

The Government's short-term priority, as Britain emerges from recession, is to foster economic recovery whilst continuing to provide targeted support to those families and businesses that need it most. **Budget 2010 announces new measures to stimulate economic growth, including a £270 million university Modernisation Fund to finance 20,000 additional student places and £450 million to extend to March 2012 the guarantee of a job, training or work placement for every 18 to 24 year old who has been claiming Jobseeker's Allowance for six months. Budget 2010 also announces that pensioner households will receive an extra payment alongside the Winter Fuel Payment later this year.**

For the medium term, Budget 2010 sets out further details on the Government's plans to protect key public service priorities whilst meeting its commitment to halve public sector net borrowing over the next four years. Planned levels of overall spending in 2010-11 will continue to rise, supporting the economy through recovery, but from 2011-12 spending growth will be slower. **Public sector current expenditure will grow at an average of 0.8 per cent a year from 2011-12 to 2014-15 and public sector net investment will fall to 1¼ per cent of GDP by 2013-14.**

Budget 2010 confirms that spending on frontline schools and NHS, 16 to 19 education and Sure Start will be protected in the years to 2012-13, with sufficient funding provided to maintain police officer numbers. At the same time, Budget 2010 announces further details of the tough choices the Government is making elsewhere, including:

- **action to control public sector pay**, including confirming a one per cent cap on basic pay uplifts for 2011-12 and 2012-13, saving £3.4 billion a year, and **a new Code of Practice on senior pay-setting**, with greater use of independent Remuneration Committees and escalation of decisions to ministers, or audit and regulatory bodies, where there is a proposal to pay above agreed norms;
- **£11 billion of operational efficiencies and other cross-cutting savings**, to streamline the centre of government;
- **further detail on £5 billion of savings from targeting and prioritising spending**, as announced at the 2009 Pre-Budget Report;
- **reforms to the welfare system to increase fairness and improve work incentives**, further reducing social security spending over the next five years on top of the existing forecast saving of £1.2 billion;
- **rationalising regional structures and removing burdens on local government**, including giving local authorities new discretion over £1.3 billion of funding that is currently ring-fenced; and
- **plans to manage assets and property more effectively by creating new strategic property vehicles by April 2011**, to help realise savings of £5 billion a year in property running costs and £20 billion savings in asset disposal by 2020. **The Government will also relocate 15,000 civil service jobs out of central London within five years.**

SUSTAINING EFFICIENT AND EFFECTIVE PUBLIC SERVICES

Improvements in public services

6.1 Since 1997, the Government has delivered radical and lasting improvements in Britain's public services, matching record levels of investment with a strong focus on reform. Total public spending has increased by 57 per cent in real terms, compared with 15 per cent in the preceding 12 years, with unprecedented levels of real terms investment in frontline public services. Since 1997, NHS spending in England has more than doubled in real terms, education spending in the UK has increased by 65 per cent, spending on universities has

increased by 25 per cent, spending on the police by central government has increased by 19 per cent, and the defence budget has increased by over 10 per cent. This has enabled public services to deliver high quality and sustainable outcomes, for example:

- almost all people who need it receive hospital treatment within 18 weeks, referral to a cancer specialist within 2 weeks and A&E treatment within 4 hours;
- the number of pupils gaining five or more good GCSEs has increased from 45 per cent in 1997 to 70 per cent in 2009;
- more students are able to go to university than ever before, with 390,000 more students in 2009-10 than in 1997; and
- there are now over 16,000 more police officers and 16,500 Community Support officers than in 1997, playing a vital role in keeping Britain's communities safe and secure.

Long-term capital investment

6.2 In particular, the Government has reversed a legacy of under-investment in infrastructure. Record levels of capital investment mean that public sector net investment (PSNI) is now at its highest level in 30 years, up from 0.7 per cent of GDP in 1997-98 to 3.6 per cent in 2009-10. This has meant dramatic increases in capital investment in public services, with £3.1 billion more invested in the NHS, £6.6 billion more in education and £8.6 billion more in housing and community amenities. As a result:

- the NHS has delivered the largest hospital building programme in its history, with 118 new hospital schemes opened and a further 18 under construction;
- almost 4,000 schools have been rebuilt or refurbished and 3,500 Sure Start Children's Centres have been established; and
- 1 million more social homes now meet the Decent Homes standard. With other schemes, this is expected to lift over a million children out of poor housing.

Public service reform

6.3 Alongside this additional investment, the Government has implemented radical reforms to improve public services: firstly, by setting targets and clear national standards to improve performance; then, as services were improved, by increasing flexibility and incentives at the front line. *Working Together – Public Services on your side*¹, published in March 2009, set out in more detail the three underlying principles for taking forward further public service reform:

- making citizens more aware of what they can expect from public services, creating clear entitlements and providing more choice and control;
- giving frontline professionals the freedom, skills and power to respond to the needs of the service user; and
- providing clear strategic leadership from central government, setting standards and entitlements, but then standing back.

¹ *Working Together – Public Services on your Side*, HM Government, March 2009.

6.4 These principles were taken forward in *Putting the Frontline First: smarter government (Smarter Government)*² in December 2009 and progress is reported later in this chapter.

Value for money 6.5 The Government also has a strong record on improving value for money in its spending. During the 2004 Spending Review period departments over-delivered on the Government's value for money target by 20 per cent, achieving savings of £26.5 billion. During the 2007 Comprehensive Spending Review (CSR) period the Government has committed to cash-releasing value for money savings worth £35 billion by the end of 2010-11. Departments are making good progress towards this target and **Budget 2010 announces that £10.8 billion of efficiencies had been delivered by autumn 2009**. For example, the Department of Health (DH) has saved over £2 billion, including by promoting collaborative procurement and reducing the price of branded prescription drugs, and is driving further efficiency improvements across the NHS to improve quality and productivity, such as reducing length of stay by enabling hospital patients to recover and return home more quickly.

SUPPORTING THE ECONOMY THROUGH RECOVERY

6.6 Public services play a vital role in supporting Britain's long-term growth and competitiveness. Increased investment and reform over the last decade has strengthened the ability of the British economy to respond to the difficulties experienced over the last two years, when all the world's major advanced economies have been affected by the most severe and synchronised global downturn since the Great Depression. During the recession, the Government's approach has been to allow spending to rise in the short term to support the economy. This timely and effective action helped to avoid a significantly worse outcome and the economy is now showing early signs of modest recovery.

Capital fiscal stimulus 6.7 At the 2008 Pre-Budget Report, the Government brought forward £3 billion of capital spending from 2010-11 into 2008-09 and 2009-10 to help support aggregate demand and maintain jobs during the economic downturn. A projected £2.3 billion of investment has been delivered to the end of February 2010³, and plans are in place to deliver the remainder by the end of the year. This additional investment will:

- raise 10,000 more social homes to the Decent Homes standard in 2009-10;
- benefit over 140 projects in Higher Education institutions, including a new building for the Centre for Immunology and Infection at York. All of these projects are expected to be completed by the end of 2009-10;
- assist 38,000 vulnerable households in 2009-10 through the Warm Front programme, saving them up to £300 a year on energy bills; and
- accelerate investment in high value schemes on the strategic road network, including the A46 road-widening scheme, hard shoulder strengthening on the M6 and barrier renewals on the M1 and M18.

Supporting families and businesses 6.8 As well as bringing forward capital spending to support the economy, the Government has provided targeted support to families and businesses most affected by the recession. As set out in Chapter 5, **Budget 2010 provides an update on those measures and announces further support in key areas**. For example:

²*Putting the Frontline First: smarter government*, HM Government, December 2009.

³Estimated spending to end of February 2010 based on projections and some initial estimates of financial management information. The first full year provisional outturns for fiscal stimulus spending will be published in the HM Treasury statistical release of public expenditure outturns in Summer 2010.

- the guarantee of a job, work placement or training for young people who are out of work for six months or more is now available across the country, with 120,000 Future Job Fund job placements provided up to March 2011. **Budget 2010 announces that this guarantee will be extended until March 2012, funded through underspends in the money already set aside for the Department for Work and Pensions (DWP);**
- in 2009 an additional pensioner payment of £100 for households with someone aged over 80 and £50 for households with someone over the female State Pension Age was made alongside the Winter Fuel Payment. **Budget 2010 announces that this payment will be made again to pensioner households in winter 2010-11;**
- the 2009 Pre-Budget Report announced that from September 2011 all primary school pupils in working families with a household income below £16,190 would be eligible for Free School Meals. **Budget 2010 announces that from 2012-13, there will be a £4 a week supplement in the Child Tax Credit for children aged one and two, funded by a reduction in incorrect payments in benefit processing, as set out in paragraph 6.42; and**
- around 220,000 households have benefited from the freeze in the Standard Interest Rate (SIR) for Support for Mortgage Interest (SMI) at 6.08 per cent. **Budget 2010 announces that this will be extended for a further six months, to the end of December 2010.**

Creating the conditions for growth

6.9 The Government has an important role to play in supporting a sustainable recovery and providing the conditions for economic growth. Chapter 2 sets out the action being taken to ensure there is a stable macroeconomic environment and Chapter 4 sets out the microeconomic measures being put in place to help foster growth. The Strategic Investment Fund, launched at Budget 2009, has already announced over £800 million worth of specific support for advanced manufacturing projects of strategic importance; and the Enterprise Finance Guarantee Scheme has provided an estimated over £900 million in loans to almost 9,000 small and medium-sized enterprises (SMEs). As set out in Chapters 4 and 7, **Budget 2010 announces a package of new spending measures to promote growth, partly funded through reprioritisation within overall departmental spending, including:**

- to support new, small and growing firms: the launch of UK Finance for Growth (UKFG), which will be responsible for overseeing over £4 billion of existing SME support, including the Growth Capital Fund announced in the 2009 Pre-Budget Report;
- to boost skills: 20,000 additional student places starting in September 2010, with teaching costs funded through a university Modernisation Fund to promote greater efficiency, and all other costs paid by the Government; and
- to help develop the UK's infrastructure: the Government intends to establish a Green Investment Bank. The Government will start by investing up to £1 billion from the sale of mature infrastructure-related assets, and will match this with at least £1 billion from private sector investment.

Infrastructure spending

6.10 As set out in the 2009 Pre-Budget Report, capital spending in the next Spending Review will be focused in the areas where it generates high economic returns, in order to

achieve maximum long-term benefit for the taxpayer. Infrastructure UK (IUK), announced in *Building Britain's Future*⁴, will assist in this task, and the IUK *Strategy for national infrastructure*⁵, published as a supplementary document to Budget 2010, sets out the actions that IUK will take to ensure the Government develops effective long-term plans and priorities, enables long-term investment and improves delivery of infrastructure projects.

SUSTAINABLE MEDIUM-TERM PATH FOR PUBLIC SPENDING

6.11 Alongside action to help foster recovery, the Government is restoring the strength of the public finances, which is critical to long-term economic growth and stability. Risks to recovery remain and reducing spending too quickly could damage growth. So Budget 2010 confirms that levels of overall spending will continue to rise in 2010-11, locking-in the recovery and providing a platform for long-term sustainable growth. But from 2011-12, when the economy should be able to support a more rapid tightening, spending growth will reduce in order to ensure sustainable public finances over the medium term.

Spending assumptions **6.12** Budget 2010 confirms the spending growth assumptions set out in the 2009 Pre-Budget Report, with public sector current expenditure (PSC) growing by an average of 0.8 per cent a year in real terms from 2011-12 to 2014-15⁶ and public sector net investment (PSNI) decreasing to 1¼ per cent of GDP by 2013-14 and remaining at that level in 2014-15. The Government is determined to make the decisions necessary on spending to help halve public sector net borrowing over the next four years, as set out in the Fiscal Responsibility Act. To do this will require tough choices, but over the last 18 months, the Government has set out a clear plan for delivering on these commitments and Budget 2010 implements the next steps.

Public Service Priorities

Protecting the front line **6.13** In the 2009 Pre-Budget Report the Government made a clear commitment to protect key frontline public service priorities in 2011-12 and 2012-13 and announced that:

- NHS frontline spending – the 95 per cent of near-cash funding that supports patient care – will rise in line with inflation;
- frontline resource spending in schools will rise by 0.7 per cent in real terms; resource spending for 16-19s participation will rise by 0.9 per cent in real terms; and resource spending on Sure Start Children's Centres will rise in line with inflation. Free childcare will continue to be available for three and four year olds;
- sufficient funding will be available to enable Police Authorities to maintain the current number of warranted Police Officers, Police Community Support Officers and other staff exercising police powers; and
- spending on international development will continue to rise in the next Spending Review period to meet the Government's Official Development Assistance (ODA) commitment in 2013 as planned.

⁴*Building Britain's Future*, HM Government, June 2009.

⁵*Strategy for national infrastructure*, HM Treasury and Infrastructure UK, March 2010.

⁶Excluding the additional time limited expenditure announced in the 2009 Pre Budget Report and all the additional expenditure announced in Budget 2010.

Value for money in health **6.14** Alongside this additional investment, the Government has a comprehensive programme in place to deliver efficiency savings at the front line to re-invest in priorities. For the NHS, work at a national level, including through the Public Value and Operational Efficiency Programmes, has identified several potential areas. But these savings can only be translated into reality by local NHS organisations, so will be challenged, tested, refined and supplemented as the NHS develops its local plans. **Budget 2010 confirms that the NHS will deliver annual efficiency savings of £15 to 20 billion by 2013-14.** Areas already identified include:

- **£3.5 billion through raising staff productivity** by systematically spreading best practice, improving staff health and well-being and reducing dependency on agency staff;
- **£2.7 billion by transforming the lives of people with long-term conditions**, through best practice in care planning and case management, empowering patients to self-care, reducing emergency admissions levels to be on a par with the best levels internationally and providing more efficient, integrated community services;
- **£2 billion through better procurement, savings in management and back office costs and more efficient use of the hospital estate;** and
- **£1.5 billion through more effective commissioning** by reducing unnecessary referrals and prescriptions, and improving mental health services to ensure the most effective interventions in the most effective settings.

6.15 As an interim step, £10 billion of value for money and quality improvements will be delivered by 2012-13.

Value for money in education **6.16** The 2009 Pre-Budget Report announced over £800 million of efficiency savings in education frontline areas by 2012-13, of which schools would need to deliver £650 million. *Investing for the future, protecting the frontline: school funding 2010-13*⁷, published on 15 March 2010, announced that schools could potentially deliver a total of £950 million efficiencies to be recycled to improve educational outcomes. These will be delivered through greater use of collaborative procurement, sharing back office staff between schools within federations, and other forms of collaboration. £150 million of efficiencies will also be delivered in 16 to 19 education and Sure Start Children's Centres. Taken together, this amounts to a total of £1.1 billion of education frontline efficiencies to be delivered by 2012-13.

Value for money in the police **6.17** As set out in *Protecting the Public: Supporting the Police to Succeed*,⁸ the police will deliver efficiency savings of at least £545 million by 2013-14. The national framework approach to police procurement, combined with the Information Systems Improvement Strategy (ISIS) will produce savings of at least £400 million a year by 2013-14 by increasing standardisation across all 43 forces in England and Wales. At least £70 million of savings from the overtime bill will be achieved through improved shift patterns and better deployment of resources, and streamlining provision of business support functions will generate a further £75 million. In addition, the police will continue to use the QUEST efficiency programme in order to increase its delivery to the public by an equivalent of at least £500 million by 2013-14.

⁷*Investing for the future, protecting the frontline: school funding 2010-13*, Department for Children, Schools and Families, March 2010.

⁸*Protecting the Public: Supporting the Police to Succeed*, Home Office, December 2009.

Adult social care 6.18 The Government will shortly set out its long-term plans for a fair and comprehensive reform of care and support alongside the steps needed in the next Parliament to move towards that goal, building on the new entitlement to free care at home for those with the highest needs already announced. **Budget 2010 announces that, alongside those reforms, the Inheritance Tax threshold for the next Parliament will be frozen, as set out in Chapter 5, and that a new taskforce will be established to ensure that the reforms are accompanied by major efficiency and costs improvements.**

Defence 6.19 The 2009 Pre-Budget Report committed to further real terms increases in the defence budget in 2010-11, at which point it will be over 12 per cent higher in real terms than in 1997. By the end of 2009-10, more than £18 billion of Reserve funding will have been spent on resourcing the Net Additional Costs of Military Operations in Iraq and Afghanistan.⁹ Of this, over £5.5 billion has been committed to spending on urgent operational equipment to meet the specific threats and requirements of those theatres. This is additional to the core defence budget.

DELIVERING CUTS AND EFFICIENCIES

6.20 Protecting the Government's priorities in health, education, the police and ODA will require tough choices elsewhere in order to meet the Government's commitment to halve public sector net borrowing over the next four years. The 2009 Pre-Budget Report announced over £20 billion of savings across the public sector by 2012-13 and **Budget 2010 sets out further detail on how these savings will be delivered, including through:**

- tough choices on public sector pay and reforming public sector pensions;
- £5 billion of cuts to lower value spending;
- reforms to the welfare system to improve work incentives and increase fairness;
- £11 billion of efficiencies and other cross-cutting savings through streamlining government; and
- plans to manage the Government's assets and property more effectively.

Public sector pay and pensions

Tough choices on public sector pay 6.21 Following substantial investment in public sector workforces since 1997, pay restraint will be important to support frontline service delivery, while ensuring sustainable public finances over the medium term. In the 2009 Pre-Budget Report, the Government announced that it will seek a one per cent cap on basic pay uplifts across the public sector for 2011-12 and 2012-13, generating savings of £3.4 billion a year by 2012-13.

Pay in 2010-II 6.22 The Government believes that senior staff should show leadership in pay restraint. On 10 March 2010, the Government announced that there will be no pay uplift in 2010-11 for senior public sector staff including the senior civil service, the judiciary, consultant doctors, senior managers in the NHS and self-employed GPs and dentists. At the same time, the Government announced that, excluding those on three-year deals, basic pay uplifts for other workforces will be capped at a maximum of one per cent in 2010-11. In recognition of the exceptional pressures the Armed Forces are facing, the Government accepted the Armed Forces Pay Review Body's recommendation that those below the rank of two-star should receive a two per cent increase in 2010-11.

⁹HM Treasury financial management data.

Senior pay-setting **6.23** The 2009 Pre-Budget Report set out an ambitious package of reforms to pay-setting for senior staff. **Budget 2010 announces that the Government is accepting the results of the Senior Salaries Review Body (SSRB) review of senior pay in the public sector, including committing to a new Code of Practice on senior pay setting.** This recommends greater use of independent Remuneration Committees, which will include ‘taxpayer champions’ and escalation of decisions to ministers, or audit and regulatory bodies, where there is a proposal to pay above agreed norms. The Government is asking all public sector organisations to explain, publicly, how they will comply with the Code by the end of the year, and working with the SSRB, will consult on detailed implementation of the Code’s provisions.

6.24 To support the taxpayer champions in their work, the SSRB will recommend new benchmarks in Non-Departmental Public Bodies (NDPBs), reporting by the summer. In addition, the Prime Minister will ask the SSRB, working with other relevant individuals as appropriate, to draw up sector-by-sector pay benchmarks for the wider public sector. They will report on local authority chief executives and senior managers across the health sector by the end of 2010. The Government will work with the SSRB to determine what legislative and non-statutory means are most appropriate to enforce compliance.

Public sector pensions **6.25** Since 1997 the Government has implemented major reforms to public sector pensions and is committed to continuing to provide sustainable defined benefit pensions. As part of this, building on the commitments to full consultation and collaboration agreed at the 2005 Public Services Forum, cap and share provisions will be implemented for Teachers, Civil Service, NHS and Local Government pension schemes. These will cap the contribution to pensions made by employers, thereby limiting the liability of the taxpayer as pensions become more valuable. This is estimated to save £1 billion a year from 2012-13, as announced in the 2009 Pre-Budget Report.

Public Value Programme

6.26 The Public Value Programme, launched at Budget 2008, has been conducting demanding value for money reviews across at least 50 per cent of each department’s budget. On the basis of the early findings of the programme, the 2009 Pre-Budget Report announced £5 billion of savings by 2012-13 through cutting lower value or lower priority spend. **Budget 2010 announces further details of these savings, including:**

- reforming the criminal justice system and legal aid, saving £360 million in total: a rigorous process of setting benchmarks and costed service specifications for prisons and probation will save £40 million, with inefficient prisons put out to competition. Five competitions were launched in November. Further savings will be made by improving the management of cases through the system and making better use of the court estate. Twenty Magistrates’ courts will be closed in the first phase of this work. Reforms to legal aid will include means testing for Crown Court cases from April 2010, and proposals to restructure the criminal legal aid market by consolidating the number of providers and increasing competition, as set out in *Restructuring the Delivery of Criminal Defence Services*;¹⁰

¹⁰*Restructuring the Delivery of Criminal Defence Services*, Ministry of Justice, March 2010

- improved targeting of housing growth and regeneration funding, saving £340 million: including £40 million by concluding the New Deal for Communities, and a further £300 million from rationalising Regional Development Agency regeneration spending and programmes, including the Working Neighbourhoods Fund, the Local Enterprise Growth Initiative, and the Housing and Planning Delivery Grant;
- reducing a range of budgets across the Department for Children, Schools and Families (DCSF) saving £350 million: for example £25 million from the British Educational Communications and Technology Agency (BECTA), £40 million from the Training and Development Agency, £71 million from the end of extended schools start-up funding and £10.5 million from central administration and communications budgets;
- improving the concessionary travel scheme, saving £180 million: legislation has been laid to move responsibility for administering the scheme to county councils from April 2011 and to re-establish the link between eligibility for concessionary fares and the State Pension from April 2010;
- reforming or eliminating allowances that are no longer relevant for staff posted overseas: for example by ending the use of business class air travel for journeys lasting less than 5 hours, saving a total of £13 million; and
- reducing unlawful occupation of social housing, saving at least £35 million in housing benefit costs; ending smaller Communities and Local Government (CLG) funded time-limited communities programmes, saving £25 million; and rationalising other smaller CLG programmes, saving a total of £160 million.

Welfare reform

Welfare reform 6.27 As set out in Chapter 5, the Government is continuing its programme of welfare reform to ensure the most disadvantaged groups are not trapped on benefits dependency as growth returns to the economy, while helping to deliver balanced and sustainable public finances. The Government has introduced a new medical assessment for Incapacity Benefit, which focuses on what the individual can do, rather than what they cannot do, and has already announced that over five years this will reduce the benefits bill by £1.2 billion. This Work Capability Assessment will be extended to existing Incapacity Benefit claimants, which is expected to move more people into work, reducing the benefits bill by a further £300 million over the next five years. **Budget 2010 announces that the Government is taking action to tackle excessively high Local Housing Allowance payments for a small number of tenants in the most expensive areas, saving another £50 million a year by 2014-15.**

Smarter Government

6.28 In December 2009 the Government published the *Smarter Government* White Paper², which identified three main ways in which the Government would deliver reductions in spending growth while continuing to strengthen public services and civic society:

- streamlining the centre of government, saving money through sharper delivery;
- increasing innovation and efficiency by recasting the relationship between the centre and the front line; and
- driving up standards by strengthening the role of citizens and civic society.

6.29 Budget 2010 provides an update on progress made on these actions, alongside an online progress report.¹¹

Streamlining the centre of government

Cross-cutting savings **6.30** The 2009 Pre-Budget Report announced that in the next Spending Review period the Government will deliver savings of over £11 billion a year by 2012-13, through operational efficiencies, streamlining Arm's Length Bodies (ALBs), cutting consultancy and marketing spend, raising energy efficiency, reducing spend on IT projects, cutting the costs of staff in the public sector and improving customer channels. **Budget 2010 announces that over £11 billion of savings have now been identified department-by-department for the years from 2012-13. Departments are publishing further details alongside Budget 2010 and examples are set out below.** These efficiency savings will be factored into the next Spending Review, and contribute to halving public sector net borrowing and protecting key frontline services. The Devolved Administrations' budgets will be determined at the next Spending Review in line with the Barnett formula.

Operational Efficiency Programme **6.31** Of the £11 billion, £8 billion are savings identified through the Operational Efficiency Programme (OEP) from reductions to the costs of back office functions, IT, collaborative procurement and property running costs across central government. All departments have now signed up to delivering these savings, including:

- £650 million from greater use of collaborative procurement in schools. DCSF will provide support to schools through its procurement programme, enabling them to use secure electronic procurement through the Educational Procurement Centre. DCSF will also support up to 250 groups of mainly primary schools each year to benefit from a shared schools business manager;
- £550 million from the Ministry of Defence (MoD), including up to £120 million from greater use of collaborative procurement on construction, food, IT, management of the defence estate and savings through greater efficiency in equipment support;
- £236 million from HM Revenue and Customs (HMRC), by reducing its estate by 130 offices over the next two years, utilising flexibility in PFI contracts to vacate further properties in the subsequent two years, and reducing IT costs by over £100 million through decommissioning and rationalising outdated systems; and
- £40 million from DWP by using benchmarking to identify and improve workspace utilisation in the least efficient buildings, extending flexible working arrangements in non-public facing buildings and undertaking a joint-venture with business partners to unlock greater commercial value from the retained estate.

Shared services **6.32** To help deliver savings from back office functions by 2012-13 **Budget 2010 announces that the Government will set up new shared service platforms.** DWP Shared Services, which already provides services to 140,000 staff across three departments, will take on four new departments and move to a new corporate structure by April 2011. In addition, the Ministry of Justice (MoJ) will introduce a shared service centre for back office human resources, payroll, finance and procurement transactions, providing services to 81,000 staff.

¹¹ Further details can be found at <http://www.hmg.gov.uk/frontlinefirst.aspx>

The MoD will also study how best they can transform the way their civilians work to free up resources that can be deployed to the front line.

6.33 Budget 2010 also announces that to drive savings the Government will create a small team of experts at the centre of government, reporting to the Chief Secretary to the Treasury, to set new standards for shared services, standardise processes, ensure delivery of savings and explore more opportunities to use private sector involvement to commercialise these platforms further. All departments will be required to improve against the back office benchmarks published alongside *Smarter Government*² over the next 12 months, including determining whether moving to a new shared services platform is the right solution. Where departments can move faster they will do so. The new team will initially work with the Department for Transport (DfT), the Department for Business, Innovation and Skills (BIS), the Department for Environment, Food and Rural Affairs (Defra) and HM Treasury Group on their plans for driving improvements within human resources, finance and procurement functions and a report on progress will be provided by the 2010 Pre-Budget Report.

6.34 In addition to the £8 billion of operational efficiency savings, £3 billion will be delivered by 2012-13 through streamlining ALBs, cutting consultancy and marketing spend, reducing spend on IT projects, raising energy efficiency, cutting the costs of staff in the public sector and improving customer channels.

Arm's length bodies **6.35** As set out in *Reforming Arm's Length Bodies*,¹² the Government will save at least £500 million by 2012-13 through reforming and rationalising ALBs. The overall number of ALBs will be reduced by over 140, a 20 per cent reduction from the 752 bodies identified in *Smarter Government*². A stronger governance framework for ALBs and departments will cut duplication of functions, set restrictions on creating new bodies, and limit the use of lobbying and public relations consultants by ALBs. In addition, the paybill of senior staff in NDPBs will be reduced by 20 per cent by 2012-13. Savings and reforms include:

- £90 million from improving value for money in the UK Border Agency including through increased operational productivity, for example by improving its case management systems to speed up case resolution;
- streamlining the Department for Culture, Media and Sport's (DCMS) ALBs, in the first instance through rationalising DCMS's advisory bodies by half, merging the UK Film Council and British Film Institute and merging the National Lottery Commission and the Gambling Commission, subject to necessary consultation; and
- £27 million by reducing the number of MoJ ALBs by one third, streamlining the Legal Services Commission and the Youth Justice Board, bringing together HM Courts Service and the Tribunals Service into a unified agency, abolishing the 19 Courts Boards, and reviewing the role and operation of the Judicial Appointments Commission, subject to legislative approvals.

Consultancy, marketing and communications **6.36** Reducing departmental consultancy spend by 50 per cent and departmental marketing and communications spend by 25 per cent from the 2008-09 spending levels set out in the *Public Sector Procurement Expenditure Survey 2009*¹³ will save over £650 million by 2012-13. Savings will include:

- £20 million by halving the amount spent on consultants by the Foreign and Commonwealth Office (FCO) and the Department for International

¹²*Reforming Arm's Length Bodies*, March 2010, HM Treasury

¹³*Public Sector Procurement Expenditure Survey 2009*, <http://www.ogc.gov.uk/publicspending>

Development (DfID) now that they have built up their in-house skills, for example finance, IT and procurement;

- £30 million in the MoD by reducing the use of external consultants and expenditure on marketing and communications, including reducing the number of centrally funded publications from more than 300 in 2007 to under 30; and
- £40 million from workforce improvements in the Home Office, including through the introduction of new standard rates to reduce the use and cost of consultancy and contingent labour.

IT programmes 6.37 Spending on IT programmes across government will be reduced by £500 million by 2012-13, including:

- £130 million within the MoD by replacing legacy IT systems;
- £100 million by taking a new approach to the NHS National Programme for IT that offers a more flexible delivery model and greater choice to local hospitals, as announced in December 2009; and
- £80 million from a 20 per cent reduction in IT expenditure in the Home Office, including £40 million following the successful re-negotiation of existing contracts for basic IT services.

Energy efficiency 6.38 Improving energy efficiency across the public sector will save £300 million by 2012-13. Savings include:

- up to £100 million from reducing energy usage in local government. 35 councils have made reduced emissions from their own estate a priority, and 100 have made emissions from across their area a priority. For example, Coventry has developed plans with the Carbon Trust to cut emissions by 30 per cent by 2014, and save £2.75 million a year;
- £60 million from reducing NHS energy usage as set out in the NHS Carbon Reduction Strategy, which will deliver a 10 per cent cut in carbon emissions;
- £50 million through schools lowering energy usage, using energy display meters, which will be available to all schools that want them, enabling schools to typically reduce energy consumption by between 5 and 15 per cent.

6.39 All departments will shortly be publishing their Carbon Reduction Delivery Plans, setting out how they will achieve ambitious carbon reduction targets in the short term and through to 2020.

Cutting the costs of senior staff and sickness in the public sector 6.40 The 2009 Pre-Budget Report announced that cutting the costs of the senior civil service by 20 per cent and reducing sickness absences would save £140 million by 2012-13. For example, significant savings will be achieved by the MoD where Gerry Grimstone is leading an independent review into the use of civilians in defence, including the distribution of tasks between military and civilian personnel and the scope for further efficiencies. The report will be published in May 2010. The MoD will continue to reduce the overall size of the civilian workforce; this is in addition to the reduction of 45,000 headcount already made since 1997.

Customer channels 6.41 Making better use of telephony and e-channels to deliver efficient public services will save at least £600 million a year by 2012-13. This includes:

- £300 million from HMRC, including from increasing productivity and efficiency in contact centres. For example, by eliminating over 20 million calls per year by using automated messaging and migrating more customer contact online; and
- £200 million from DWP through more efficient processing of benefits, including from greater use of online benefit applications.

Tackling fraud and error **6.42** The Government remains committed to safeguarding its expenditure and revenue streams from fraud. Building on the recommendations of the Public Sector Fraud Taskforce,¹⁴ the Government will produce an action plan by summer 2010. Building on the measures identified at the 2009 Pre-Budget Report to save £100 million per year by 2012-13, **the Government has identified further actions to prevent incorrect payments in the benefits system, delivering additional net savings of £175 million in social security expenditure by 2012-13.** This will be achieved by improving the interface between the IT systems for different benefits, to enable the automatic cross-checking of information on individuals' circumstances, and by increasing resources to review existing claims to identify and remove overpayments.

Public procurement data **6.43** Alongside Budget 2010 the Government is publishing a detailed categorisation of public procurement expenditure in central government, meeting targets set out in the OEP Collaborative Procurement review¹⁵, and providing an update on expenditure across the whole public sector in OEP categories. This will help the Government to work better with its suppliers and market places to better understand and match government buying. Totals for procurement expenditure now being managed as part of the OEP have also been published, providing a baseline to assess progress on collaborative procurement activities.

Recasting the relationship between the centre and the front line

6.44 As set out in the *Smarter Government* White Paper², the Government is committed to ensuring that funding decisions are taken at the front line where people are best able to guide resources to the priorities for their local area. Giving frontline staff more freedoms and flexibilities to decide what works best for their local areas encourages innovation, productivity and ultimately better value for money. Next steps will look to build on reforms to public service delivery by: improving market based mechanisms; better utilising digital telephony and face-to-face channels; and devolving further responsibilities and accountability to the local level.

Local freedoms **6.45** *Smarter Government*² set out plans to give local areas a greater role in setting priorities and guiding resources. Total Place pilots have demonstrated how to deliver improved and more efficient public services through local collaboration. Further details are set out in Box 6.1. **Budget 2010 announces that the Government will give local authorities new discretion over £1.3 billion of funding that is currently ring-fenced and reduce the number of funding streams from central to local government from 110 to 94. Alongside this the Government has reduced the set of indicators for local authorities by 18.**

¹⁴A Fresh Approach to Combating Fraud in the Public Sector, Smarter Government Public Sector Fraud Taskforce, National Fraud Authority, March 2010.

¹⁵Operational Efficiency Programme: collaborative procurement, HM Treasury, May 2009.

Box 6.1 Total Place – a whole area approach to public services

Total Place: A whole area approach to public services will be published on 25 March 2010, based on extensive work since Budget 2009 by more than 63 local authorities, 34 primary care trusts and 13 police authorities and other partners, with more than 70 other local areas engaged in similar work. Total Place sets a new direction for public services. The pilots have demonstrated the greater value to be gained for taxpayers from public services working together to improve outcomes and eliminate waste and duplication. All places will benefit, both from the freedoms announced in Total Place, and the *Smarter Government*² commitments on de-ringfencing, streamlining funding and reducing burdens. The Government commits to:

- new freedoms from central performance and financial controls – the Government will test further reductions in ring-fences, indicators and burdens for places that agree to deliver improved outcomes and additional savings, above savings that all places will find during the next Spending Review period. Places will be able to retain a share of these additional savings, including all savings above the level agreed. This ‘Single Offer’ for public services will be available to the strongest performing places from April 2011. The Government will co-design thematic freedoms for areas with strengths in particular themes through an ‘Innovative Police Offer’ for example, to tackle drugs and alcohol misuse. The Government will trial a new multi-agency Children and Young People’s Grant for local authorities and Children’s Trusts;
- new freedoms and incentives for local collaboration – the Government will support collaboration by developing standardised agreements for local partnerships to use pooled individual budgets, improve joint working between local authorities and Jobcentre Plus and between local authorities and primary care trusts. The Government will work with local areas to run 11 Total Capital Asset Pathfinders, which will improve the value of capital investments, help transform services and deliver better outcomes;
- new freedoms for places to invest in prevention, including trialling the first social impact bonds, (further details are set out in Box 6.2), repeating the Community Cashback scheme in 2010-11, developing Neighbourhood Agreements to support safer neighbourhoods, and working with Manchester City Region and Birmingham City Council to develop new cost benefit analysis tools to support effective investment; and
- new freedoms to drive growth – including devolution to regions, cities and localities to drive economic growth and inclusion through the recovery, as set out in Chapter 4. The Government will strengthen the role of city regions in delivering growth and inclusion, and provide new flexibility for places to shape spending, including on skills. Newly empowered regional ministers will play a stronger role in regional planning and the allocation of funds to regions and city-regions.

Reducing burdens **6.46** At the next Spending Review, the Government will further align performance frameworks, including agreeing a consistent set of principles for the performance management of local services. A more aligned central-local performance framework will have an emphasis on significantly fewer targets, complemented by a range of indicators published online, creating more accountability through transparency. As a first step, CLG will work with the Local Public Data Panel to pilot the replacement of local authority data returns to central government with direct publication locally. This will initially cover returns to CLG. Following the publication of *Total Place: A whole area approach to public services*, the Government will also reduce the overall level of data burdens on the front line, to ensure reporting requirements are necessary, proportionate and do not detract from delivering frontline services; and will ensure that inspectorates focus on areas of highest risk and adopt collaborative approaches to inspection and assessment. Alongside this, steps have been

taken to increase the use of comparative data to drive performance and improve value for money, including introducing a number of best practice tariffs.

Restructuring the regional tier **6.47** Budget 2010 also announces measures to strengthen regional, sub-regional and local capability to support growth and inclusion. Enhanced regional ministers will play a key role in promoting growth and inclusion, driving through public sector reform and encouraging further devolution to sub-regional levels. The Government will also co-locate the Regional Development Agencies, Homes and Communities Agency and Government Offices. **Budget 2010 announces that these reforms will deliver savings of £255 million a year by 2012-13.**

Flexibilities for the Scottish Parliament **6.48** The Government continues to work towards the commitments¹⁶ made in response to the recommendations of the Calman Commission¹⁷, which will increase the accountability, freedom and flexibilities of the Scottish Parliament. In future a proportion of the Scottish budget will be funded through its own decisions on taxation, which will also allow the Scottish Executive to increase borrowing, subject to HM Treasury limits. The Government envisages legislating for these changes as soon as possible during the next Parliament. In addition, as announced by the Chief Secretary to the Treasury on 1 March 2010, HMRC will establish an advisory group of stakeholders, who it will consult on the technical and practical implications of the implementation of the changes.

Strengthening the role of citizens and civic society

6.49 As set out in *Smarter Government*², by increasing transparency and encouraging people to become more empowered and engaged with public services, the Government can enable citizens to help drive value for money and, in turn, support fiscal consolidation.

Entitlements **6.50** To drive service improvements and genuine empowerment, the Government has introduced entitlements to high-quality services. For example, the two-week cancer referral guarantee will become an entitlement from 1 April 2010, with the offer of private provision if it is not met. The Government is continuing to encourage greater personal responsibility through the Children, Schools and Families Bill, currently being debated by Parliament, setting out stronger home-school agreements, aiming to encourage parental responsibility in their children's education. Furthermore the Policing Pledge continues to commit neighbourhood policing teams to work visibly in their neighbourhoods for 80 per cent of the time. Alongside this, the Government will look to build on the recommendations of the forthcoming Young Foundation report, which furthers the rights and responsibilities agenda.

Opening up data **6.51** The Government has delivered on its *Smarter Government*² commitments to open up data, promoting transparent and effective government and improving services through empowering citizens and supporting innovative enterprise. For example, the data.gov site was launched in January 2010, making over 3,000 data sets available from a single access point, and the Met Office has released a new open access weather application. The Government will also continue to develop the new national crime mapping service, which enables anyone to type in their postcode and get accessible, regular and user-friendly information about crime in their area, what action police are taking and what is happening to criminals who are caught. The Government's response to a consultation on the release of Ordnance Survey data will be published by the end of March 2010, and from 1 April, a substantial package of data will be freely available to the public without restrictions on re-use. In addition, the Local Public Data Panel is working with leading local authorities

¹⁶Scotland's Future in the United Kingdom, Scotland Office, November 2009.

¹⁷Serving Scotland Better: Scotland and the United Kingdom in the 21st Century, Commission on Scottish Devolution, June 2009.

(Local Data Exemplars) to make their data available via the data.gov website, with the first set of data expected to be available by the end of April 2010.

6.52 The Government believes it is important that citizens have access to transparent and clear information on how the £3 billion capital fiscal stimulus, announced in the 2008 Pre-Budget Report, has been spent across the country. Following the example of transparency displayed by other countries, **Budget 2010 announces that the Government will deliver on its commitment to publicly provide details of how the capital fiscal stimulus has been spent.** This data will be disaggregated at a local level where possible, with the first tranche of information available online from 9 April 2010. Updates will be provided as more data becomes available through Spring 2010.

Digital channels 6.53 A key part of the Government's commitment to delivering more efficient personalised public services is its intention to accelerate the use of technology, moving services online to save money and put power into the hands of the individual service user. Digitalising public services enables them to be delivered in ways that are more convenient for citizens and businesses and ensures more cost-effective delivery. The Government will therefore accelerate plans to drive more rapid transition to online public services and ensure that digital services will be universally accessible by delivering universal access to broadband and providing targeted help to people who face barriers to online access. The Government will establish a new Digital Public Services Unit, to drive rapid progress in transferring services to online channels. Alongside this a strategy has been set out by Martha Lane Fox, the Government's Digital Inclusion Champion, to meet the Government's commitment to move one million people online in the next three years and reduce the gap in digital inclusion¹⁸. Work has begun to implement Tell Us Once nationally, so citizens need only notify the Government once of any birth or death.

Civic society 6.54 In addition, significant progress has been made on the Government's commitment to building a stronger civic society, including innovative ways of providing capital to civic organisations. **Budget 2010 announces the model for the Social Investment Wholesale Bank (SIWB) and new social impact bonds (SIBs).** Further details are set out in Box 6.2. A report on the nation's civic health will also be published at the end of March 2010, bringing together information at national and local levels to help citizens understand the strengths and weaknesses of civic life in their area and hold public services to account.

¹⁸The Martha Lane Fox strategy can be found at <http://raceonline2012.org>. More information can be found in the National Plan for Digital Participation, Department for Business, Innovation and Skills, March 2010.

Box 6.2 Social investment

The Government is committed to strengthening the resilience and long-term financial sustainability of the Third Sector.

To support the creation of a SIWB the Government will provide up to £75 million of Dormant Accounts money as a minority stake in a private sector social investment fund of funds. The SIWB's aim will be to deliver financial inclusion and other social returns by linking mainstream investors with organisations with social impact. The Government will work actively with potential co-investors and will look to appoint a fund manager following an open competition, selecting on the basis of their ability to leverage in private capital for social investment.

The Government is also announcing support for the first social impact bond (SIB) pilots to help investment in long-term initiatives and support preventative action. The first one will be a pilot to reduce re-offending at HM Prison Peterborough, which was announced by MoJ last week. In addition CLG will enable Leeds City Council and Leeds NHS to use a SIB approach to reduce health and social care costs and the Government is doing further work with Bradford Metropolitan District Council to improve social outcomes. The Government will incorporate this work into Total Place discussions with the Third Sector.

The Government is committed to recycling the income from its existing social investments to further develop the size of the social finance capital market. The next Spending Review will examine options for delivering this objective.

Property, assets and relocations

Assets 6.55 Significant economic and social value can be delivered through government managing its asset base more effectively. This includes managing its property more strategically, better utilising the assets the Government does need and commercialising those it does not, and transforming the Government's approach to location and working practices. **Budget 2010 announces the progress that has been made on delivering savings from more effective asset management and details are set out in Box 6.3.**

Box 6.3 Operational Efficiency Programme – Asset Strand

In the *Operational Efficiency Programme: Asset Portfolio*^a, published alongside *Smarter Government*² in December 2009, the Government set out how it will manage its assets more effectively, including delivering £16 billion of asset and property sales by 2013-14.

The Government has progressed the commercialisation of the assets set out in the portfolio, and in a number of cases has already concluded that a full or partial sale is the right approach:

- **The Tote** – the Government is on track to launch a sale process this summer which will conclude by spring 2011;
- **Student Loans Portfolio** – the Government has identified options with real potential for the sale of the £25 billion student loan portfolio, and will shortly be procuring advisors to develop a sales proposal. A further update will be provided in light of Lord Browne's recommendations on student finance;
- **Dartford Crossing** – initial conclusions from a review of commercial options will be considered in the light of the capacity study. The Government will provide a fuller update at the 2010 Pre-Budget Report;
- **High Speed 1** – the company is in detailed discussions in relation to financing arrangements to support a sale, which is expected to be launched in the summer and completed in the next 12 months; and
- **URENCO** – options are being explored to realise value from the Government's stake, which ensure security issues are fully addressed and support the company's future development.

Sale is not always the right approach to manage assets most effectively, and the Government will publish a report on mutualisation, setting out its approach to social assets and its ambition for public authorities to think more creatively about ways of maximising social value amongst their communities:

- **British Waterways** – an example is the recently announced move to mutual status for British Waterways in England and Wales^b.

The Government has launched a review into further assets, applying the decision-framework outlined in the *Asset Portfolio* to help evaluate the most appropriate delivery route for a public activities. The broad conclusion of this work is that government activities could be successfully delivered by another model where the activity is: organisationally separate from the parent department; delivers goods or services capable of being codified into a contractual structure; or delivers goods or services which can be delivered by entities outside of government, or where there is an existing private market for comparable goods and services.

^a*Operational Efficiency Programme: Asset Portfolio*, HM Government, December 2009

^bThe Scottish Government will decide if British Waterways in Scotland should be part of a new structure, taking account of the further work still to be undertaken on structures and governance.

Strategic property management

6.56 *Smarter Government*² emphasised the need to manage property more strategically, including retaining functions in Whitehall only where they require ministerial support and the Shareholder Executive Property Unit is now creating a co-ordinated property strategy across government. The OEP identified that government owns £270 billion of property¹⁹ and the public sector estate has running costs of over £25 billion. To drive better management of government estate **Budget 2010 announces that the Government will create new strategic property vehicles by April 2011. These will help the Government realise savings of £5 billion**

¹⁹Excluding social housing

a year in property running costs and £20 billion in disposals by 2020²⁰ and help deliver the Government's shorter-term target of £1.5 billion annual savings in property running costs and £2 billion of central government property disposals by 2013-14. To improve the incentives for more effective asset management and lock-in the benefits of the significant growth in capital investment since 1997, CLG will test a depreciation-based funding scheme with a small group of local authorities in 2010-11. This will be on a shadow-basis and progress will be reported at Budget 2011.

Relocations 6.57 In 2004 the Lyons Review²¹ laid down a target of relocating 20,000 civil servants from London and the South East and Budget 2009 extended this target by an additional 4,000 posts, to 24,000. By December 2009 over 21,500 posts had been relocated²². Building on this progress, Ian Smith published his independent review *Relocation: Transforming where and how Government works*²³. The report recommends mechanisms that will reduce the long-term complement of civil servants in the London region, stimulating economic vibrancy in the regions, bringing government closer to the people and promoting 21st century, efficient and fit for purpose public sector campuses.

6.58 Budget 2010 announces that the Government accepts Ian Smith's recommendations and intends to reduce the number of civil servants in London by a third over the next 10 years, starting with a relocation of 15,000 jobs from London. Progress is already being made. MoJ's estates strategy will relocate 1,000 posts out of central London by 2015, and where value for money is demonstrated these posts will move out of London. At least 50 per cent will move out of London and the South East. This will enable MoJ to rationalise its London estate from 18 buildings to four, saving £41 million per annum by 2015. In addition, MoJ will explore further opportunities for creating regional hubs.

²⁰Excluding social housing

²¹*Well Placed to Deliver? Independent Review of Public Sector Relocations*, Sir Michael Lyons, March 2004

²²Published by the Office of Government Commerce, details can be found at <http://www.ogc.gov.uk>

²³*Relocation: Transforming where and how Government works*, Independent Review, Ian Smith, March 2010

