect in January 2009. The NHS will save £350 million in 2009 and £550 million per year thereafter in the purchase of branded pharmaceuticals;
- the NHS has saved over £500 million in the first 9 months of 2008-9 by enabling patients to return home from hospital more quickly, reducing the time patients spend in hospital. This has been driven by innovative use of new technology, including less invasive surgical techniques, more specialist nursing support as well as through more effective hospital management of patient admittance and discharge;
- slowing the growth in attendances at Accident and Emergency departments has saved almost £40 million in the first nine months of 2008-09. This has been enabled by improvements in primary care access and reforms to the provision of paramedic and other emergency services that have enabled more patients with minor injuries and illnesses to be treated outside of hospital; and
- The UK has among the highest rates of generic medicine use amongst comparator countries. Continued performance management to encourage generic use instead of more expensive brands saved around £30 million in 2008-09.

**12.11** All of these savings have released resources that remain in the NHS and have been used for treating other patients better and more quickly.

**12.12** It is important for the NHS to seek further value for money savings as implementing the vision of *High Quality Care for All* can only be driven through more effective and efficient services. Better quality goes hand in hand with better value and these additional savings will not slow down the improvements in services for patients and the public, nor interfere with planning in the NHS.

**12.13** The Government is building on the NHS's proven track record in delivering efficiency savings and its strong financial foundations to deliver higher efficiency savings in 2010-11 and

beyond, yielding an additional £2.3 billion in 2010-11 and bringing cash releasing savings over the 2007 Comprehensive Spending Review period to £10.5 billion. The emphasis of the PVP and OEP is the next Spending Review period (2011-12 onwards), but its work has demonstrated the potential for cash-releasing savings to begin in 2010-11.

**12.14** The Public Value Programme on tariff and commissioning will be used to unlock further sustainable savings on the front line, improving quality while reducing cost – saving at least £500 million in 2010-11 while simultaneously improving quality.

**12.15** The Government is continuing to develop national ‘Payment by Results’ tariffs to drive both better quality care and better value. In 2010-11 a new “best practice” tariff will be introduced in four high volume procedures that will reward *best practice* rather than *current practice*. Additionally, the Government is developing new pricing currencies for mental health which will be made available from 2010-11. Different approaches to pricing community services will also be piloted to support commissioners away from inflexible block contracts with a view to establishing national tariffs, where appropriate, in the longer term.

**12.16** The Government will also continue to use the ‘Payment by Results’ tariff as a lever to drive efficiency improvements in the short term. The tariff efficiency assumption, used when uplifting the prices hospitals receive, will be increased from 3 per cent to 3.5 per cent in 2010-11. The track record of NHS delivery of efficiency savings and its strong financial position mean it is well placed to meet this challenge.

**12.17 Commissioning** is integral to successful implementation of *High Quality Care for All*. The first year of World Class Commissioning Programme has been a success. Primary Care Trusts have focused their energy towards commissioning for long-term health gain for their local communities. The assurance process has been judged as rigorous, stretching but fair, and valuable. The Government will build on this by introducing a new efficiency competency into the assurance framework in 2009-10. This will ensure that commissioners are equipped with the capability and planning capacity to drive transformations in both the quality of care and the efficiency of services.

**12.18** Together these improvements to Commissioning and Tariff PVPs could release savings and quality improvements worth £5 billion per year by 2013-14.

**12.19** The quality and fitness for purpose of the **NHS estate** is integral to delivering high quality, safe and efficient health care. The Government has developed metrics to support local NHS organisations to deliver improved NHS estate utilisation reducing the need for new hospital space by up to £3 billion, and saving up to £100 million per annum of estate costs by 2013-14. These metrics will be embedded in the new NHS Premises Assurance Code (a new framework for managing property) piloted over 2009-10 and then referenced in the next NHS Operating Framework. DH will monitor NHS performance in relation to efficient and effective use of its estate.

**12.20** Further efficiencies will be found in the back office functions that support the front line work of the NHS through the work of the OEP – yielding £100 million of savings in 2010-11 through back office and collaborative procurement efficiencies.

**12.21** The NHS has a strong track record of delivering savings through **collaborative procurement** (e.g. more than £3 billion a year achieved under the Gershon programme). The new Department of Health and NHS Commercial Operating Model, which will be launched shortly after the Budget, will set out a new commercial model for the NHS and DH that will pave the way for further expanding NHS use of collaborative procurement mechanisms, driving further efficiency savings.

**12.22** On **back office**, the Budget highlighted NHS Shared Business Services (SBS) as a best practice public sector example of shared services. Savings of over £40 million have already been generated and more than 100 NHS organisations are now benefiting. Up to £150 million per year could potentially be saved in the longer term if all NHS organisations used SBS. The Government will continue to encourage NHS organisations to benchmark their back office operations against their peers and to seek ways of reducing their costs, including through SBS.

**12.23** On improving **asset management**, the OEP has identified certain parts of the NHS business for which there may be value for the taxpayer in altering ownership arrangements, including sales or joint ventures. A detailed local case study of the utilisation of NHS property identified opportunities for improving the efficiency of estate usage across the NHS. Delivery is being taken forward through the closely related PVP.

**12.24** Real levels of investment have enabled the NHS to establish extremely strong financial foundations. This has allowed the Department to release back to HM Treasury its centrally held contingency, created at the time of the 2007 Comprehensive Spending Review to provide a buffer against potential cost pressures and financial turbulence. However, the excellent financial management in the NHS mean these contingencies can now be safely returned.

**12.25** In delivering better value, the same rigour will be applied to central budgets held in DH as to those funds that are distributed to the NHS by ensuring that additional value for money savings are delivered not only through locally commissioned services but also through services commissioned and funded directly by the Department for Health and by Strategic Health Authorities (SHAs)

**12.26** The work of the PVP and OEP, in particular, have provided clear evidence of the potential for the NHS to make further efficiency savings; turning this potential into reality will require significant detailed planning by both the Department for Health and the NHS. The 2009-10 NHS Operating Framework set out the challenge the NHS will face in delivering the vision of *High Quality Care for All* within a much tighter fiscal climate in the coming years. It also stressed the need for the NHS to plan and invest during 2009-10 to ensure that further efficiency savings can be unlocked in the future.

**12.27** To support the process of implementation and delivery, the Government announced in March 2009 that a new NHS Productivity and Efficiency Unit would be established, headed by Margaret Edwards and hosted in NHS London. This unit will play a vital role in helping the NHS to identify and disseminate innovative new ways of improving efficiency and productivity.

**12.28** The NHS will continue to seek sustainable efficiencies more broadly, for example, seeking to release significant savings in the community healthcare sector while driving up quality, and implementing the recommendations from Lord Carter's review of pathology services to save up to £500 million a year through consolidating pathology services, where the Government are working with 3 SHAs to pilot the recommendations.

## Continuing to invest to strengthen public services

**12.29** The Department of Health will be able to make additional value for money savings whilst continuing to increase allocations to Primary Care Trusts by 5.5 per cent as announced in December 2008.

**12.30** There will be no stepping back from the Government's key priorities and PSA targets – so the NHS will continue to drive up productivity while improving services for patients and the public. The Government is confident that through the above actions we will continue to deliver on our commitments including that no patient waits more than 18 weeks for an operation, that hospital acquired infections will fall still further, and that GP access and opening hours will continue to improve.



# 13

## Department for Innovation, Universities and Skills

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The Department for Innovation, Universities and Skills (DIUS) current priorities are to provide real help now to those affected by the economic downturn, and to ensure the country is best equipped to succeed as the global economy returns to growth.

DIUS will achieve this by developing the skills of our people to the fullest possible extent, carrying out world class research and scholarship, and applying both knowledge and skills to create an innovative and competitive economy.

### Improving public services

**13.1** In the current economic circumstances more than ever, the Government is committed to a world class skills and research base, and ensuring the UK is the best place in the world to innovate.

**13.2** There is a significant record of achievement towards these objectives since 1997. Record levels of young people and adults are in apprenticeships – with those starting an apprenticeship tripling between 1997-98 and 2007-08. Over 2 million people have improved their basic skills through the Skills for Life programme since 2001. In Higher Education (HE), student numbers (UK domiciled) in England are up by 17 per cent since 1997-98 to around 1.7million in 2007-08. And despite having just 1 per cent of the world's population, the UK ranks second only to the US in scientific reputation and influence.

**13.3** To achieve this record of success, since 1997 the Government has doubled investment in science and research in real terms. In the same period investment in Further Education (FE) has increased by 53 per cent, whilst investment in HE has increased by 23 per cent, all in real terms.

**13.4** The DIUS has put in place a range of value for money programmes to release resources for reinvestment in key priorities. The Department has an excellent record in delivering against challenging targets. It will go beyond existing target to deliver further, cashable, savings in 2010-11. At the same time, DIUS will ensure that budgets are managed to reflect known cost pressures, including a continuing rise in HE student support expenditure reflecting the success of the Government's policies in supporting students from all backgrounds to enter HE.

### A record of delivering efficiency savings

**13.5** In the 2004 Spending Review period, from 2005-06 to 2007-08, DIUS over-achieved against its Gershon efficiency target of £622 million by some £265 million by March 2008. All these gains were recycled into improving delivery. The initiatives included:

- improving the efficiency of the physical infrastructure in FE and HE, with better space utilisation and energy efficiency;
- more efficient procurement of services in FE; and

- increasing co-funding of research with businesses, charities and other sponsors of research.

## A new level of ambition going forward

**13.6** As part of the current Comprehensive Spending Review period, from 2008-09 to 2010-11, DIUS identified scope to generate additional value for money gains worth £1.5 billion by 2010-11, all of which will be cash-releasing and net of costs and are being re-invested in delivery. These gains are being realised through a range of initiatives including:

- *Research Councils Efficiency Programme* - this is being achieved through further reductions in the proportion of spend on administration costs (including through the creation of a shared services centre) and refocusing spending on new research priorities;
- *adult skills* - DIUS continues to improve value for money by reprioritising FE funding towards those training programmes that provide the greatest productivity and societal gains; and
- *procurement and improved estates management* - value for money gains savings are expected to reach nearly £50 million in 2008-09 from improved procurement and better estates management in the HE sector.

**13.7** DIUS has made good progress towards delivering its CSR07 value for money target and will report figures for the first year of the programme in its Departmental Report and Autumn Performance Report as fully validated figures become available.

**13.8** In the Pre-Budget Report of November 2008, the Government announced that a further £5 billion of Value for Money gains would be made in 2010-11. DIUS will make a full contribution to that programme, through delivery of £400 million cash releasing savings over and above those set out above, taking total DIUS value for money savings for 2010-11 to £1.9 billion. These savings will be achieved through reforms to expenditure on Further and Higher education which will ensure both are best placed to support recovery and the long-term future of the UK economy. The main mechanisms for achieving these savings will be:

- further improvements in the efficiency of DIUS-sponsored delivery partners, and a re-phasing of new development programmes such as Skills Accounts and the Adult Advancement and Careers Service
- a renewed drive in both FE and HE on efficiency in delivering services. There is a wide range of expenditure data available that universities and colleges can use to benchmark the efficiency of their operations. Since the rate of inflation as measured is now lower than projected at the time of the 2007 CSR, this also gives scope for universities and colleges to reduce expenditure without affecting the quality of service to students.
- greater contestability within FE and HE, as a means of securing best value, particularly in commissioning new programmes and services.
- removing funding for the poorest performing programmes in FE, extending the existing approach of setting minimum levels of performance for programmes.
- clear prioritisation within available budgets, particularly to ensure that we give priority to supporting training in private sector businesses.

**13.9** DIUS will work with the Learning and Skills Council (LSC) and the Higher Education Funding Council for England (HEFCE) on the implementation of these approaches, which will be formally confirmed in the respective LSC and HEFCE grant letters for 2010-11.

**13.10** In addition to these cash releasing savings, DIUS will work with the Research Councils to secure the delivery of an additional £106 million of value for money savings in the science and research budget. These savings will be re-invested within the science and research budget to support key areas of economic potential such as the green economy, life sciences, the digital economy, high-value manufacturing systems and cultural and creative industries.

## **Continuing to invest to strengthen public services**

**13.11** In addition to this programme of efficiency savings, DIUS will continue to invest to improve public services, including:

- implementing a demand-led skills system which delivers what employers and learners need through Train to Gain, and continuing to improve the quality and responsiveness of FE.
- setting out a new strategic approach to the provision of higher-level skills in England in the summer, through the Higher Education Framework and a new skills strategy.
- maximising the benefits of science and research for the economy and society through the new Research Excellence Framework, to be announced early in 2010.
- working more closely with other Departments and business to promote research, knowledge transfer and skills through smarter use of procurement, regulation and new policy development.



# 14

## Department of Work and Pensions

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The Department for Work and Pensions exists to promote opportunity and independence for all, helping people achieve their potential through employment, enabling them to provide for their children and to work and save for a secure retirement.

### Improving public services

**14.1** By delivering welfare reform and transforming the way it works, DWP has succeeded in advancing its core objectives and is delivering real change. Since 1997 600,000 children have been lifted out of relative poverty, 1.9 million pensioners have been lifted out of absolute poverty and nearly three million more people into work. DWP's ability to deliver key outcomes and improve the level of service it provides to citizens has been supported by its success in delivering ambitious value for money reforms.

### A record of delivering efficiency savings

**14.2** DWP has a strong track record in delivering efficiency savings, having over-delivered against its SR04 Gershon target by 50 per cent, with £1,446 million delivered against a target of £960 million. These savings were reinvested to support the delivery of high quality, frontline public services. Efficiencies were achieved in a range of areas including:

- streamlining overheads;
- improving business processes supported by better IT, and more efficient procurement; and
- continuing to transform the way they operate, standardising customer contact and processing work. DWP's payment modernization programme has saved around £1 billion of transactional costs over the last five years by introducing direct payments to 97 per cent of customers, saving taxpayers' money while being more convenient to customers.

**14.3** These changes and others allowed DWP to deliver 31,101 workforce reductions whilst improving the level of service citizens received. The relocation target of 4,000 was met by December 2007, over two years before the date set by the Lyons' review.

### An increase level of ambition going forward

Over the CSR 2007 period DWP is committed to deliver an ambitious value for money reform programme, generating annual, net, cash-releasing, savings of £1.2 billion by 2010-11. In light of the current economic downturn, DWP has updated its value for money plan to reflect both the increasing workload it faces and the changes in resources this requires. As part of this review DWP has identified scope to increase its level of ambition, increasing its value for money target to **£1.4 billion** which will contribute towards the Government's target to achieve £35 billion of annual value for money savings by 2010-11.

**14.4** which will contribute towards the Government's target to achieve £35 billion of annual value for money savings by 2010-11. To date, DWP is on track with its plans and initial findings suggest DWP has already made approximately £500 million worth of value for money savings.

**14.5** At the heart of the new plan lies a commitment to deliver even higher savings over the CSR07 years, despite the rising volumes claiming benefit. More specifically, DWP will make further productivity gains through the implementation of **lean techniques**, which have been used by other high-performing organisations across the public and private sectors. By making the customer the focus of process design, implementing lean techniques will allow resource to be focused on those contacts with customers which add value. This will be especially true in Jobcentre Plus, which despite the rising claimant count, will continue to provide a dedicated and personalised service to move individuals back into work.

**14.6** Savings in the CSR07 years will also come through administering Housing Benefit more efficiently. DWP's Information Flows Programme is delivering real improvements to the **administration of Housing Benefit and Council Tax Benefit**. The programme has:

- provided online access to relevant information about benefits administered by DWP. Since July 2008 that access has been extended to include relevant data on Tax Credits;
- successfully piloted the electronic transfer of relevant claims data from DWP to local authorities, replacing existing paper notifications; this will be rolled out nationally during 2009; and
- supported the implementation of improved, integrated in and out of work processes in over a dozen pilot areas; these processes will also be rolled out during 2009. These improvements will contribute to efficiency savings of £28 million in real terms.

**14.7** Tight settlements at SR04 and CSR07 have meant that DWP has already streamlined its business by taking advantage of efficiencies in many of the areas identified by the OEP. This has been matched by a continued improvement in the level of service offered to all customers.

**14.8** DWP established a **Shared Services** organisation to provide shared corporate services to the Department, its executive agencies and in the near future other government departments. The organisation brought together the standard corporate services of Accounting Services, Employee Services and Purchase to Pay which are utilised everyday by the 100,000 plus staff within DWP.

**14.9** By the end of the SR04 period, DWP's shared services had delivered cumulative savings of £50 million or around 15 per cent year on year and are on track to deliver a further 13 per cent by the end of the first year of CSR 2007. By making efficiencies in back office operations, DWP has been able to redeploy the resource freed up into customer facing, frontline services.

**14.10** DWP has also made significant progress in delivering its **Estate Strategy**. This covers the Department's approach to modernising its estate, meeting challenging targets to reduce the size and cost of the estate and improving overall workspace utilisation. As a consequence of the activity in 2008-09, DWP will fully vacate 99 buildings and partially vacate workspace in a further 24 buildings. This equates to a reduced Net Internal Area of 149,000 square meters and delivers savings for the year of £30 million.

## Continuing to invest to strengthen public services

**14.11** The Jobcentre Plus regime operated by DWP, has helped give rise to a dynamic and flexible labour market in the UK. The system helped deliver the lowest claimant count unemployment level for 32 years in January 2008 and employment recorded a historic high in the three months to May 2008. Despite the downturn, Jobcentre Plus is responding effectively, providing an efficient service, ensuring large numbers of people move back into work quickly, reducing the chances of detachment from the labour market and economic inactivity.



# 15

## Foreign and Commonwealth Office

The FCO's key roles are supporting British nationals abroad, helping keep Britain safe and building strong relationships worldwide.

### Improving public services

**15.1** The Foreign and Commonwealth Office (FCO) provides a global network of posts serving the whole of the British Government and our international policy goals. FCO supports the UK economy by promoting trade and encouraging inward investment.

**15.2** The FCO provides assistance every year to some 35,000 British people in difficulty or distress around the world, it responds to crises such as the upheavals in Burma, Pakistan and Kenya, has helped bring greater stability in Iraq and is working to the same end in Afghanistan.

**15.3** However, the government is committed to ensuring that this role is carried out in the most efficient manner and FCO have been given tight spending settlements to ensure resources go directly to the front line.

### A record of delivering efficiency savings

**15.4** The FCO exceeded its 2004 Spending Review efficiency target by £12 million. The Department's target had been £120 million year on year efficiency savings from by the end of 2007-08. Including BBC World Service and the British Council, total efficiency gains were £132 million. Procurement was the largest single contributor to the savings total, consisting of £26.6 million. This was achieved through re-tendering key security guarding contracts in Iraq and Afghanistan without compromising staff security. The FCO also delivered significant savings by disposing of less well performing, less fit-for-purpose and under-utilised properties and providing more suitable accommodation and re-investing the surplus proceeds.

### An increased level of ambition going forward

**15.5** The 2007 CSR value for money programme builds on the achievements of the 2004 Spending Review (SR04) Efficiency Programme. The FCO is delivering its target for 2007 CSR savings while continuing to deliver on FCO priorities including our Departmental Strategic Objectives (DSOs), Public Service Agreements (PSAs) and the long-term international challenges facing the UK.

**15.6** The FCO, BBC World Service and British Council will make net cash-releasing value for money savings of £144 million by 2010-11 (£130 million resource and £14 million capital). The FCO will generate its savings through a combination of reducing back office costs and reducing expenditure on lower priority activities both in the UK and overseas.

**15.7** For example, the FCO no longer pays £2 million per year for the use of the VIP suites at Heathrow and Gatwick by overseas embassies. BAA has agreed to take on the running of VIP suites on full time basis, and recovers the costs direct from those who use the suites. The

European Network is also being reduced- whilst maintaining service to the public through making greater use of Locally Employed staff, buying in facilities management from the private sector in some posts and joining the Nordic and Baltic posts regionally so that they better support each other.

**15.8** The FCO's Strategic Framework was renewed in 2007 enabling the Foreign Office to make savings in some of its lower priorities and move the resources and the released savings to be invested in higher priority areas, for example counter terrorism, conflict prevention and low carbon/high growth economy will receive a further £35.5 million by 2010-11.

**15.9** UK Trade and Investment (UKTI) has agreed to release £4.4 million of value for money saving over the 2007 CSR period. To deliver this it will: localise a large number of UK-based postings overseas to drive down the cost of front-line operations and harness local expertise; and "Hub and Spoke"<sup>1</sup> operations to rationalise how services are delivered to UK customers. Already this programme is ahead of schedule, with indications suggesting that FCO will meet its target of £1.4 million for 2008-9 and deliver restructuring earlier than planned.

**15.10** By the end of 2008-09, it is estimated that the FCO will have delivered approximately £55 million in Value for money savings, of which the BBC World Service and British Council will have delivered £12 million. The FCO remains on track to exceed the target of £144 million by end of March 2011. Key initiatives to achieve this are:

- the Europe ZBR (Zero Based Review) has been underpinned by the need to deliver efficiencies and transform the shape of the European network's policy activities by focusing the work of individual posts more tightly on key priorities and finding ways of deploying policy staff more flexibly to meet changing demand;
- savings of £10 million per year by no longer paying for time spent by Defence Attaches on non-defence activities; and
- the British Council's value for money programme will generate £18.2 million of savings over the period of the 2007 Comprehensive Spending Review. These savings are coming from by reducing its European operations and, more widely, reductions in its physical overseas network to reflect the move to web-based service provision and more efficient use of office space.

**15.11** FCO is fully committed to value for money and in agreement with the Treasury, has updated its value for money plan to reflect an even greater level of ambition. As part of this review FCO has identified scope to increase its level of ambition and deliver a further £20 million of value for money savings by 2010-11, increasing their value for money target to £164 million.

**15.12** Improved Procurement in the FCO will generate value for money savings estimated at £12.5 million from reductions in the costs of goods and services purchased during the CSR period. The savings will be achieved through better management of expenditure utilising the following techniques:

- collaboration with Partners Across Government (PAG) and Buying Solutions;
- mandatory use of corporate FCO contracts to achieve better value for money Benchmarking; and
- better market analysis and a more strategic approach to procurement overseas.

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<sup>1</sup> Regional centres servicing a number of posts

**15.13** The major categories of influenceable spend have been identified as consultancy, temporary labour, external telecomms, training, stationery and printing, public diplomacy/information, transport maintenance and furniture.

**15.14** Benefits will be realised in the main through utilising PAG and buying solutions contracts and re-tendering processes for major contracts and commodities, which assess value for money and efficiency as part of the process. In addition costs savings will be realised through improvements in the on-going contract management.

**15.15** IT efficiencies will achieve £9.5 million value for money savings through three main drivers: the FCO's Telecommunications Network (FTN), Communications Centre (ComCen) and Programme Management. The Ocean Programme to manage re-procurement and letting a new telecoms contract by May 2010 will deliver £10 million annual savings on the present contracted price. The savings will be sustained beyond the current 2007 CSR as £50 million of efficiency savings will be achieved over five years.

## **Continuing to invest to strengthen public services**

**15.16** With the agreed level of funding, the FCO will continue to maintain its global network and achieve its ambitious departmental strategic objectives on supporting the UK economy, tackling climate change, working to prevent conflict, helping to manage migration and supporting British nationals abroad.

**15.17** As part of the FCO's wider network shift change programme FCO have made changes to their global network to deliver their new Strategic Framework and Departmental objectives. This involved moving more of the UK-based policy staff (i.e. those who do frontline policy, rather than service delivery or corporate work) to priority regions. The FCO have increased the numbers of policy staff in some parts of the world: Africa, Russia/Central Asia, the Middle East and Asia (especially Afghanistan and South Asia). To help resource this shift they have made significant reductions in policy staff in Europe and modest cuts in the Americas. For example, the recent Capability Review highlighted that the Nordic-Baltic Network is pioneering new regional working arrangements that promise better use of skills and knowledge, more resilience and greater efficiency. Other regions are following developments and are keen to learn from the experience.



# 16

## Home Office

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The Home Office's mission is to protect the public, to counter terrorism, cut crime, provide effective policing, secure our borders and protect personal identity.

### Improving public services

**16.1** Since 1997 crime has fallen by around a third. Fear of crime and perceptions of anti-social behaviour have fallen, and the risk of being a victim of crime is at its lowest level since 1981. The use of class A drugs by young people is down, and increased numbers of drug users are now referred for treatment. At the border, the number of people entering the United Kingdom and making unfounded asylum claims has been reduced significantly, including through putting in place UK border controls overseas.

**16.2** In the past decade, spending on public order and safety has increased by more than 50 per cent in real terms. And, alongside this investment, the Home Office has put in place an ambitious programme of reforms to drive value for money. The resources released have been reinvested in key priorities, and helped enable real change on the ground.

### A record of delivering efficiency savings

**16.3** Since April 2004, the Home Office and the Police Service have delivered more than £3 billion of savings, with existing plans reaching more than £4.25 billion a year by March 2011.

**16.4** The Department's strong track record – over-delivering against its Gershon target by more than £800m – has given it the confidence to go even further, both to strengthen public protection and to play its part in the Government's objective to sustain prudent levels of public expenditure.

**16.5** A rigorous value for money programme has seen saving and reinvestment in each key area of the Department's responsibilities. That includes:

- £1.5 billion gains in policing, through a combination of locally-led operational improvements, workforce reform and strengthening, reductions in bureaucracy, new and more effective frontline technology (e.g. better communications, *Livescan* electronic fingerprinting, automatic number plate recognition) and better collaborative procurements (such as vehicles, protective clothing and helicopters) These improvements have been worth the equivalent of deploying 6,000 additional police officers to the frontline over the last four years;
- saving more than £500 million a year in the UK Border Agency by actively re-negotiating detention contracts and reducing Asylum Support costs; and
- savings worth £160 million a year by streamlining Home Office procurement, estates and IT services, including in the Department's headquarters, and shrinking the headquarters by almost 2,500 civil servants.

## An increased level of ambition going forward

**16.6** Similarly, the Home Office's plans for the remainder of the CSR period (to March 2011), which now include ramping up savings further as part of the Operational Efficiency Programme and the Public Value Programme, include:

- £1 billion a year, in partnership with the Police Service. Delivery will be underpinned by a focus on:
  - front-line productivity improvements (e.g. Operation Quest, has shown the potential exists to free up capacity worth 15 per cent in response officer productivity so that officers have time to serve the public better and achieve very high levels of customer satisfaction);
  - extended collaborative use and procurement of technology (e.g. the ISIS Programme, coordinated through the National Policing Improvement Agency); and
  - use of the latest technology to save police time (e.g. the Government providing more than 40,000 extra mobile data devices for officers to use).
- £150 million a year in the UK Border Agency, including by streamlining the processing of asylum and migration applications, saving both staffing time and asylum support payments, developing more efficient corporate functions, and using new technology to provide a better quality and more efficient public service (e.g. through extending the use of automated iris and facial recognition technology to provide a speedier service to legitimate travellers at the border).

**16.7** Strong delivery has also put the Home Office in a position to bring forward expenditure as part of the £3 billion fiscal stimulus in the current climate. The 2008 Pre-Budget Report announcement included bringing forward £20 million spend into 2009-10.

**16.8** However, the Home Office is determined to go even further. Building on existing Value for Money initiatives and as part of the Operational Efficiency Programme, which adopts best practice from the private sector, the Home Office has identified a range of additional savings by 2010-11, including for example:

- continuing to strengthen and deliver effective corporate functions (finance, HR and estates), including realising the growing benefits from the Home Office's shared services programme, worth £50 million a year.
- £60 million a year from improved commercial activity, including by leveraging spend and collaboration, process and price savings, mitigation of risk in the supplier base and a review of major programmes and projects.
- Reducing IT costs through a desktop benchmarking exercise and radical changes to the delivery of IT services, worth £10m a year.

**16.9** These savings have allowed the Home Office to increase its value for money target by £280m, to £1,694 million a year by the end of 2010-11. This approach will enable the Home Office to continue to drive up productivity whilst ensuring maximum value for money for the taxpayer.

## Continuing to invest to strengthen public services

**16.10** Through these spending plans, combined with the sustainable efficiency programmes, the Home Office will continue to improve services while driving value for money for the taxpayer.

**16.11** There will be no stepping back from our key priorities and PSA targets - ensuring controlled, fair migration that protects the public and contributes to economic growth, making communities safer, reducing the harm caused by alcohol and drugs, and reducing the risk to the UK and its interests overseas from international terrorism.



# 17

## Law Officers' Departments

The overarching purpose of the Law Officers' Departments (LOD) is to use legal expertise for public benefit, delivering prosecution, fraud and legal services. They play a crucial role in delivering an effective criminal justice system and share Public Service Agreement targets with the Home Office and the Ministry of Justice.

### Improving public services

**17.1** Over the past decade Government has invested to strengthen the criminal justice system, increasing the number of offenders brought to justice, improving the experience of victims and witnesses, and ensuring criminals cannot benefit from the proceeds of crime.

**17.2** In the year to December 2007, 1.45 million offences were brought to justice, a 44.6 per cent increase since the year to March 2002<sup>1</sup> and targets to improve public confidence in the criminal justice system and increase the satisfaction of victims and witnesses are on course to be met. Since the introduction of joint Crown Prosecution Service (CPS) and police Witness Care Units across the country in 2005, witness attendance rates have increased from 77 per cent to 86 per cent and the number of trials that did not go ahead due to witness issues has fallen by 63 per cent in the Crown Court, and by 27 per cent in Magistrates' Courts. There are continued improvements in reducing the number of unsuccessful cases brought by prosecutors.

**17.3** Since 1999 the CPS budget has grown substantially in real terms, and this investment has helped to drive improvements in performance across the criminal justice system. The additional resources enabled the CPS to assume the statutory responsibility for charging, expand its role in engaging the community and significantly improve the level of support provided to victims and witnesses. But alongside this additional investment, the Law Officers' Departments have put in place ambitious value for money reforms that have succeeded in delivering significant savings for reinvestment in key priorities, directly contributing to delivery of the Law Officers' Departments key objectives.

### A record of delivering efficiency savings

**17.4** The Law Officers' Departments have a strong track record of delivering against challenging efficiency targets. As part of the 2004 Spending Review, CPS delivered £99 million efficiency savings by March 2008, against a target of £24 million. The Law Officers' Departments as a group delivered £109.4 million efficiency savings against a target of £40.6 million while continuing to play a vital role in the delivery of an effective and efficient criminal justice system. These savings were reinvested to support the delivery of high quality public services. A wide range of reforms enabled these savings including:

<sup>1</sup> The numbers of offenders brought to justice for 2007 and 2008 were published in the CPS Autumn Performance Report 2008 and are un-validated data from the courts and police. The final validated data for 2007 was published as a National Statistic by the Ministry of Justice in 'Criminal Statistics in England and Wales 2007' on the 27<sup>th</sup> November 2008

- by March 2006, a year ahead of schedule, the CPS had rolled out statutory charging and became responsible for deciding the charge in all but the most minor cases. The CPS is delivering considerably more efficiency savings compared to the original business case, which forecast savings of over £60 million per year for the criminal justice system as a whole. The CPS now has over 547,000 consultations a year with the police compared to the original prediction of 238,000;
- the CPS has successfully implemented networked office automation and national case management and witness management systems that enables links to police forces and the Courts. Through exploiting this technology to the full the CPS was able to deliver efficiency savings of over £48 million in 2007-08; and
- all Law Officers' Departments have successfully focused on driving down the costs of providing corporate services and improving value through better procurement practices and delivered savings of over £10 million.

## An increased level of ambition going forward

**17.5** Building on this strong record of delivery, as part of the 2007 Comprehensive Spending Review, the Law Officers' Departments identified scope to deliver a further £79 million of annual cash-releasing value for money savings by 2010-11 through:

- optimising the deployment of in house advocacy;
- re-engineering business processes extending lean methodology to case management;
- working with the HM Court Service to maximise the benefits from Criminal Justice, Speedy, Simple, Summary;
- restructuring and improving headquarters functions to release resources and reduce headcount by at least 10 per cent; and
- working in partnership together to provide shared back-office support where appropriate.

**17.6** The CPS continues to develop its programme of in house advocacy. Associate Prosecutors now conduct a large number of cases in the Magistrates' courts that previously would have been conducted by more expensive lawyers. CPS Crown Advocates routinely conduct cases that would otherwise have been conducted by the self-employed Bar in the Crown Court. Advocacy now has the potential to deliver up to £16 million savings by 2010-11.

**17.7** The CPS "Optimum Business Model", developed to streamline and improve common business processes across the CPS, is delivering results. Early indications show a reduction in the number of adjournments in court as well as improvements in timeliness, with clear benefits for the criminal justice system. The programme, together with the Courts' programme, "Criminal Justice, Speedy, Simple, Summary" is expected to deliver £24 million value for money savings by 2010-11.

**17.8** Treasury Solicitor's Departments has delivered real terms savings to its clients of more than five per cent per year over the period 2007-08 to 2008-09. It is reducing the cost of its corporate services by modernising business processes and collaborating routinely on procurement.

**17.9** The Attorney General's Office has led a benchmarking exercise on corporate services across the Law Officers' Departments and has been developing a shared services and estates

rationalisation strategy which, when implemented will contribute to existing, and future, value for money savings.

**17.10** These targets are stretching and ambitious, however the Law Officers' Departments continue to seek opportunities to improve value for money and increase the effectiveness of the services they deliver. Over the past year the Law Officers' Departments have taken forward substantial strategic planning to prepare themselves for future challenges, as well as engaging fully with the Operational Efficiency Programme.

**17.11** In December 2008 the Attorney General, together with the Directors of her Departments, established a Strategy Programme to examine whether the Law Officers' Departments were best positioned to deliver effective and efficient prosecution, legal and fraud services in the future. The first phase of the Programme is now complete and has identified a number of areas where value for money savings can be made whilst strengthening service delivery, including by:

- Merging the Crown Prosecution Service and the Revenue and Customs Prosecution Office (RCPO) to create a single enhanced prosecution service. Whilst driving out economies of scale and minimizing duplication, this move will also create a more flexible and resilient organization that is better placed to handle specialist, complex casework. Work on integrating the two Departments is already underway and the merger is planned for 2009-10 with further consolidation in 2010-11;
- Shared Services: The Law Officers' Departments are already sharing some back office functions and plan to expand this model to include Finance, HR, Estates Management, IS and procurement functions where it is cost-effective to do so. Estates will be rationalised across the Law Officers' Departments as leases expire on current accommodation leading to further efficiencies on support services. The first step in the rationalisation – to be complete by December 2011 - will be to review the use of RCPO and CPS accommodation and ensure that use is optimised to enhance service delivery. Future work will allow the whole LOD estate to be used more flexibly in the future;
- Improving the fraud landscape. The Serious Fraud Office and the National Fraud Strategic Authority (NFSA) are examining with other players across Government whether Government has the right arrangements in place for the investigation and prosecution of serious fraud. Initial focus will be on improving capability and capacity across the existing organisations within the Law Officers' remit.

**17.12** By pushing ahead rapidly Law Officers' Departments will be able to deliver an additional £15m of value for money savings by 2010-11, increasing the headline value for money target to £94 million by 2010-11. This will be delivered while continuing to invest in and deliver high quality prosecution and legal services, bringing offences to justice, enhancing the experience of victims and witnesses, and increasing public confidence in the criminal justice system. The planned additional reforms will mean that, by the end of 2010-11:

- RCPO and CPS will have merged into one prosecuting body, saving £9.8 million in 2010-11 with the potential for ongoing savings in future years;
- CPS will benefit from strengthened financial management capacity and from making more use of collaborative procurement techniques, saving £4 million;
- planned work on fraud will be have been delivered early and for less, saving £0.9 million;
- shared service solutions will be starting to deliver benefits, saving £0.3 million in 2010-11 but with the potential to generate further savings as new ways of working are embedded; and

- an estates rationalisation strategy will be in place and implementation underway, leading to real savings against current accommodation costs in future years.

## **Continuing to Invest to strengthen public services**

**17.13** These changes will enable the Law Officers' Departments to deliver more cost effective and efficient services for the years to come. Through the bringing together of CPS and RCPO, further improvements to the fraud landscape and the increased use of shared services, the Law Officers Departments will be able to provide high quality services at reduced cost from 2011-12 and beyond.

# 18

## Local Government

The local government sector delivers a wide range of services to residents across the country, from social care to waste collection, focusing on delivering the priorities of local residents while providing good value for money for taxpayers.

### Improving public services

**18.1** Local government has a pivotal role to play in the delivery of front-line public services and in recent years there has been real improvements in providing services. By 2008, 42 per cent of councils were in the top performance category compared with 15 per cent in 2002, and by 2006 there were no councils in the lowest category, compared with nine per cent in 2002. This is directly feeding through to real improvements on the ground. For example, in 1997 only seven per cent of household waste was recycled, now it is 35 per cent.

**18.2** The sector has benefited from high levels of investment since 1997, having received increases in government grants of 39 per cent in real terms between 1997 and 2007, resulting in major improvements in the capacity and performance of local authorities. Alongside this investment local authorities have taken forward a wide range of value for money reforms to release additional resources for front-line priorities, directly contributing to the improvements seen on the ground.

### A record of delivering efficiency savings

**18.3** The local government sector has a strong track record of delivering substantial value for money savings, having delivered their Gershon efficiency target a year early and released cashable savings of £3.4 billion between 2004 and 2008. These savings were achieved through a range of channels, including:

- London Borough of Hackney achieved cashable efficiencies of £46 million, more than double its overall Gershon target, through actions including reducing insurance costs by proactive policies to reduce claims, such as a major initiative to repair pavement defects and reducing the number of external contractors by implementing Council-wide reshaping;
- Cumbria County Council's strategic partnerships with Capita, Amey and Agilisys delivered £6.9 million efficiencies, through a range of activity including implementation of major ICT projects and comprehensive service reviews; and
- Rotherham's strong partnership ethic for delivering efficiency gains, delivered £23 million cashable efficiencies over the 2004 Spending Review period, 50 per cent more than its total Gershon target. Actions included collaborating with its joint venture company, Rotherham Brought Together; by Private Finance Initiative (PFI); and with its Local Strategic Partnership (LSP). Successful initiatives included a review of housing adaptations that achieved both savings and reduced the time that customers had to wait from 16 to three weeks.

**18.4** At the same time the final results of the Comprehensive Performance Assessment for local government showed that 80 per cent of local authorities were rated three or four star by the Audit Commission in 2008; 78 per cent of councils performed consistently or well above the minimum requirements for value for money in 2008; and 90 per cent of councils scored three or four on overall use of resources.

## **An increased level of ambition going forward**

**18.5** Building on this record, during the 2007 Comprehensive Spending Review (2007 CSR) period local authorities have been asked to deliver three per cent a year efficiency savings, totalling £4.9 billion by 2010-11. Strong progress has already been achieved and the latest estimates suggest that to date around £1.6 billion of savings have been delivered against the target. Savings have been across a wide range of areas, for example:

- a procurement 'hub' run by the West Midlands Regional Efficiency and Improvement Partnership (RIEP) has already saved £4.5 million, expected to rise to £12 million in two years' time, with 270 "best deals" on offer and growing;
- in the East Midlands, 200 local authority officers have been trained up for free in business process improvement techniques thanks to a partnership between the RIEP and Learning and Skills Council to provide staff training. They have already put the techniques into practice by identifying around £800,000 potential savings as well as future improvements to customer services; and
- the development of an online recruitment portal for public sector jobs in the North East is intended to enhance job-seeker access to public sector jobs and release £4 million of efficiency savings.

**18.6** In the global economic downturn every part of the public sector is examining how best to deliver the public services that support people and businesses, by making their resources go further and taking every possible opportunity to implement value for money reforms to free up resources.

**18.7** Councils are playing their part, going further and faster to release efficiency savings to meet pressures and improve services to their local residents, while keep council tax increases down.

**18.8** The 2007 CSR set an ambitious three per cent value for money target for the local government sector. Authorities are working to go further, exceeding these commitments and allowing them to continue to meet their priorities for their residents. Both central and local government have identified more scope for increased efficiencies to be driven out in the current 2007 CSR period and beyond as supported by the findings of the Operational Efficiency Programme. For example:

- It is estimated that local government back office functions cost approximately £4.3 billion. The sector is already making progress on addressing this: Back Office activities contributed an average of 28 per cent of councils' total 2004 Spending Review savings. However, contributions ranged from six per cent to 91 per cent, which points to further scope from some councils, including through greater use of shared services which in many cases can save 20 per cent of the cost of back office operations.
- Martin Jay's analysis into collaborative procurement suggests that local government spends approximately £54 billion annually on commonly procurement of goods and services and that savings of over four per cent could be achieved through

collaborative procurement strategies, including greater use of Professional Buying Organisations.

**18.9** Councils across the country are raising their ambition for efficiency to meet the challenge of the down-turn. Government is working with the sector to help authorities deliver that ambition. These initiatives have allowed an further one percentage point to be added to the total savings target in 2010-11, taking it to at least four per cent. This will generate an additional £600 million in real savings across the sector. This money will be directly recycled within local authorities' budgets to be put towards front line services and keeping council tax down.

**18.10** In addition, in response to the local incentives and empowerment workstrand of the Operational Efficiency Programme, led by Sir Michael Bichard, the government will launch the Total Place initiative, looking at total public spending and local leadership in 13 places across England, to identify how local collaboration and prioritisation can lead to greater scope for savings and increased value for money, with an interim report in the 2009 Pre-Budget Report.

## **Continuing to invest to strengthen public services**

**18.11** Delivering increased efficiencies that are recycled within local authorities' budgets will help local authorities to continue to meet the priorities of their residents, whether that be providing support and advice for vulnerable individuals and families, administering benefits, working with other local agencies to support the local economy or developing the physical environment.

**18.12** The Total Place initiative will provide valuable lessons about how local authorities and their partners can maximise the impact of total public spending in their area, and the scope for driving better value for money for residents.



# 19

## Ministry of Defence

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The Ministry of Defence's (MOD) aim is to defend the United Kingdom and its interests and strengthen international peace and stability. The existence of failed and failing states, international terrorism and the proliferation of weapons of mass destruction will continue to pose major security challenges. The requirement for deployable, flexible, agile and capable Armed Forces will therefore remain crucial, as will the need to prepare for the longer-term.

### Improving public services

**19.1** By 2010-11 the Defence Budget will be 10 per cent higher in real terms than in 1997, which marks the longest period of sustained growth since the 1980s.

**19.2** Over the past decade the Government has committed substantial resources to ensure the Armed Forces are sufficiently supported to achieve the military tasks they undertake at home and abroad, whilst being ready and equipped to respond to any future challenges that might arise. The MOD's Comprehensive Spending Review 2007 (CSR07) settlement set out a real terms increase of 1.5 per cent, building on the strong foundations of the last three spending reviews and locking in the longest period of sustained real growth in defence spending for over 20 years.

**19.3** The additional costs of military operations, for example in Iraq and Afghanistan, are met from the Reserve. By the end of 2008-09, £14 billion will have been provided to pay for operations since 2001. This includes some £4 billion for Urgent Operational Requirements, principally for the protection of personnel who are deployed on operations.

**19.4** Alongside this investment the MOD has continued developing a strong culture of efficiency and Value for money throughout the Department, releasing resources that have been reinvested in delivering our highest priority – success on operations in Iraq and Afghanistan.

### A record of delivering efficiency savings

**19.5** MOD exceeded its 2004 Spending Review efficiency targets, having delivered £3.045 billion of savings by March 2008 against a target of £2.828 billion. These savings were delivered through:

- the Defence Change Programme, a portfolio of major programmes which delivered some £1.6 billion of improvements including in personnel administration, travel, vehicle management and e-commerce;
- force capability changes worth some £1.3 billion delivered as a result of the 2004 White Paper on Future Capabilities which required better policy outcomes with smaller, more flexible and adaptable Armed Forces able to meet future defence and security challenges;

- various standalone initiatives totalling over £200 million which included improving the management of defence resources and improving the efficiency of commodity procurement across defence; and
- over the 2004 Spending Review period the Department also delivered 17,500 civilian staff reductions compared to a target of 10,000 posts.

## **An increased level of ambition going forward**

**19.6** During the CSR07 value for money programme MOD has already delivered in the order of £600 million of value for money savings in 2008-09 and is on track to meet its target by 2010-11.

**19.7** The MOD has identified and is currently on track to deliver £2.7 billion of value for money savings by 2010-11. These savings are sustainable, cash-releasing gains reported net of implementation costs and are all being recycled to ensure that maximum resources are focused on delivering our primary objective of success on operations.

**19.8** Strong progress has already been made, and by the end of 2008-09 MOD has achieved in the order of £600 million of sustainable savings through a number of initiatives that contribute towards delivering the value for money target. These include improvements in various Corporate Enabling Services, efficiencies that have allowed reductions in civilian numbers working in the Defence Equipment and Support area; and changes to the way the Armed Forces operate in Northern Ireland.

### **Box 19.A: Reviewing our Overseas Operating Bases:**

During the year, a complete review of the Headquarters British Forces Cyprus was carried out, leading to a reduction in both civilian and military manpower – now fully implemented – generating £1 million of sustainable savings.

#### **Delivering Optimised Support to the Front Line**

PACE- Performance, Agility, Confidence and Efficiency launched in March 2008, is Defence Equipment % Support's (DE&S) major change programme directed at enhancing the organisation's ability to deliver optimised support to the front line. The PACE programme has so far been focused primarily on devising the programme to deliver the changes, and to date it has delivered over £100 million in value for money savings. By 2010-11 this programme aims to deliver £200 million of savings. Highlights from this year include:

- a programme to bring the workforce together and to work in a more flexible way, which will be key to delivering more effective military capability to the Armed Forces. Between now and 2011 there will be some 1,000 moves per quarter taking place to accommodate the more than 50 per cent of DE&S workforce at Bristol and Corsham. Construction of a new building at Abbey Wood is well underway, as is building work at Corsham; and
- the introduction of Flexible Resourcing to assist the ability to prioritise through better understanding of the available resources and skills. This will enable better use of available skills, identification of skills shortfalls, prioritisation of activity and to increased agility in response to any changes in these priorities.

#### **Reducing the costs of Equipment Support**

Since 2000, the Department has radically changed the processes by which it supports the Armed Forces across the globe. There is more we can do and, this year alone, a further £60 million of efficiencies have been delivered through changes in the equipment programmes, including:

- renegotiation of the contract to maintain the capability of the Seawolf Naval defence system which has improved availability by 25 per cent whilst also realising savings in the order of £6 million of this year; and
- establishing 'contract for availability' to provide sustainable and affordable maintenance support for submarine masts and periscopes realising over £8 million of efficiencies this year.

**19.9** The Department is determined to go further, which is why further values for money savings have been identified and will be pursued. MOD has fully engaged in the cross government Operational Efficiency Programme (OEP) and Public Value Programme (PVP) in support of the search for additional value for money savings.

**19.10** Following the early findings of these programmes and a range of other work, the department has identified potential additional savings, which have allowed the **MOD's 2010/11 value for money target to be increased by £450 million to £3.15 billion** by implementing a range of measures including:

- in March 2008, our Civilian Headcount Programme was on track to deliver £45 million in civilian related savings. We will now extend this programme to deliver up to £100 million of savings by 2010-11 including through headcount reductions.

- through planning on reducing travel and increasing the use of teleconferencing and other modern business techniques the MOD has reduced the Travel and Subsistence budget by 15%. This will provide up to £29 million in savings in 2010-11
- undertaking a self-assessment of MOD performance against best practice benchmarking in key back office and shared service functions. Significant savings have already been secured and this will inform the level of further savings MOD can achieve against OEP predicted savings across government. We also have in hand the development of a corporate services strategy, based on current arrangements and benchmarking data, to be completed this summer.

**19.11** In addition to this, the MOD is also examining how the business models of the Met Office, Defence Storage and Distribution Agency (DSDA) and the Oil and Pipelines Agency can be developed to deliver greater value for money. MOD is committed to strengthening and reviewing assets in response to the OEP and is additionally reviewing the Defence Support Group's business and boundary with DSDA, the status of the Defence Estate's Security Services Group and the synergies between the Defence Animal Centre and operations of other public sector organisations to establish whether there is scope for further efficiencies.

## **Continuing to Invest to strengthen public services**

**19.12** HMG will continue to commit significant resources to ensure success on operations in Afghanistan and Iraq. This commitment was highlighted in October 08 when the Prime Minister announced a further £700m to be spent on protected vehicles for operations in Afghanistan. It will ensure we furnish our Service personnel with the protection and mobility they require to do their jobs as safely and effectively as modern technology can provide.

**19.13** Around £300m per annum is being spent on new and refurbished accommodation over the CSR period. Between April 2008 and April 2011 MoD expects to deliver over 18,000 more upgraded barrack-type bed spaces.

**19.14** In addition, Budget 2009 announced £50m capital investment in armed forces accommodation will be brought forward to 2009/10, meaning that around 600 servicemen and/or their families will benefit from rebuilt or refurbished accommodation.

# 20

## Ministry of Justice

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The Ministry of Justice's objectives are to;

- strengthen rights and responsibilities;
- deliver fair and simple routes to civil and family justice;
- protect the public and reduce reoffending; and
- ensure a more effective, transparent and responsive criminal justice system for victims and the public.

### Improving public services

**20.1** The Government is committed to bring crime down, ensure the public are protected, crack down on re-offending, and deliver a better service for victims and witnesses.

**20.1.1** Since 1997 real improvements have been made:

- Crime has fallen by 39 per cent since 1997;
- the chance of being a victim of crime is at its lowest level since recording began in 1981;
- adult re-offending has been reduced by 23 per cent between 2000 and 2006, whilst youth re-offending down 19 per cent in the same period; and
- the number of offences brought to justice since 2002 has increase by 44 per cent.

**20.2** Since 1997, investment in prisons has increased by 37 per cent in real terms, whilst spending on probation has increased by two thirds. Alongside this investment, the Ministry of Justice have put in place an ambitious package of value for money reforms that have already released significant resources for reinvestment in front-line priorities.

### A record of delivering efficiency savings

**20.3** The Ministry of Justice was created in May 2007, but its predecessors - the Department for Constitutional Affairs (DCA) and the National Offender Management Services (previously part of the Home Office), managed to deliver £455 million of efficiency savings by March 2008 against their original Gershon targets of £290 million. This included relocating more than 750 civil servants out of London and the South East.

### An increased ambition going forward

**20.4** Building on this record of success, at the start of the 2007 Comprehensive Spending Review Period, the Ministry of Justice identified scope to deliver £1,007 million of additional savings by 2010-11. These savings are being delivered through a wide range of reforms including:

- Her Majesty's Prison Service set up a shared service centre in Newport which provides shared services for 128 prisons. In 2007-08 the centre made efficiency savings of £40 million, and the NAO estimate that it will produce NPV savings of £120 million over nine years;
- the Legal Aid Reform Programme is on track to achieve £33 million value for money savings in 2008-09 through initiatives such as the introduction of new fixed and graduated fees for barristers and solicitors; and
- Her Majesty's Court Service are forecast to deliver £82 million of savings in 2008-09 through initiatives such as consolidating administrative functions in back offices.

**20.5** This is a challenging target. However, the Ministry of Justice is committed to seizing all opportunities to drive value for money and have been engaging fully over the past year with the Operational Efficiency Programme and Public Value Programme to explore whether there was scope for additional value for money savings, including through leveraging best practice from the private sector. Following the early findings of these programmes and a range of other work, MoJ have identified a range of additional savings, enabling them to deliver an additional £70m value for money savings in 2010/11 bringing their value for money target to £1,077 million including through:

- as part of the Operational Efficiency Programme, the MoJ have launched 'Procurement Success' an initiative which expects to realise cashable savings e.g. through improved category based procurement;
- the MoJ's Public Value Programme (PVP), which will go further in unlocking sustainable savings, improving quality whilst reducing cost. The PVP will enable significant future efficiencies and support new commissioning approaches in the National Offender Management Service by building on the PBR announcements;
- competing the management contracts of five prisons identified in the NOMS Service Strategic and Business Plans over the next two years;
- challenging expensive or underperforming providers to improve;
- a framework of costed Specifications to specify more clearly the services NOMS will commission from providers to focus resources at the most valuable front line work with offenders; and
- the Legal Services Commission's (LSC) report, Best Value Tendering (BVT) for Criminal Defence Services Contracts 2010, proposes models of BVT to drive through efficiency for legally aided work in police stations and magistrates courts which it is anticipated will deliver efficiency savings of 6 per cent. The Ministry of Justice and LSC will work to extend BVT to other areas of legal aid.

**20.6** Lord Carter's review of prisons made the case for increasing prison capacity to ensure that we have enough prison places for dangerous, serious and the most persistent offenders. The additional investment will deliver up to a further 15,000 net places increasing overall capacity up to 96,000 by 2014. A modernised prison estate will enable significant reductions in running costs and provides opportunities to replace older, less efficient accommodation.

## **Continuing to invest to strengthen public services**

**20.7** The Ministry of Justice is not only making targeted savings but is redirecting money to improve services to the public. For example:

- we have increased the provision of support to victims. Last year we provided funding of £37 million to Victim Support to provide support to 1.5 million victims of crime;
- funding was also provided to support vulnerable families bereaved by homicide, women trafficked into the UK for sexual exploitation and, through the Victim's Fund, £1.74m was provided for specialist support for victims of sexual crime, hate crime and homicide;
- to improve services for victims of domestic violence, we have increased the number of specialist domestic violence courts to 122;
- we have opened four new dedicated drugs courts (using existing court buildings) which form part of the national initiative to take a more holistic approach to dealing with offenders specific needs with the aim to reduce re-offending;
- the Legal Services Commission is making up to £13 million available redirected from existing budgets to fund an extra 70,000 legal aid cases where people need advice about debt and housing problems; and
- HM Courts Service Small Claims Mediation Service has been up and running for just over a year and has conducted 8,200 mediations, with a settlement rate of 71% and a customer satisfaction rate of 98%.



# 21

## Northern Ireland Office

The Northern Ireland Office exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. In addition to supporting and fostering the political and democratic process in Northern Ireland, the Department has an overall policy responsibility for upholding law, order and security including the provision of criminal justice services such as policing, prisons and probation.

### Improving public services

**21.1** The Government is committed to completing the process of devolution by enabling the smooth transfer of policing and justice powers to the devolved administration when the Assembly makes the request to do so.

**21.2** The Department has a strong record in delivering the successful Northern Ireland peace process and improved law and order services while at the same time overdelivering on planned efficiency savings.

**21.3** The Northern Ireland Office has a DEL budget of a little over £1 billion a year, which is made up of mostly police and prisons spending.

**21.4** Spending per head on law and order remains significantly above UK average levels although the differential has declined in recent years reflecting normalisation.

**21.5** The Northern Ireland Office have implemented an ambitious programme of value for money reforms to release further resources for frontline services, directly supporting the improvements in key services including policing and the criminal justice system.

### A record of delivering efficiency savings

**21.6** The Northern Ireland Office has a strong track record of delivering efficiency savings, having over-delivered against their Gershon Efficiency target for the period from 2005 to 2008, securing £93 million of savings against a target of £90 million including through:

- the introduction of the Criminal Injuries Compensation Scheme 2002 (“the Tariff Scheme”) by the Compensation Agency where £13.7 million of savings were realised. The introduction of the Tariff scheme meant that criminal injuries have a set tariff for each injury which is deemed to be fair and reasonable. The eligibility criteria for the Tariff scheme was altered to provide a much better focus for the award of compensation to the innocent victims of violent crime. The Tariff scheme sought to provide better protection to more seriously injured victims and specific provision was made within the terms of the legislation to give effect to this emphasis.

## An increased level of ambition going forward

**21.7** Building on the record of over-delivery in the Gershon period, as part of the 2007 Comprehensive Spending Review Period the Northern Ireland Office was able to identify additional cash-releasing annual savings worth a further £108 million by 2010-11. Planned savings include:

- the Northern Ireland Prison Service has committed to delivering £29 million savings over the 2007 CSR period. The largest proportion of these savings is coming from the permanent (upfront) reduction in Main Grade Officer headcount by 150 posts. This reduction was negotiated with the Prison Officers' Association (POA) and was implemented in April 2007 as part of a three year pay and efficiency package. It will yield in excess of £17 million sustainable cash-releasing savings over the three year period;
- the Police Service of Northern Ireland plan to deliver £74 million efficiency savings in 2010-2011; and
- the Northern Ireland Office is committed to delivering £4 million of administration savings per annum over the next three years. Plans have been put in place to achieve these savings through, for example, shared services, improved procurement and streamlined back office functions. As at December 2008, approximately £3m of savings had been delivered.

**21.8** The Northern Ireland Office is always looking for ways to drive efficiency further to ensure maximum value for money for the taxpayer, and will go further and deliver additional value for money savings of £17 million in 2010-11.

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# Departmental breakdown of the new £35 billion 2007 CSR value for money target

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**Table 6.1: Departmental breakdown of the new £35 billion 2007 CSR value for money target**

Departments have been able to find additional efficiency savings in 2010-11 whilst still continuing with planned substantial increases for key front-line public services. For example:

- The Department of Health will be able to make additional savings while continuing to increase allocations to PCT's by 5.5 per cent, as announced in December 2008;
- The Department for Children, Schools and Families will be able to make additional savings while continuing to increase allocations to schools by 4.3 per cent;
- The Department for Communities and Local Government will be able to make additional savings while keeping the 2010-11 local authority formula grant as announced in the local government finance settlement, rising by 2.5 per cent;
- The Home Office will be able to make additional savings while keeping the 2010-11 police grant as announced in the police and community safety settlement, rising by 2.7 per cent;
- The Department for Innovation, Universities and Skills will be able to make additional savings while continuing to increase the science budget by 6 per cent; and
- The Department for International Development will be able to make additional savings while its budget increases at an annual average real growth rate of 11.4 per cent over the 2007 CSR period. The Government also remains on track to deliver £9.1 billion of Overseas Development Aid by 2010-11 as set out in the 2007 CSR.

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Children, Schools and Families (DCSF)	£5.14 billion (including £650m of additional savings in 2010-11)	<p>£307 million of savings in schools through applying a one per cent efficiency saving against cost pressures to free up resources to support more personalised learning. Schools are continuing to improve educational outcomes while achieving efficiencies, including through improving their financial management, capability and skills;</p> <p>3 per cent efficiencies in the programme expenditure of Non-Departmental Public Bodies (NDPBs);</p> <p>£650 million additional savings without adversely affecting the quality of key services, including through further efficiencies across NDPBs and DCSF; and</p> <p>Economies of scale arising from the growth in post-16 learner numbers over the next two years, which will mean that learning places can be delivered with greater efficiency after this year.</p>
Department of Health (DH)	£10.5 billion (including £2.3bn of additional savings in 2010-11)	<p>£500 million per annum released through reductions in average length of stay in hospital, reducing waste in valuable hospital bed space and costs that occur when patients are kept in hospital longer than necessary, while improving patient experience and clinical outcomes;</p> <p>£550 million per annum through the new Pharmaceutical Price Regulation Scheme, which controls the prices of branded prescription medicines to the NHS thereby protecting it from excessive prices, while ensuring patients receive innovative new drugs more quickly;</p> <p>£500 million per annum through improved capability and planning capacity in commissioning processes, and improved quality at lower costs through the new tariff pricing system and extension of the tariff into community services and mental health; and</p> <p>£100 million per annum delivered by further improving collaborative procurement through the new Commercial Operating Model, and by improving efficiency in back office functions by building on the success of NHS Shared Business Services.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Transport (DfT)	£1.96 billion (including £200m of additional savings in 2010-11)	<p>£144 million from the Highways Agency, including £50 million of efficiencies on major road schemes through value engineering processes and additional savings through better technology and maintenance procurement, helping to support continued investment in economically important transport infrastructure projects;</p> <p>£538 million from Network Rail as a result of the Office of Rail Regulation setting strict efficiency targets, reducing the grant which the department pays Network Rail, delivering greater value for money from public investment in the operation, maintenance and renewal of rail infrastructure;</p> <p>£140 million from increased efficiency in the ongoing retendering of Highways Agency maintenance contracts, which in 2008-09 have been generating at least 15 per cent savings; and</p> <p>£7 million of savings from the Driver and Vehicle Licensing Agency (DVLA) through a more focussed approach to Vehicle Excise Duty evasion, helping to ensure fairness for the taxpayer.</p>
Department for Innovation, University and Skills (DIUS)	£1.94 billion (including £400m of additional savings in 2010-11)	<p>£118 million through increasing the effectiveness of research activities funded by the Research Councils by reducing administration costs and refocusing spend on new research priorities;</p> <p>£50 million of savings from improved procurement and better estates management in the Higher Education sector;</p> <p>£400 million of savings through a renewed efficiency drive in Further and Higher Education: the use of benchmarking data; greater contestability, particularly in commissioning new programmes and services; reduced expenditure through lower than previously expected rates of inflation and the strategic reprioritisation and re-phasing of programmes; and</p> <p>An additional £106 million of savings delivered by the Research Councils within the science and research budget to be re-invested within that budget to support key areas of economic potential.</p>
Department for Communities and Local Government (CLG)	£987 million (including £100m of additional savings in 2010-11)	<p>£110 million from continuing modernisation of the Fire and Rescue Service Authorities through revision of shift patterns, crewing arrangements and Human Resource savings;</p> <p>£65 million of savings through more effective use of funds to tackle the problems of the most difficult housing estates, focusing on supporting local authorities in their work with communities, local and regional partners;</p> <p>£43 million by reducing overheads and ending the lease on a London premises; and</p> <p>£20 million through a more focused Housing and Planning Delivery Grant, supporting local authorities to deliver more housing and to build planning capacity.</p>
Local Government	£5.50 billion (including £600m of additional recyclable savings in 2010-11)	<p>Savings from individual local authorities and groups of local authorities across a wide range of functions, for example:</p> <p>£160 million of savings estimated across all of the programmes of the South East Regional Improvement and Efficiency Partnership, including through the development of an ambitious construction framework to reduce construction costs;</p> <p>£70 million through collaborative procurement in the Yorkshire and Humber Regional Improvement and Efficiency Partnership to support local authorities to adopt a collaborative approach to framework agreements and term contracts and to link into existing national and regional contracts;</p> <p>£68 million from local authorities in the North West of England as a result of more efficient procurement activity, including through an e-procurement portal, which supports local authorities to find the best available deals; and</p> <p>£26 million estimated in one year across all of Essex County Council's services, including through the transformation of back office functions and the introduction of a supplier relationship management programme, therefore unlocking benefits by promoting a joint approach to continuous improvement and innovation.</p>
Home Office (HO)	£1.69 billion (including £150m of additional savings and a further £130m of additional recyclable savings in 2010-11)	<p>£1 billion per annum in partnership with the Police Service through front-line productivity improvements (e.g. Operation Quest, which has resulted in 15 per cent improvements in officer response times and significant increases in customer satisfaction in its initial roll out), and the use of technology to save police time (more than 40,000 extra mobile data devices for officer use);</p> <p>£150 million efficiencies in the UK Border Agency, including by streamlining the processing of asylum and migration applications and using new technology, such as iris and facial recognition technology, to provide a speedier service to legitimate travellers at the border;</p> <p>£60 million a year from improved commercial activity, including by leveraging spend and collaboration, process and price savings, mitigation of risk in the supplier base and a review of major programmes and projects; and</p> <p>£50 million worth of improvements in the effectiveness of corporate functions (finance, Human Resources and estates), including the realisation of the full benefits of shared services.</p>
Ministry of Justice (MoJ)	£1.08 billion (including £70m of additional savings in 2010-11)	<p>£120 million of efficiencies from the Prison Service's shared service centre, providing back office shared services for 128 prisons and other Government departments;</p> <p>£82 million savings in the National Offender Management Service through initiatives such as clustering (merging services between prisons in close proximity) and core day standardisation (bringing greater consistency and predictability to prison operations) and allowing prison staff arrangements to be re-profiled;</p> <p>£82 million from streamlining administrative processes in the Courts Service; and</p> <p>£33 million through 'The Way Ahead', a reform programme designed to deliver a sustainable legal aid system by moving away from fees based on the number of hours worked, to a fixed and graduated fee scheme based on cases. The reform programme also set the scene for introducing competitive and market-based system for legal aid procurement, thereby helping efficient providers prosper.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Law Officers' Departments (LODs)*	£94 million (including £15m of additional savings in 2010-11)	<p>£16 million from optimising the use of an expanded cadre of Crown Prosecution Service (CPS) employed Associate Prosecutors and Crown Advocates to bring down the costs of prosecution;</p> <p>£24 million by streamlining and improving common business processes in CPS Areas across the country and by working more efficiently with the courts to reduce the number of adjournments in court and time spent on case preparation;</p> <p>£8 million from combining the Revenue and Customs Prosecution Office and the CPS to create one enhanced prosecuting organisation, optimising economies of scale and rationalising service delivery; and</p> <p>£37 million through the reform of corporate services including pursuing shared service solutions, collaborative procurement and maximising the potential gains from investment in IT.</p>
Ministry of Defence (MOD)	£3.15 billion (including £450m of additional recyclable savings in 2010-11)	<p>£200 million through the Performance, Agility, Confidence and Efficiency (PACE) programme delivering more effective military capability to Armed Forces, with £100 million already delivered;</p> <p>£170 million from the Nuclear Weapons Capability Sustainment Programme, which aims to sustain key workforce skills, modernise core research and manufacturing facilities and provide extra support infrastructure;</p> <p>£100 million more from extending the Civilian Costs Programme which will reduce support costs across the department; and</p> <p>An additional £6 million through continued pressure for efficiency on the Shared Services centres created in MOD in recent years.</p>
Foreign and Commonwealth Office (FCO)	£164 million (including £20m of additional savings in 2010-11)	<p>£18 million of savings from the British Council by moving to web based service provision and focusing on key priorities;</p> <p>£6.6 million via the Europe Zero Based Review by focusing on key priorities, downgrading posts and reducing back office activity;</p> <p>£12.5 million of efficiencies through better procurement and a reduction in the costs of goods and services purchased during the 2007 CSR period; and</p> <p>£9.5 million of IT efficiencies through three main drivers: the FCO's Telecommunications Network, Communications Centre and Programme Management. For example, £6 million per annum will be generated as a result of contract negotiations with FCO's existing telecoms supplier.</p>
Department for International Development (DFID)	£647 million (including £155m of additional savings in 2010-11)	<p>£110 million of savings generated by shifting more resources to countries where UK aid will have the greatest impact, helping to lift an estimated additional 100,000 people out of poverty;</p> <p>£6 million from efficiency savings in the back office and through the implementation of IT systems for programme and financial management;</p> <p>£5 million from more effective, focussed central communications work and more efficient use of web and social media networks; and</p> <p>£10 million savings from strengthened partnerships on research and analytical work, and improved procurement and management of policy and research contracts.</p>
Department of Energy and Climate Change (DECC)	£279 million (including £20m of additional savings in 2010-11)	<p>£125 million through improved financial incentives in contracts with site management companies to deliver efficiencies in decommissioning work across the Nuclear Decommissioning Agency sites;</p> <p>£15 million from reducing administration costs by focussing on priority areas where DECC can have the greatest impact;</p> <p>£52 million through improved procurement of commodities and third-party services, including the use of framework contracts for procurement of consultancy and technical work; and</p> <p>£20 million through greater improvements in the management of contracts, maximising income from assets and reduction in back office costs.</p>
Department for Business, Enterprise and Regulatory Reform (BERR)	£148 million (including £27m of additional savings in 2010-11)	<p>£5 million savings from delivering capital investment in assisted areas through the Selective Finance for Investment in England scheme, which focuses on higher value projects and provides better value for money through higher levels of additionality than the previous Regional Selective Assistance scheme;</p> <p>£1.4 million savings from the Competition Commission Council's fundamental review of the Competition Commission including through reducing burdens on business, making more effective use of staff and Members, improving team working and improving outcomes;</p> <p>£3 million from administration budgets, including efficiencies in BERR's corporate centre and back office functions and from savings in UK Trade and Investment's ICT costs as it rolls out its new digital strategy; and</p> <p>£12 million from improved delivery of fair markets policies including changes to the funding model for the Financial Reporting Council, savings associated with creation of Consumer Focus from its predecessor consumer bodies and improved value for money through implementation of dispute resolution regulations by Acas.</p>
Department for Environment, Food and Rural Affairs (Defra)	£381 million (including £75m of additional savings in 2010-11)	<p>£50 million by streamlining the Environment Agency's delivery of Flood and Coastal Erosion Risk management at the same time as funding is increased over the 2007 CSR period;</p> <p>£44 million on more efficient animal disease surveillance through a more risk-based approach to monitoring and enforcement and by sharing costs with industry;</p> <p>£10 million from rationalising Defra's estate, particularly in London, enabled by greater use of hot-desking and portable IT solutions; and</p> <p>£6 million through the re-procurement of facilities management services for Defra and its Agencies.</p>

Table 6.1: continued

Department	Contribution to the new £35bn 2007 CSR Target	Examples of value for money savings include:
Department for Culture, Media and Sport (DCMS)	£168 million (including £20m of additional savings in 2010-11)	<p>£33 million through driving value for money in NDPBs. For example, the Museums, Libraries and Archives Council have relocated outside of London, delivering savings in rental and service charges and staff costs of £290,000 per year;</p> <p>£4 million from greater efficiencies in DCMS's corporate centre. This will be secured through a reduction in administration expenditure, including savings on accommodation and staff costs; and</p> <p>£20 million of savings through driving further efficiencies including across DCMS's central and NDPBs' back office and lower priority programmes. This includes £3 million from S4C and £4 million from the Arts Council England.</p>
Department for Work and Pensions (DWP)	£1.4 billion (including £120m of additional recyclable savings in 2010-11)	<p>£15 million through DWP's Shared Services organisation, which provides internal services such as Human Resources to the department;</p> <p>Approximately £300 million through increases in staff productivity. This has been made possible by changes brought about by the Business Strategy and other front-line process improvements. These have improved both the way the department does business and the service offered to customers;</p> <p>£28 million through the Information Flows Programme which is delivering real improvements to the administration of Housing Benefit and Council Tax Benefit, thereby improving customer services by providing online access to relevant information about benefits administered by DWP; and</p> <p>£30 million from the modernisation of DWP's estate and improving overall workspace utilisation.</p>
Chancellor's Departments – HM Revenue and Customs (HMRC) and HM Treasury	£788 million (£754m from HM Revenue and Customs, including £80m of additional recyclable savings in 2010-11, and £35m from HM Treasury, including £5m of additional savings in 2010-11)	<p>£13.5 million from spending on HM Treasury procurement contracts by 2010-11, establishing a benchmarking process across procurement activities to deliver measurable value for money improvements in major contracts, especially in ICT and consultancy and from third party spend on consultancy and advice;</p> <p>Over £50 million of efficiencies through the Carter Programme, implementing new, enhanced, online services for Self Assessment, PAYE, VAT and Corporation Tax and measures to encourage online filing. Over two thirds of Self Assessment returns were filed online using the new service in 2008-09 - a 50 per cent increase on the previous year;</p> <p>£70 million through rationalising and developing a more strategically located estate to meet customer service and operational requirements. HMRC aims to reduce the size of its estate by one third and has carried out 60 closure projects in 2008-09. £18 million has been saved so far in 2008-09; and</p> <p>£60 million from greater efficiencies in HMRC central "Head Office" and corporate service areas.</p>
Cabinet Office	£45 million (including £10m of additional savings in 2010-11)	<p>£14.7 million in procurement efficiencies, for example by further utilising OGC Buying Solutions frameworks;</p> <p>£20.1 million by rationalising departmental administration. This initiative covers both the administration of the grants awarded by the department as well as its own internal administration;</p> <p>Around £5 million by implementing a Shared Service for finance, human resources and procurement; and</p> <p>£14 million of savings achieved by reducing expenditure on consultancy. Further savings will be achieved incorporating a centralised approach to the commissioning of consultants.</p>
Northern Ireland Office	£125 million (including £17m of additional savings in 2010-11)	<p>£29 million of efficiencies in the Northern Ireland Prison Service including through a permanent upfront reduction in Main Grade Officer headcount by 150 posts;</p> <p>£4 million of administration savings per annum over the next three years. As of December 2008, £3 million of savings had been delivered; and</p> <p>£74 million from increased efficiencies in the Police Service of Northern Ireland.</p>

\* **Law Officers' Departments include:** Crown Prosecution Service (CPS), Serious Fraud Office (SFO), Treasury Solicitors Department (TSOL), Revenue and Customs Prosecutions Office (RCPO), Attorney General's Office (AGO), Her Majesty's Crown Prosecution Service Inspectorate (HMCPIS), National Fraud Strategic Authority (NFSA)

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