

2004 Spending Review:

final report on the
efficiency programme

November 2008



HM TREASURY



HM TREASURY

2004 Spending Review:
final report on the
efficiency programme

November 2008

© Crown copyright 2008

The text in this document (excluding the Royal Coat of Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be sent to:

Office of Public Sector Information
Information Policy Team
St Clements House
2-16 Colegate
Norwich
NR3 1BQ

Fax: 01603 723000

e-mail: HMSOlicensing@opsi.x.gsi.gov.uk

HM Treasury contacts

This document can be found in full on our website at:

hm-treasury.gov.uk

If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

Printed on at least 75% recycled paper.
When you have finished with it please recycle it again.

ISBN 978-1-84532-515-2
PU662

Contents

		Page
Chapter 1	Introduction	3
Chapter 2	Annual efficiency gains	5
Chapter 3	Civil Service workforce reductions	9
Chapter 4	Relocations	11
Chapter 5	Workstreams	13

1

Introduction

Box 1.A: The Gershon Review – final results

In the 2004 Spending Review the Government set out its commitment to deliver gains in excess of £20 billion a year by 2007-08, in line with the recommendations of the Gershon Report; *Releasing resources to the front line – Independent Review of Public Sector Efficiency* (July 2004). This includes the net reduction of more than 70,600 civil service posts and the relocation of 20,000 public sector posts by 2010 as identified in The Lyons Review.¹

Detailed departmental planning on how to implement the Gershon findings revealed that total efficiency gains of £21.5 billion were achievable over the 2004 Spending Review period. Departments also set out how they were going to measure their progress in their Efficiency Technical Notes (ETNs).

This document provides detailed breakdowns, by department,² of the final³ figures reported for the 2004 Spending Review period showing overdelivery against efficiency targets:

- £26.5 billion of annual efficiency gains against a target of £21.5 billion;
- net workforce reductions of over 86,700 against a target of 70,600; and
- 17,118 posts relocated towards the Lyons relocation target of 20,000 posts by 2010.

Gains have been recycled within departments, resulting in significant extra resources being invested in front line delivery across Government and enabling more frontline professionals such as doctors, nurses, teachers and police officers to be employed. Over 60 per cent of gains are cashable with the remainder representing a direct increase in service output (e.g. by freeing up the time of public service providers).

Building on this record of delivery, departments and Local Government identified scope to go further and deliver an additional £30 billion of gains over the current spending period, and departments are already implementing reforms to deliver this stretching target with initial progress reported in departmental Autumn Performance Reports.

¹ "Well Placed to Deliver? – Shaping the Pattern of Government Service - Independent Review of public sector relocation" (July 2004).

² Machinery of Government changes have affected many departments however, for clarity, this report presents progress against targets using the original Gershon definitions.

³ The figures reported for efficiency gains and workforce reductions represent the final figures for the programme as a whole. Departments may report further efficiency gains for the SR04 period in future Annual Reports and Autumn Performance Reports where there are lags in reporting systems or data requires further validation to satisfy all the requirements of the published measurement guidance.

2

Annual efficiency gains

Overdelivery against the £21.5 billion efficiency gains target with £26.5 billion achieved

2.1 By March 2008, the end of the 2004 Spending Review (SR04) period, departments and local authorities reported annual efficiency gains totalling £26.5 billion. Over 60 per cent of the reported gains (i.e. £16.5 billion) are directly cashable.

2.2 All reported gains, and the data systems that underpin them, have been self-assessed by departments as part of their reporting to HM Treasury. Using HM Treasury's measurement guidance, departments rate their gains against a number of criteria relating to robustness and the departmental Minister, Permanent Secretary or Finance Director signs them off.

2.3 The assessment system used by HM Treasury has similar criteria to those used by the National Audit Office (NAO). It asks whether methods for measuring gains, and for assessing service quality, have been agreed with HM Treasury, whether an agreed baseline is in place, and the likelihood of any changes to reported 'actual' figures. The objective is to classify each gain as 'preliminary', 'interim' or 'final'.

2.4 As stated in previous progress reports on the SR04 efficiency programme, only efficiency gains that satisfy all the criteria of the measurement system (i.e. classified as 'final'), are being reported in this document.

2.5 Departments' final reports of annual efficiency gains against their individual SR04 targets are set out in table 2.A.

Box 2.A: Examples of Efficiency Savings

Education: £4,460 million of savings achieved

Over £630 million has been saved through schools using their resources more effectively, including through making efficiency comparisons using groups of schools, improving the ability of schools and local authorities to manage their finances effectively, and application of new financial management standards.

Health: £7,057 million of savings achieved

By renegotiating the price of branded medicines under the Pharmaceutical Price Regulation Scheme of 2005, Department of Health have delivered savings of £380 million per year. In addition, by reducing reimbursement prices of generic drugs through the community pharmacy contract, a further £900 million of savings per year have been delivered.

Better management of patient admissions has reduced the average length of hospital stay, releasing over £700 million per year and freeing up nearly 2 million bed days to treat more patients more quickly.

Transport: £973 million of savings achieved

Former Driver Vehicle and Operator (DVO) Group agencies: substantial progress continues to be made in adding e-channel to the choice available to customers over how they transact their business with the former DVO Group. For example, 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 for customers whilst securing efficiency savings.

Communities & Local Government: £1,444 million of savings achieved

The Registered Social Landlord sector has secured efficiency gains of over £400 million. This success resulted from a strong engagement by the sector in securing savings through collective purchasing of materials and labour and improving the approach to planned, rather than responsive, maintenance.

Home Office: £2,645 million of savings achieved

Home Office have renegotiated accommodation contracts for asylum support services and substantially reduced the number of people housed in temporary emergency accommodation. This has saved over £500 million as part of the programme, as well as providing more stability of accommodation for asylum seekers.

Defence: £3,045 million of savings achieved

Defence Logistic Transformation Programme: The Defence Logistic Transformation Programme has implemented over 1,000 individual improvement projects across the logistics areas of all three Services during the last four years, delivering £1,240 million of efficiency gains in 2007/08.

Work and Pensions: £1,446 million of savings achieved

In the new Pensions, Disability and Carers Service, customers can now apply for multiple entitlements (State Pension and Pension Credit) in one telephone call taking around 20-30 minutes. This represents a considerable improvement in service as the pre-transformation, paper-based process for claiming State Pension and receiving a decision could take several weeks.

98 per cent of benefits are now paid directly into customers' bank or building-society accounts, which is more convenient for them and has saved taxpayers more than £1 billion over the last five years.

Culture, Media and Sport: £298 million of savings achieved

£15m efficiency gains were achieved by Non Departmental Public Bodies in procurement. Savings were realised by outsourcing certain workstreams and reviewing existing contracts, getting better value for money. For example, the British Museum saved over £3.6 million by enhancing their procurement process in areas such as maintenance.

ISBN 978-1-84532-515-2



9 781845 325152 >