

2004 Spending Review: efficiency progress to December 2007

March 2008



HM TREASURY



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INTRODUCTION

The Gershon Review

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 gross reduction of more than 84,000 civil service posts and the relocation of 20,000 public sector posts away from London and the South East by 2010.

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,¹ of the progress reported to end-December 2007 and announced in Budget 2008:

- over £23 billion of annual efficiency gains;
- gross workforce reductions of over 90,000 posts against the 2004 Spending Review target of 84,150, with over 12,600 of these reallocated to frontline roles; and
- 15,700 posts relocated towards the Lyons relocation target.

Gains will be retained by departments for reinvestment in front-line delivery. Approximately half of these gains will result in cash gains, and half represent a direct increase in service output (e.g. by freeing up the time of public service providers).

Departments have agreed to deliver an additional £30 billion of cash-releasing, net savings over the 2007 Comprehensive Spending Review period and have set out publicly how this will be achieved in Value for Money Delivery Agreements. Alongside this:

- departments will undertake work reviewing major areas of public spending to assess what progress has been made over the past few years regarding funding, delivery and efficiency and whether there is scope for reform to increase value for money for the taxpayer; and
- the government will look across public spending to ensure that the cross-cutting structures, systems and incentives facing departments, civil servants and front-line workers are correctly aligned so as to ensure a continued focus on getting the most out of additional investment.

¹ Machinery of Government changes have affected many departments however, for clarity, this report presents progress against targets using the original Gershon definitions.

ANNUAL EFFICIENCY GAINS

PROGRESS TOWARDS ANNUAL EFFICIENCY GAINS OF £21.5 BILLION PER YEAR BY MARCH 2008

2.1 Progress against departments' total planned annual efficiency gains of £21.5 billion is as shown in Table 2.1. In the final analysis of efficiency gains only those classified as 'final' will be counted (see 'Assurances on gains made' below).

Table 2.1 Public sector efficiency savings

Department	Agreed Efficiency target (£ million) 2007–08	Reported delivery (£ million) December 2007
Education and Skills	4,350	3,380
Health	6,470	6,531
Transport	785	803
Communities and Local Government (formerly ODPM)	620	1,086
Home Office ¹	1,970	2,417
Ministry of Justice (formerly DCA) ¹	290	397
Crown Prosecution Service	34	96
Defence	2,830	2,672
Foreign and Commonwealth Office	120	124
International Development	310	542
Trade and Industry	380	657
Environment, Food and Rural Affairs	610	603
Culture, Media and Sport	260	246
Work and Pensions	960	1,330
Northern Ireland Office	90	93
Chancellor's departments	550	569
Cabinet Office	25	28
Other departments	31	45
Local Government	6,450	6,715
Total efficiency savings^{2, 3} rounded to nearest £10m	21,480	23,180

¹Some elements of delivery previously reported by HO transferred to MOJ following machinery of government changes.

²Total forecast is sum of targets, less overlap of £5,650 million efficiencies across central and local government.

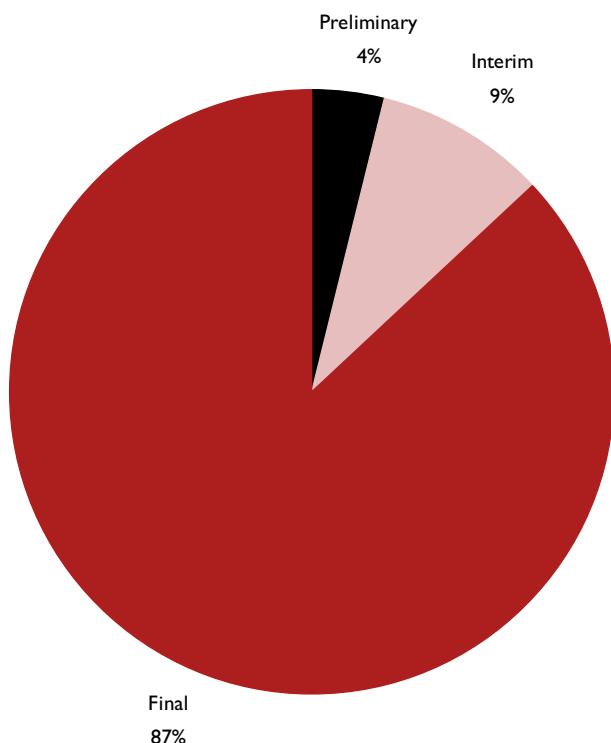
³Total reported delivery is sum of delivery, less overlap of £5,154 million efficiencies across central and local government.

Assurances on gains made

2.2 Departments self-assess their gains and the data systems that underpin them as part of their regular reporting to HM Treasury (HMT). Using HMT's measurement guidance, departments rate their gains against a number of criteria relating to robustness and the departmental Minister or Permanent Secretary signs them off.

2.3 In their February 2007 report, "The Efficiency Programme: A Second Review of Progress²", the National Audit Office (NAO) set out its methodology used to assess the likelihood of reported efficiency gains fairly representing a project's efficiency improvement. The assessment system used by HMT has similar criteria to those used by the NAO. HMT asks whether methods for measuring gains, and for assessing service quality and a baseline has been agreed, and the likelihood of any changes to reported 'actual' figures. The objective is to classify each gain as 'preliminary', 'interim' or 'final'. Across the programme, the aggregate picture is currently as shown in Chart 2.1.

Chart 2.1: Data Classification



2.4 The classification system has a number of benefits. It helps to embed good efficiency measurement into departmental practice. The classification system, and the measurement framework on which it is based, aim to encourage departments to identify areas for improvement that may need further measurement work. The system enables consistent quarterly reporting by departments, and by HMT. This enables the Efficiency Team to identify slippage against forecast delivery, to manage risks to delivery and to put in place early intervention where delivery problems are identified. Over time, it is expected that more data will move into the 'final' category.

² Available from www.nao.org.uk

CIVIL SERVICE WORKFORCE REDUCTIONS

PROGRESS TOWARDS GROSS WORKFORCE REDUCTIONS OF OVER 84,000 (70,600 NET) BY MARCH 2008

3.1 Progress against departments' total planned reductions in Civil Service and military posts in administrative support roles of over 84,000 by March 2008 is as shown in Table 3.1.

Table 3.1: Civil Service workforce reductions

Department	Estimated reductions in Civil Service ^{1, 2} workforce from efficiency ³ (April 2004 to April 2008)		Reported reductions in Civil Service workforce from efficiency December 2007	
	Gross reductions in post ⁴	Net reductions in posts after re-allocations ⁴	Gross reductions in posts	Net reductions in posts after re-allocations
Education and Skills	-1,960	-1,960	-2,058	-2,058
Health	-720	-720	-819	-819
Transport	-700	-650	-423	-423
Communities and Local Government (formerly ODPM)	-400	-400	-910	-910
Home Office ⁵	-2,327	-2,327	-2,253	-2,253
Ministry of Justice (formerly DCA) ⁵	-1,473	1,473	-1,364	-1,364
Law Officers' Departments	-50	-50	-35	-35
Defence ¹	-15,000	-15,000	-20,430	-20,430
Foreign and Commonwealth Office	-310	-310	-415	-415
International Development	-170	-170	-243	-243
Trade and Industry	-1,280	-1,280	-1,721	-1,721
Environment, Food and Rural Affairs	-2,400	-2,400	-1,447	-1,447
Culture, Media and Sport	-30	-30	-45	-45
Work and Pensions	-40,000	-30,000	-38,129	-28,936
Northern Ireland Office	-130	-130	-601	-601
Chancellor's departments	-16,850	-13,350	-18,907	-15,487
Cabinet Office	-150	-150	-120	-120
UK Trade and Investment	-200	-200	-200	-200
Total⁶	-84,150	-70,600	-90,216	-77,603

¹ Civil Service, and military posts in administrative and support functions.

² Financial Year end point for permanent staff, measured on a Full Time Equivalent (FTE) basis. Figures cited include workforce changes within core departments, their agencies and other non-departmental bodies.

³ Excludes reclassifications and other changes to the civil service workforce.

⁴ The gross reduction is the total reduction in posts as a result of efficiency gains. The net reduction is the gross reduction excluding re-allocations to front-line roles in the Civil Service. Reductions are rounded to the nearest ten.

⁵ Home Office and Ministry of Justice targets revised following Machinery of Government changes.

⁶ Totals reported to December 2007 include 96 reductions delivered by Charity Commission.

RELOCATIONS

PROGRESS TOWARDS MEETING THE LYONS RELOCATION TARGET

4.1 20,000 public sector posts will be relocated by 2010. Departments have reported 15,710 relocations by end-December 2007. Further information can be found on the government relocation portal on the Office of Government Commerce (OGC) website.

Table 4.1: Civil Service relocations by department

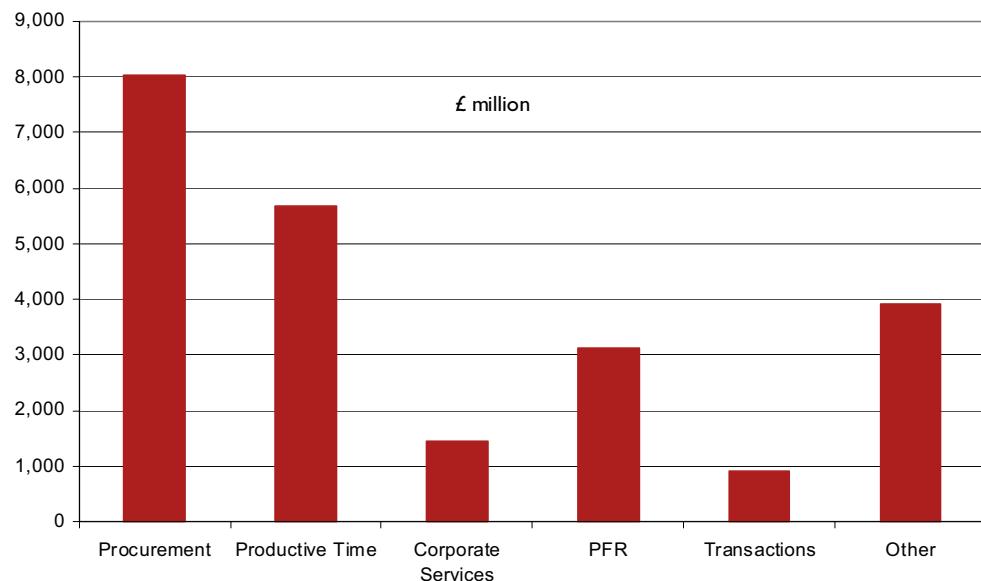
Department	Expected relocations by 2010	Reported relocations December 2007
Education and Skills	800	610
Health	1,110	870
Transport	60	49
Communities and Local Government (formerly ODPM)	240	197
Home Office	2,200	2,707
Ministry of Justice (formerly DCA)	200	524
Crown Prosecution Service	-	43
Defence	3,900	2,660
Foreign and Commonwealth Office	450	226
International Development	85	88
Trade and Industry ¹	685	452
Environment, Food and Rural Affairs	390	337
Culture, Media and Sport	600	563
Work and Pensions	4,000	4,009
Northern Ireland Office	8	8
Chancellor's departments	5,050	2,326
Cabinet Office	250	41
Total	20,028	15,710

¹ Includes 75 DIUS relocations

ANALYSIS OF REPORTED EFFICIENCY GAINS BY WORKSTREAM

5.1 Sir Peter Gershon's review, "Releasing resources to the front line – Independent Review of Public Sector Efficiency" (July 2004), divided its analysis of potential savings into several workstreams. Using these same workstreams, delivery to date is shown in Chart 5.1.

Chart 5.1: Analysis of reported efficiency gains by workstream



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