



HM Treasury



Cabinet Office

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Efficiency and Reform in the next Parliament

December 2014

Foreword: Chancellor of the Exchequer, Minister for the Cabinet Office and Chief Secretary to the Treasury

When we came into Government we promised that we would do what every business and every family in Britain has had to do – look at our costs and find savings. We said: “We will freeze large IT contracts, take out discretionary spend, not fill posts that become available in the back office, renegotiate contracts, and rationalise property.”

The situation in May 2010 was dire. £6.5 billion a year on IT bought us out-dated technology and one department paid £30,000 to change a single word on a website. In Bristol alone, central government had dozens of different addresses while we had vacant property elsewhere. The bill for consultants and temporary labour in 2009-10 for central government reached £2.4 billion.

As part of our long-term economic plan to ensure the country lives within its means, this Government took action to drive efficiency from day one. Earlier this year we announced that for 2013-14 we saved £14.3 billion by reducing the cost of government against a baseline from the last year of the previous Government. We have got out of almost 20 per cent of our property holdings - over two million square metres. And we have tough controls on our IT spending, so departments now have to buy technology that works together. We have made excellent progress and have shown we can deliver savings and reforms year after year. But there is more to do. There's a job to finish.

At Budget HM Treasury asked the Cabinet Office to set out an ambitious new efficiency programme for the next Parliament. This document sets out

the Government's ambition to save £10 billion for 2017-18 and £15-20 billion for 2019-20. These savings will help government live within its means and pay off the deficit.

How will we do this? We will accelerate the work we have already started - running our projects better, buying more common goods and services centrally, and vacating every property we do not need. But we will also need to do more things differently. The Cabinet Office and HM Treasury will work together as a strong corporate centre of government to control spend and drive out waste, just as in any well-run complex business.

These reforms won't just deliver efficiencies, important though that is. They are also a powerful opportunity to transform government itself and the services it provides us all. Take digital. We will move from just putting services online to a "Government as a platform" digital model, exemplified by our GOV.UK Verify programme that provides identity assurance for our online services. By accelerating the move of IT services into the Cloud we will ensure civil servants have the most modern, Internet-based technology. We want nine out of ten of the online public to use our digital public services by 2020. To boost innovation, we will open up the secure interfaces - the APIs - of our digital services. This will allow others to integrate their services with ours - so you could, for example, buy your car tax at the same time as your car insurance.

This Government is firmly on the side of hard-working people. We must be careful with taxpayers' money. Making efficiencies and cutting bureaucracy is what any government ought to do. It's what we have always believed in. And it's what we will do.

Introduction

This document sets out the Government's ambition to save £10 billion from central government and the wider public sector for 2017-18, and £15-20 billion for 2019-20. These levels of savings are an ambitious yet achievable goal. Ministers, senior officials and non-executive directors have worked together to design the steps to deliver further efficiency and reform over the coming years.

Since May 2010 the Cabinet Office has led a programme of efficiency and reform, working closely with HM Treasury, to ensure taxpayers' money is spent wisely. The aim was to make government more like the best-run businesses, so every pound is used to maximum effect. With less money, as well as an ageing population and rising expectations, government needed to do more for less.

Four and a half years later, huge progress has been made. In April, government announced an unprecedented £14.3 billion of savings for 2013-14, compared with a 2009-10 baseline. These achievements are a huge credit to the tenacity of many brilliant officials across departments and all over the country who embrace this agenda.

This isn't just about making enormous savings - government is doing things better. All that has been done shows that there is more to do. And what has been done already has shown how to go further. To deliver these savings the Government will build on work to strengthen Whitehall's corporate centre, embedding strong functional leadership, backed up by controls over discretionary spend. Government will accelerate its commercial reforms and property strategy. But it will also do more that is transformational, using new and innovative digital technologies and commercial models. And it will have to look at what it has done wrong since 2010 as well as what it got right.

This is a challenge but also an opportunity. The Government has already cut the deficit by half, and efficiency and reform has made a substantial contribution to this achievement. As it continues, the centre of government will have to work even more closely together to support departments to continue their programme of reform and deliver future spending consolidations. No great organisation ever completes the task of improving and becoming more efficient.

The situation in May 2010

The Government faced severe financial challenges in May 2010. The budget deficit peaked at 10 per cent of GDP. Britain was borrowing one pound in every four it was spending. The Government came in with its long term economic plan to reduce the deficit and restore economic growth while continuing to invest in public services.

To deal with the deficit the Government had to make significant reductions in public spending. Every pound saved is a pound government has not had to cut elsewhere. In fact, by using new technologies such as digital it could actually improve services while making them cheaper.

The Government identified a number of areas with high savings potential, and where fundamental reforms would deliver sustainable efficiencies alongside improved public services:

Digital:

In 2010, central government spent around £6.5 billion each year on ICT goods and services. Some contracts stretched to billions of pounds across their lifetime and locked government into expensive commercial arrangements. For example, even though the cost of data storage approximately halves every year, the Government had multi-year contracts, the cost of which was updated each year in line with inflation. One department had a contract which required it to spend £30,000 to change a word on its website.

A 1999 Government White Paper promised all government services would be electronic by 2008, but by 2010 Whitehall's "digital" offering involved printing forms and posting them.

Land & Property:

There was no complete register of what properties government departments owned. The lack of central co-ordination and incentives for different parts of the public sector to work together had resulted in a fragmented and under-occupied estate. In Bristol alone, central government had dozens of buildings in addition to those owned by the wider public sector. In Bromsgrove, a medium-sized market town in Worcestershire, the public sector occupied around two-thirds of the town centre.

Major Projects:

Despite running some of the most high-profile and complex projects anywhere in the world – at a collective cost in excess of £400 billion over their lifetime - government lacked officials with the requisite skills in project management and leadership. It was reported that two-thirds of government major projects ran over time or over budget.¹ Some major projects had no clear Senior Responsible Owner (SRO) who was accountable for the project - in some cases, SROs were shared between multiple major projects. Their turnover was too high.

Procurement & Commercial:

The Civil Service lacked commercial skills and, despite Whitehall spending billions on procurement, there was no oversight of overall spend on suppliers. Ministers had to guess which suppliers were government's largest and write to them asking them how much business they did – in some cases internal estimates were wrong by many multiples.

Sir Philip Green's 2010 Efficiency Review revealed that suppliers were able to treat different departments separately, as Government was not acting as a "single customer".² Not only was government failing to leverage its buying scale to get cheaper deals, it was not getting consistent prices across Whitehall. On basic commodity goods the prices varied drastically - one department was paying almost ten times what another was paying for printer paper. Government spent over £1 billion on advertising and marketing – with poor prioritisation, too much duplication and a lack of focus.

¹ PAC, *Assurance for Major Projects*, <http://www.publications.Parliament.uk/pa/cm201213/cmselect/cmpubacc/384/384.pdf>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/61014/sirphilipgreenreview.pdf

Public Bodies:

The landscape of over 900 arms length public bodies – “quangos” – had become confused and these bodies were not sufficiently accountable. Outdated and unnecessary bodies included the Strategic Marketing Advisory Board, the Zoos Forum, and the Advisory Committee on Packaging. Other functions including the Government Hospitality Advisory Committee for the Purchase of Wine and the Home Grown Timber Advisory Committee did not need to be delivered at arm’s length.

Fraud, Error & Debt:

In 2010, government had only just begun to estimate fraud losses at £17 billion a year and had no accurate estimate of overall error losses or the size of the total uncollected government debt balance³. There had been no proper cross-government focus on detection and prevention.

Workforce:

The terms and conditions for the Civil Service needed modernisation. The number of civil servants exceeded 520,000.⁴ Some departments offered new joiners over 30 days leave in addition to other holidays. Lord Hutton of Furness found that public sector pensions, including for the Civil Service, had an unfair sharing of costs between the employee and the employer, with taxpayers picking up the bill⁵. Under the compensation scheme then in operation officials were in some cases offered redundancy packages worth over five years’ pay. Overall productivity in the public sector had flat-lined with zero per cent growth from 1997 to 2010⁶.

3 Annual Fraud Indicator, 2010 Report,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118536/afi-2010.pdf

4 <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q2-2014/index.html>

5 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

6 <http://www.ons.gov.uk/ons/rel/psa/public-sector-productivity-estimates--total-public-sector/2010/index.html>

Where we are now: December 2014

In May 2010 the Government embarked on an ambitious efficiency and reform agenda. Ideas were drawn from the best-run companies, from other countries, and from a new cadre of experienced non-executive directors, with backgrounds in business and the voluntary sector.

The Government recognised that the centre needed to become stronger and support departments more effectively to reform. To complement HM Treasury, the Government set up an operations centre in the Cabinet Office – the Efficiency and Reform Group (ERG). Soon after the 2010 Election, HM Treasury delegated to the Cabinet Office operational spending controls targeted at ten areas of spend, including consultancy, ICT, recruitment, marketing and property. These central controls have served to stop wasteful spending, implement cross-government strategies, and facilitate more joined-up delivery of public services.

More recently, the Government has introduced a “functional leadership” model. The functional heads have a cross-cutting responsibility for the running of expert corporate functions, from IT to HR, digital to finance. The functional heads take a leading role in recruiting talent and agreeing standards within their cross-departmental functions.

The Government has focused on improving the capability of the Civil Service, through its programme of reform. The Capabilities Plan⁷ highlighted four key areas for improving skills: commercial, programme and project delivery, digital delivery, and leading and managing change across the Civil Service.

To drive a programme of collective reform with departments, a series of new Cabinet sub-committees and taskforces were established. These are jointly chaired by Cabinet Office and HM Treasury Ministers to reflect the shared leadership of the corporate centre of government. The committees include: Public Expenditure (Efficiency and Reform); Public Expenditure (Assets); and the Fraud, Error, Debt Taskforce. The Government also strengthened departmental boards, combining ministers, senior officials, and non-executives. In addition, it took steps to improve the accuracy, comparability and consistency of management information as

⁷ <https://www.gov.uk/government/publications/civil-service-capabilities-plan>

recommended by Dr Martin Read.⁸ The Government is now one of the most open in the world⁹, publishing over 15,000 data sets and comprehensive information on public spending.¹⁰

During this period, the Government has learned a lot about how the centre can most effectively support departments to deliver the Government's programme of reform. As a result of the hard work, innovations and difficult decisions taken by civil servants across the country, the Government is much more confident today than in 2010 that taxpayers' money is being used to better effect.

In July 2011, the Government announced that Cabinet Office had supported departments to achieve savings of £3.75 billion in the last ten months of 2010-11, compared to a spending baseline of 2009-10. For 2011-12, savings of £5.5 billion were announced, and of £10 billion in 2012-13, compared to a 2009-10 baseline. This increased to £14.3 billion for 2013-14, against a 2009-10 baseline¹¹ - the equivalent of nearly £830 for each working household in Britain. These savings are calculated on an in-year cash basis and are claimed as "cash releasing" savings. They include a mixture of recurring and non-recurring items.¹²

The savings were approved by a rigorous internal audit process, and our methods have been scrutinised by the National Audit Office. Sir Amyas Morse, Comptroller and Auditor General, commented in July 2014 that working with departments: "ERG has undoubtedly achieved significant savings for the taxpayer, as well as generally injecting pace and priority into the efficiency agenda."¹³

Government is on track to meet by 2014-15 its goal of £20 billion of savings - including by reducing losses from fraud, error and debt - against a 2009-10 baseline. Importantly, government has also built the necessary structures, and the environment, to enable more reform in future, with departments owning change and the centre supporting and challenging.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206869/Read_Review_2013-06-12.pdf

⁹ <http://global.census.okfn.org/>

¹⁰ <http://data.gov.uk/data/search>; <http://www.gist.cabinetoffice.gov.uk/oscar/2013-14/>

¹¹ More information is available here - <https://www.gov.uk/government/publications/government-savings-in-2013-to-2014>

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318587/Savings_FY2013-14_Technical_Note.pdf

¹³ <http://www.nao.org.uk/report/the-2013-14-savings-reported-by-the-efficiency-and-reform-group/>

Savings to date have been realised across a number of areas, including some of the below.

Digital

In 2010 the Government established a central function, the Government Digital Service (GDS), to lead a programme of digital transformation and support departments to build skills and improve delivery. This has resulted in some vastly better and more modern services, benefiting citizens who include some of the most vulnerable in our society. It has also unlocked hundreds of millions of pounds worth of savings.

The United Kingdom is becoming a digital world-leader. Over 1500 websites have been shut down and replaced with a single web presence. Over 10 million people visit GOV.UK each week, and the site won a coveted design award¹⁴ in 2013, beating the Shard and the Olympic Cauldron. The USA is directly modelling its US Digital Service (USDS) on GDS and New Zealand has adopted GOV.UK source code. While improving the Government's digital offering to the public, GOV.UK has also reduced overall costs by 60 per cent - saving £62 million in 2013-14 against a 2009-10 baseline.

A first wave of 25 "exemplar" public services are being redesigned around the public's need – these cover some of the highest volume transactions between the public and government. Eight of these digital-by-default services are already live and 14 are in public beta, a stage in software development where the service is tested among a group of the public.

The Government has introduced new standards for IT procurement: IT contracts should not be over £100 million in value, without exceptional reason; companies with a contract for service provision should not be allowed to provide system integration in the same part of government; there will be no contract extensions without a compelling reason; and new hosting contracts should be limited to two years. Through the G-Cloud online market store, central government and the wider public sector are able to purchase innovative technology services and products. Over half the sales by value has gone to Small and Medium-sized Enterprises (SMEs). Government's technology suppliers used to be based only in a few

¹⁴ <https://designmuseum.org/design/designs-of-the-year>

areas of southeast England but now there are many more, spread over the whole country.

Case studies: Digital

Electoral Registration: More than two million people have now registered to vote using a digital service released this summer.

Lasting Power of Attorney: This is a service run by an agency of the Ministry of Justice, which helps people to make arrangements for themselves or a loved one in the event that they lose mental capacity. The service, which had no digital version before the programme of transformation begun in this parliament, was often completed by people in times of distress. 80 per cent of users needed help from a solicitor to complete the forms, adding to their financial and emotional burden. Now 80 per cent are able to complete the digital service without needing to engage a solicitor, and the error rate on submitted forms has dropped, avoiding the frustration and cost of repeat submissions.

Land & Property

In 2010, the Government established the Government Property Unit (GPU) as a central function with oversight over all central government land and property. GPU introduced nationwide central controls over new leases, purchases and lease breaks to improve the management of the Government's vast estate, making it more co-ordinated and cost-effective. Many more departments now share buildings when previously there was no incentive for them to do so.

Consolidating government buildings has released £1.4 billion in capital receipts and reduced annual running costs by £625 million over the Parliament. This has been achieved by reducing the space central government occupies by just over two million square metres – a near 20 per cent reduction in overall holdings. This is equivalent to over 26 times the space of Buckingham Palace or the space in all the following buildings combined: Canary Wharf, Royal Liver Building, Taipei 101, Petronas Towers, Chrysler Building, The Shard, Burj Khalifa, Willis Tower, Empire State Building and 30 St Mary Axe (“the Gherkin”). In central London alone

this approach has reduced the numbers of government buildings by more than half, from 143 in 2010 to 71 today. For example, the Government got out of expensive and unnecessary leasehold property on Palace Street, and sold a leasehold on Admiralty Arch building after years of under-occupation. In Bristol, the number of buildings occupied by central government has been substantially reduced to 27.

Not only is the Government's estate shrinking, but it is also getting quicker at disposing of property. Added to this, the average amount of space used per person is also decreasing, even at a time when Civil Service numbers have been falling rapidly. In 2011-12, the average space per Full Time Equivalent (FTE) employee was 13 square metres. One year later, that figure was just 11.9 square metres¹⁵. By the end of 2015 the Government will be well on track to reach 10 square metres per FTE. This makes the United Kingdom one of the most efficient governments in terms of estates utilisation in the world. As a result by 2013, only three per cent of the central government estate was vacant, compared with the national private and public sector average of 10 per cent.

In June 2013 the Government published its first Estate Strategy, followed in October 2014 by a more ambitious strategy. This set out how it would consolidate its estate to deliver better integrated public services and act as an enabler for growth.¹⁶

Case study of Civil Service Hubs: co-location of Department for Communities and Local Government with the Home Office in 2 Marsham Street:

The Department for Communities and Local Government (DCLG) previously occupied Eland House in London Victoria, on a lease expiring November 2016. The building had an annual running cost of £21.8 million and space utilisation was poor due to the design of the building, despite DCLG sub-letting vacant space.

DCLG decided to take advantage of an opportunity for early surrender of Eland House and moved to 2 Marsham Street in September 2014, alongside the Home Office. This move generated savings in estates costs for DCLG of £9 million per year and one-off savings of some £17 million from the early surrender, as well as some £10-12 million in avoided

¹⁵ <https://www.gov.uk/government/publications/governments-estate-strategy-2014>

¹⁶ <https://www.gov.uk/government/publications/governments-estate-strategy>

dilapidations costs. Furniture, fixtures, fittings and equipment recycled across the government estate saved in excess of £1 million for the taxpayer, with total savings across government amounting to some £24 million per year.

In addition, DCLG staff now benefit from an improved bright, modern flexible working environment, as well as the organisational benefits of bringing DCLG's Arms Length Bodies into the same building.

Major Projects

In 2011, the Government established the Major Projects Authority (MPA) as a central function to provide assurance over projects and to support departments to build skills and improve delivery.

Over the last four years, delivering major projects has had a higher profile within government, enabling problems to be recognised and addressed. Over 500 independent assurance reviews have resulted in recommendations that have improved the delivery of many of the most important projects. The Government has also responded to the recommendations of Lord Browne's report, "Getting a Grip: How to Improve Major Project Execution and Control in Government".

In 2012, the Government established the world leading Major Projects Leadership Academy (MPLA) in partnership with the Saïd Business School at the University of Oxford. The objective is that all eligible leaders of Government major projects will have started or completed the programme by the end of 2014, by when there will have been over 300 participants.. Leaders from across government who have participated in this programme have reported that it has helped them improve the delivery of their projects.

The Government has recently introduced a new level of accountability for major projects by revising the Osmotherly rules, making SROs of projects accountable directly to Parliament¹⁷. This important step will increase the clarity provided to SROs over what they are required to deliver, supported by the decision-making responsibilities to accompany this. The Government will also publish a comprehensive list of project SROs. And a pivotal role allowance has been introduced to reduce SRO turnover.

Case study: Major Projects Authority (MPLA):

This programme, for those delivering the largest government reforms, aims to get participants learning from “the world’s best” project leaders.

Amongst the senior leaders who have led MPLA discussions are Sir Ian Cheshire, Group Chief Executive of Kingfisher; Adrian Ewer, former Chief Executive John Laing; and Lord Browne, former Chief Executive of BP.

“The MPLA has undoubtedly taught me some new and relevant concepts and given me new enthusiasm about the power of academic rigour. If the MPLA makes only a small difference to the outcome of this £15 billion acquisition programme, given that the impacts and costs reach 50 years into the future, then the leverage is huge.” Rear Admiral Henry Parker
Director, Carrier Strike, MOD

The Government has also initiated a new level of transparency and scrutiny by publishing an annual report on the status of its major projects. The MPA Annual Report¹⁸ includes information on every single major project alongside an objective Delivery Confidence Assessment rating (red, amber, or green).

Procurement & commercial

In 2014, the Government established the Crown Commercial Service as a central function to work with departments to drive improvements to procurement and commercial management. This builds on the Government’s work since 2010, including renegotiating contracts with major suppliers.

¹⁷ <https://www.gov.uk/government/speeches/osmotherly-rules-statement-on-updated-guidance>

¹⁸ <https://www.gov.uk/government/publications/major-projects-authority-annual-report-2014>

The Government now acts more as a “single customer” and takes a rigorous approach to improving commercial capability, led by the centre. Buying goods and services in a more centralised and cost-effective way, and managing our suppliers better, saved £5.4 billion in 2013-14, against a 2009-10 baseline. These savings include £2 billion from preventing wasteful spending on consultants and contingent labour, and from limiting discretionary expenditure on marketing and advertising. This also included £1.8 billion from managing contracts and commercial negotiations more effectively, and money recovered from holding suppliers to account for poor performance.

To improve transparency, accountability and drive greater savings, every government contract over £10,000 is now published on a new website - Contracts Finder. In early 2015 Contracts Finder will be re-launched as a single marketplace for all public sector opportunities over £10,000 (in central government) and £25,000 (in the wider public sector). More public procurement business than ever before is now going to SMEs both directly and indirectly through the supply chain. This ensures both that government supports growth in the wider economy, and also draws on the innovation of companies of all sizes.

Transformation

Over the last few years the Government has reassessed the structures through which public services are delivered, implementing a range of new delivery models – such as joint ventures and mutuals – that provide an alternative to the binary choice of traditional in-house or outsourced delivery.

These efforts have demonstrated that by embracing a wider spectrum of innovative models, government is able to transform the quality and efficiency of public services. Leveraging private sector investment and expertise drives down the cost and time taken to modernise services. Loosening control over frontline delivery frees both leaders and staff to make improvements as they know best. Exploiting previously neglected commercial opportunities can realise significant value for the taxpayer. And changing the way government partners with the private sector, moving from contractual to collaborative relationships, helps align the interests of all parties around the long-term, ensuring services are ready to face the challenges to come.

What has been achieved in this Parliament marks a major first step. MyCSP, AXELOS, Shared Services Connected Ltd and the Behavioural Insights Team have all spun out of central government, proving that new models can bring benefits to policy units as much as back office services. And by working closely with the wider public sector, the Government has supported significant growth in the number of public service mutuals - employee-led organisations that have spun out of the public sector but continue delivering public services. Collectively, over 100 of these new enterprises now employ more than 35,000 people and deliver over £1.5 billion of public services, in fields from community healthcare to libraries. Over the last three years they have generated over 3,000 additional jobs.

Case study: New Commercial Models in Government

MyCSP, a mutual joint venture created from within central government, is a partnership between the Government, a private sector partner Equiniti, and the employees of the business. In its first year MyCSP gained 47 new clients and improved service levels by an average of 30 per cent, while driving down the cost of service. Its second year has seen a further increase in new business, driven by high quality outcomes – in part the result of 15 per cent year-on-year productivity improvements. Staff have received dividends in the two years since mutualisation.

AXELOS Global Best Practice is a joint venture between Capita and the Government, formed by spinning out the Best Management Practice training IP previously held by the Cabinet Office. Developed in the 1970s, and largely ignored in the decades since, this was a non-core activity providing a small royalty stream to Cabinet Office. As an independent company, it is now expected to boost returns for taxpayers by up to £500 million over the next 10 years, while driving growth through exports projected to be worth up to £600 million – and its early performance is outstripping expectations.

And this body of work has been supported by the Government's commitment to reform public bodies. The number of public bodies – “quangos” – has been reduced by approximately a third. There were over 900 in 2010. Since then 185 have been abolished and a further 165 merged into fewer than 70 – for example, DEFRA cut its arms length bodies by a third. And the Government has established a new, rigorous Triennial Review programme that examines each body on a rolling basis to

maximise efficiency, meaning every public body must justify its continued existence at arm's length from government every three years.¹⁹

Fraud, Error & Debt

The Government has taken significant steps to reduce the levels of fraud and error within government income and spending, and to reduce the government debt balance.

Universal Credit's roll out provides a significant opportunity to design fraud and error out of the benefit system through using more accurate and up to date earnings data; being more responsive to changes of income or circumstance; and integrating Housing Benefit into the main benefit system administered by the Department for Work and Pensions. In total, government estimates that Universal Credit will save £1.5 billion in benefit expenditure lost to fraud by 2023-24.²⁰

The departments with the highest known losses - the Department for Work and Pensions and HM Revenue and Customs - have developed and delivered a range of other initiatives to reduce their losses. For example, the Department for Work and Pensions undertook an extensive programme of case cleanse activity to identify and correct fraud and error in the benefits system.

Workforce

The Civil Service is now at its smallest size since the Second World War - almost 20 per cent smaller than it was in May 2010 according to the Institute for Government; 16 per cent according to ONS figures²¹. This has been facilitated by important reforms to the Civil Service compensation scheme to control the payments made to exiting civil servants. The Government has driven the most significant reforms to Civil Service terms of employment for a generation. Pension contributions have been increased – striking a fairer balance between what taxpayers and employees pay. Together these changes saved £4.7 billion in 2013-14, against a 2009-10 baseline. Anachronistic terms and conditions have been standardised for new joiners and those on promotion.

¹⁹ <https://www.gov.uk/government/collections/triennial-review-reports>

²⁰ Figure 6, Universal Credit at Work, DWP 2014

²¹ Whitehall monitor, Institute for Government, <http://www.instituteforgovernment.org.uk/sites/default/files/publications/IFG%20-%20Whitehall%20Monitor%202014.pdf>

Next steps: 2015-2020

The Government has delivered unprecedented savings from efficiency and reform in the last four years. Budget 2014 set out that: “further efficiency savings will be required to support the government’s commitment to put the public finances on a sustainable path.”

This section sets out some of the steps for government to achieve its ambition of a further £10 billion of savings for 2017-18 - if HM Treasury and the Cabinet Office work effectively together as a corporate centre - with the potential for £15-20 billion of savings for 2019-20. These savings will both support further fiscal consolidation and ensure resources are focused on delivering frontline public services. The areas covered below are just some of the areas of focus for the next Parliament and build on the successful approaches adopted in this Parliament.

Future savings will be more difficult to achieve, and will require government to be more creative with how it delivers public services, from a stronger push on digital technology to introducing structural and transformational reform in government departments, agencies and public bodies. However, some of the benefits of the changes already begun, for example digital transformations, will not yield extensive savings until the next Parliament.

A major achievement of this Parliament has been to create the possibility to make these more ambitious and difficult changes in the years to come. Government will create coherent, transformative cross-departmental strategies, which are driven and led by departments with close co-ordination and challenge by the centre. This year the Prime Minister appointed the first ever Chief Executive of the Civil Service, charged with a mandate to accelerate and oversee this programme. The Cabinet Office and HM Treasury will work closely together, and with departments, to support, facilitate and co-ordinate from the centre the necessary transformations.

The Chief Executive will have strong Functional Leaders reporting to him in commercial, digital, HR, communications, property and major projects. The finance function reports to the HM Treasury Permanent Secretary; internal audit and legal to the Head of the Civil Service. In recognising that the skills needed are increasingly specialised, heads of profession and heads of function will have clearly defined roles in managing talent within their profession (including through controlling recruitment, deployment and

setting career pathways) and building capability by setting the learning curricula for their profession. Functional Leaders will also set common standards and delegation frameworks to improve planning and delivery.

To achieve this level of savings will require substantial commitment and drive, from ministers and officials at the centre and right across departments. HM Treasury and Cabinet Office will work together as the corporate centre to support departments to continue their programme of reform and to deliver future spending consolidations. Spending controls will remain in place, and evolve in time to strong functional standards, while departments will need to own more of the transformation agenda. Central functions - including the Government Digital Service, Government Property Unit, Crown Commercial Service, Major Projects Authority and workforce teams - will support departments effectively to deliver cross-cutting programmes from the Cabinet Office over the coming years. There will need to be proper scrutiny of what went well, and also what went wrong, in this Parliament. Lessons must be learned to speed up transformations and ensure that appropriate incentives are strong. Government will need to consider managing assets in a more strategic way to accelerate their transformation and disposal.

The Government this year identified a number of priority areas to deliver efficiency savings in the next Parliament. The areas outlined below are not mutually exclusive but highly interdependent. For example, as government moves to digital services and shuts down offline channels, so it will release property as well as make savings from IT procurement.

Digital

The Government's aspiration is simple: dealing with government online should be as easy and efficient as the best services on offer from the private sector. The ambition is to move beyond just online services to a "Government as a platform" digital model exemplified by the current GOV.UK Verify programme which provides identity assurance for online government services. Government will aim to provide a series of cross-departmental digital platforms by 2020, covering services such as payments, messaging, and appointments booking, to behind-the-scenes platforms to keep information secure, provide postcode lookups and location data, and provide stronger protection against cyber attacks.

Digital transformation will require sustained, cross-government effort to deliver. It holds significant potential to reduce costs and make public services simpler, clearer and faster for users.

The Government's objectives are to:

- increase digital uptake of government public services by 10 percentage points by mid-2016, and bring average digital uptake to 90 per cent among those who are online by 2020;
- make it easier to make payments to government online, especially from a mobile phone or device. The new common payments platform will be available by 2016 to make online payments quicker and easier. Eventually it will be used by all departments, and offered to the wider public sector, to process payments in a consistent and secure way;
- make it simple to track government applications, renewals and requests securely – such as driving licence applications or passport renewals – just as you can track a parcel delivery online or a mortgage application. Notifications or email alerts will offer updates on progress. Government will seek to make this tracking available for five major services by 2016;
- design a new common appointments platform for booking face-to-face services. Eventually, all departments will be able to use this to book services such as driving tests or visa interviews;
- ensure that every new digital service is available via an open Application Programming Interface (API) as well as a web browser, to encourage private sector innovation;
- nominate a Government Chief Data Officer to define data standards for the public sector;
- publish performance scores for each appropriate digital government service showing user satisfaction with the overall service (not just the digital component) and including a simple friends and family test – “would you recommend it?”;
- accelerate the move of existing IT services in to the Cloud, using G-Cloud suppliers and Crown Hosting Service, reducing costs and keeping information secure;
- do more to empower individuals to take more control of the information that government holds about them, and keep track of how that information is used;

- build in stronger cyber security as digital services are redesigned, ensuring citizens' data and taxpayers' money is better protected against fraud, and that the services themselves are more reliable;
- bring more digitally skilled people into government, and support departments in developing digital capability;
- create regional centres of excellence for digital skills through “hubs” right across the country.

Departments - supported by the Government Digital Service - will be able to make further efficiency savings from their IT technology. A modern, Internet-based approach can more than halve the cost of providing technology to civil servants. While all providers will continue to compete on a level playing field for government contracts, this approach will continue to support the vibrant UK digital economy and innovative digital SMEs, and unlock substantial efficiency savings for government.

Case studies: Digital

Criminal justice: To reduce cost and delay, the Government will move towards a digital end-to-end criminal justice system, where information is captured once by a police officer responding to a crime and then flows through the system without duplication or reworking. Harnessing technology more effectively will provide for new ways of working. For example, police should be able to capture evidence digitally at the scene of a crime, uploading case information using mobile devices without needing to return to the police station. Video technology should be the default unless victims and witnesses, suspects, lawyers or police officers are required in the courtroom. GDS will support the Ministry of Justice, Crown Prosecution Service, Home Office, and police and crime commissioners to make this transformation.

Freight: Currently HM Revenue and Customs and the Home Office use several different computer systems to manage different aspects of freight at borders. By working together as they replace these systems over the coming years, they will increase HMRC's ability to collect taxes and duties, improve government's ability to intercept freight that is potentially illegal,

whilst making it easier for legitimate businesses to deal with government.

Property & Land

The Government's aspiration is to create an efficient, fit-for-purpose and sustainable estate whose performance matches the best of the private sector.

Between now and 2020 the Government will continue to reform how the state uses property, so that it:

- removes artificial boundaries between departments, Local Authorities and other public bodies;
- works in ways that minimise the need for office space;
- uses what it has more efficiently;
- gets rid of surplus in a way that maximises receipts; and
- boosts growth and supports the creation of new homes.

The Government will accelerate the programme of moving to Civil Service "hubs" – the common sense principle of bringing different parts of the public sector together into a single building. As well as delivering savings for taxpayers, this has organisational benefits through more collaborative working across departments. One example of this is the Temple Quay Campus in Bristol, which involved discussions with 12 departments and 28 agencies to bring them together in modern, efficient and flexible space. The project will reduce the dozens of buildings government had in Bristol in 2010 to only 18 by 2020. Similarly, in Liverpool the Government is moving from 47 buildings in 2010 to 17 by 2020.

The Government is on track to meet its existing central government target of an average of ten square metre of space per employee (FTE) by the end of 2015. But because well-run organisations use space efficiently, and new offices easily beat the space standards of older configurations, there is scope to drive progress further. The new target will be to reduce the office space per FTE to an average of just eight square metres by 31st March 2018. The Government believes this will be the most efficient space standard for public sector office space anywhere in the developed world.

The Government is also working on future disposals. The Government has announced that it expects a further £5-6 billion of receipts by 2020, not just

from offices, but from surplus land, airfields, barracks, prisons, laboratories, and so on. To support this aim, the Government has introduced the Government Property Finder app on GOV.UK so the public can challenge the Government's use of its land and property and land. Through the Right to Contest, if the Government cannot justify the use of its land and property then it must release it for sale.

Government will work to extend this approach into the wider public sector.

The One Public Estate programme is a pioneering and ambitious initiative funded by the Cabinet Office and delivered in partnership with the Local Government Association. It brings together all public sector bodies within a locality to work together in developing a radically new approach to managing their land and property. By pooling data on their asset holdings and developing joint plans to share property and release surplus land and buildings for other uses, the programme will:

- deliver significant savings for the taxpayer;
- provide better, more integrated local services, in places which are more convenient for users; and
- release land and property which can be reused for housing and new enterprise, boosting local jobs, growth and house-building.

The first year's results are an indication of what can be achieved. Across 12 pilot areas, projected savings in running costs are £21 million, with £88 million in capital receipts. It is forecast that the land and property released for new uses will lead over the next five years to the creation of 5,500 jobs and the building of 7,500 new homes, with total benefit to local economies estimated at £40 million.

The Government will in the next Parliament look to extend the programme to all Local Authorities with a significant asset base. There is significant potential to accelerate this work, generating running cost savings and capital receipts of several hundred million pounds, as well as creating tens of thousands of new homes and new jobs.

Case study: York City regeneration through the One Public Estate Programme

Through the One Public Estate Programme, City of York Council is working to create a partnership with central government and commercial partners to regenerate and redevelop the currently run down and under-used Castle Piccadilly area of the city centre. Commencing in 2015-16, the partnership will oversee the delivery of a new high quality retail and housing development over the next 10 years, leading to the creation of 400 permanent jobs; 450 new homes; 100,000 sq. feet of commercial space, and a more attractive retail and heritage quarter.

The regeneration will also allow public sector partners to release surplus and not fit for purpose buildings.

Major Projects

The Government will continue to deliver its major projects as efficiently and expertly as possible. The drive to improve the delivery of major projects is still in its infancy, but the dedication to improving capability in this area is already paying dividends. Changes to the Osmotherly rules will help support cultural change in departments that will improve accountability and encourage further savings.

To ensure that departments have the necessary support and capability to deliver major projects and secure the benefits from these transformational projects the Government will:

- continue the drive to develop world-class experts in project delivery through the successful MPLA. The Government's aspiration is that no civil servant will lead a major project without first qualifying from this academy;
- supplement this with a new programme for those below SCS to ensure that civil servants at all levels are developing delivery expertise, through the Projects Leadership Programme;
- ensuring that expert delivery is embedded across all public service change programmes rather than only Major Projects.

Procurement & Commercial

The Government's vision is to ensure that it becomes an exemplar of efficient, modern procurement. The ambition is stretching but – with the right capability and political will – will unlock billions of pounds of savings.

Central government spends over £40 billion on goods and services per year,²² and it must make even more of its extraordinary buying power. The aim is to transition up to £10 billion of annual spend on common goods and services from departments to the Crown Commercial Service (CCS) by 2019-20. From that spend government will unlock billions of savings from common goods and services such as buildings (including utilities and facilities management); labour (driving down further the cost of hiring consultants); and corporate services (such as marketing and travel). The Cabinet Office and HM Treasury will also support departments in re-negotiating the largest and most complex contracts to release significant savings, building on successes in this Parliament. With billions of pounds of these contracts due to expire in the next Parliament – approximately £4 billion a year alone in ICT - the potential for savings remains substantial.

The Government's ambition is to expand further the work of the Crown Commercial Service into the wider public sector, to support the NHS, Local Authorities, schools and the police to maximise their buying leverage – as it has already started to do. In 2012-13 expenditure on goods and services in the wider public sector was estimated at £84 billion,²³ and the Service will augment existing efforts in this sector to aggregate spend to build greater economies of scale, and support with renegotiating complex contracts to unlock savings. Government will look to extend transparency to build a culture of “comply or explain”.

The Government is also reforming its procurement processes, including by addressing processes that are unnecessarily burdensome for small businesses. New legislation will go further, removing bureaucratic pre-qualification questionnaires for low value contracts; introducing prompt payment within 30 days all the way down the public sector supply chain; and increasing transparency on how well government pays suppliers. Small businesses can be more innovative, and opening up procurement to the widest possible field can help the public sector secure better value on its procurement over the next Parliament.

²²Based on internal analysis

²³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318657/whole_of_government_accounts_2012-13.pdf

The Government will further improve its commercial capability. The Chief Commercial Officer will continue to source assistance from experienced business leaders working as Crown Representatives, creating a network of senior commercial leaders across government, and departments will continue to expand the cadre of deep commercial specialists across Whitehall. The successful Commissioning Academy - a cross-public sector, peer-to-peer learning programme which builds capability and in-depth understanding of commissioning services for the public - will also be expanded to deliver 1,500 places by March 2016. All this will continue to strengthen the commercial profession and ensure that government has the right capability in place to deliver the reforms needed.

Transformation

As budgetary pressures continue to bear down on departments, the Government will need to look objectively at whether it is best placed to deliver public services in house. This will mean opening up the public sector in areas ranging from operational delivery to “back office” services. The alternative may not always be conventional outsourcing, as it has been in the past. This an opportunity not just to save costs, but also to improve quality and redesign services around users.

In this Parliament the Government has proven the benefits of using alternative delivery models such as joint ventures and mutuals. In the next Parliament the Government will apply what it has learned to opportunities across central government, while supporting further efforts in the wider public sector.

Reform on this scale will not be easy, requiring considerable political will and a concerted cross-government effort. But the prize is worth it – major service improvements for users, new income streams for government, greater growth in the economy, and significant savings for the taxpayer.

In the wider public sector the Government will enable reforms that are just as comprehensive, because the potential benefits are great. The Government will ensure that wherever there is a desire to mutualise, staff are offered support, to allow communities and commissioners to benefit from the higher productivity and lower costs that result from improved staff engagement and empowerment. Local Authorities and other wider public sector organisations have only just scratched the surface of what can be achieved in the longer term, so over the next five years the Government will

work hand-in-hand with staff groups and public service leaders across the public sector to ensure they have access to the right expertise and can share best practice.

At the same time, government must reaffirm its commitment to on-going efforts: the implementation of truly shared services for departments and agencies and the reform of the public bodies landscape.

Government will complete the transformation of its “back office” shared services. Reducing duplication through shared services has been a long-standing commitment, and in this Parliament there has been progress. Two Independent Shared Service Centres now bring together functions previously duplicated and have standardised quality. There is much more to do to ensure that all departments and agencies share “back office bureaucracy” wherever possible.

The Public Bodies Reform Programme has already seen the abolition and merger of hundreds of public bodies. In establishing Triennial Reviews, which provide a review of every body every three years, government has not only ensured that there can be no return to unchecked expansion, but also put in place a mechanism that will identify opportunities for more radical structural change over the next Parliament.

Case Study: Mutuels

Building on the achievements of the Mutuels Programme and Delivering Differently, the Mutuels in Health Pathfinder Programme is currently working with nine Foundation Trusts and NHS Trusts to explore the potential benefits of mutualisation in the acute sector. A joint Cabinet Office and Department of Health initiative, these nine Trusts will consider how the mutual model could help improve service quality, in the process identifying the key implementation challenges and potential risks – information which will help inform next steps in the acute sector.

Fraud, Error & Debt

There is more to do to find efficiencies through tackling the billions lost to fraud, error and uncollected debt in a more co-ordinated way.

In advance of the full implementation of Universal Credit, both the Department for Work and Pensions and HM Revenue and Customs are considering how they can reduce fraud and error in the legacy benefits system, including delivering benefits from the Real Time Information systems. Use of real time data about individuals' employment and earning will enable significant reductions in error and abuse in both the tax and benefits systems. Extra steps to reduce losses include further investment in the Department for Work and Pensions' capacity to act on this information and adjust benefit levels accordingly.

Government will continue to address fraud and error, including by focusing on losses from housing benefit and in the health system, for example from prescriptions and dental claims. The Department of Health will shortly outline specific initiatives to tackle fraud loss in prescription exemption and dental services.

To tackle uncollected debt, government will take further action including by introducing the Debt Market Integrator. This transformational solution will improve debt collection through a single, co-ordinated private sector approach which makes use of a range of debt collection services across the market and enables government to buy debt analytics, collection and enforcement services as a single customer from spring 2015.

The Government will also take action to ensure that the £139 billion of grants paid out every year²⁴ provide good value for money, reducing the estimated one per cent fraud and error loss²⁵, as well as their administration costs, which are estimated to be as high as £250 million per year.²⁶

²⁴ Internal government data collection

²⁵ [Annual Fraud Indicator report](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf) (National Fraud Authority), June 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf

²⁶ Internal government data extrapolated from sampling of data collection

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