

Efficiency and Reform Group 2013/14 savings

£14.3 bn

saved by HM Government
for 2013/14 against a
2009/10 baseline



HM Government

Save
Deliver
Transform



Foreword

As the Minister for the Cabinet Office, I have spent the last four years trying to make sure taxpayers' money is spent wisely. It's all part of this government's long-term economic plan to ensure the country lives within its means.

In 2010, the government was faced with the largest budget deficit in its post-war history. We were spending £4 for every £3 we took in revenue. Yet despite the acute financial pressures it was clear that billions of pounds were being wasted unnecessarily. Government did not even know who its major suppliers were, nor how much was being spent with them. Different departments were paying different prices for common goods and services — and paying well over the odds for simple things like paper, plugs and printer cartridges. At the same time, government's digital offering was lamentable and the technology made available to civil servants was often inadequate. For the whole period from 1997 to 2010 public sector productivity flatlined.

Things couldn't go on like that. I knew we could massively improve the efficiency of central government and at the same time reform the way Whitehall worked. This would allow us to actually improve quality while making savings.

We started the long task of turning this situation around immediately after the last General Election. It was an enormous challenge. Our response was to create the Efficiency and Reform Group (ERG) in the Cabinet Office at the heart of government to lead the charge to eliminate waste and inefficient spending while improving public services, working alongside HM Treasury.

The ERG approach to public service reform is encapsulated in the following principles:

1. **Open** — being transparent and publishing open data makes government more accountable to citizens and strengthens our democracy; it informs choice over public services; feeds economic and social growth; and exposes costs.
2. **Tight** control from the centre over common activities — such as property, IT and procurement — because this reduces costs and encourages collaborative working. It's something that any major business would do and has enabled us to make a large proportion of the savings.
3. **Loose** — shifting power away from the centre and diversifying the range of public service providers. This includes supporting staff-owned mutuals, joint ventures and social enterprises to raise productivity, improve services and cut costs, whilst also empowering the very people who know best how to drive up standards.
4. **Innovative** culture — so public servants have permission to try sensible new ideas, moving away from the risk aversion that has tended to hold back progress. The innovators of Silicon Valley or Israel's start up nation know that you learn more from the ideas you try which don't work, than from those that do.
5. **Digital** by default — if a service can be delivered online, then it should only be delivered online, because as well as being cheaper, online services can be faster, simpler and more convenient for the public to use.

By putting these principles into practice we have built on our record of unprecedented savings. This year I am delighted we have continued to deliver our ambitious agenda with a staggering **£14.3 billion** of savings, against a 2009/10 baseline.

I want to thank the brilliant civil servants who have worked with their colleagues right across government and in particular with HM Treasury to drive the very best value for taxpayers and to change the way that Whitehall works.

We have proved that we can deliver savings and reforms year after year. But we still have some way to go. Much of the low hanging fruit has gone and we will need to do more to rescope and reshape the way we work to slice out more costs. I'm convinced that there's so much more we can save. By next year 25 of our highest volume public services will be available online. As more and more services move online we will be able to unlock big savings for the Exchequer but also for citizens and businesses who rely on the services.

As we've saved money from procurement we have also worked to level the playing field for smaller firms. We want to buy goods and services at the very best value. There will always be a place for big innovative companies who get the new ways of working, but we also want to be sure that we don't exclude the constellation of Small and Medium-Sized Enterprises (SMEs) from winning government business. Since the last General Election we have significantly increased our spend with SMEs and are on-track to meet our target of 25% of spend going to SMEs by next year.

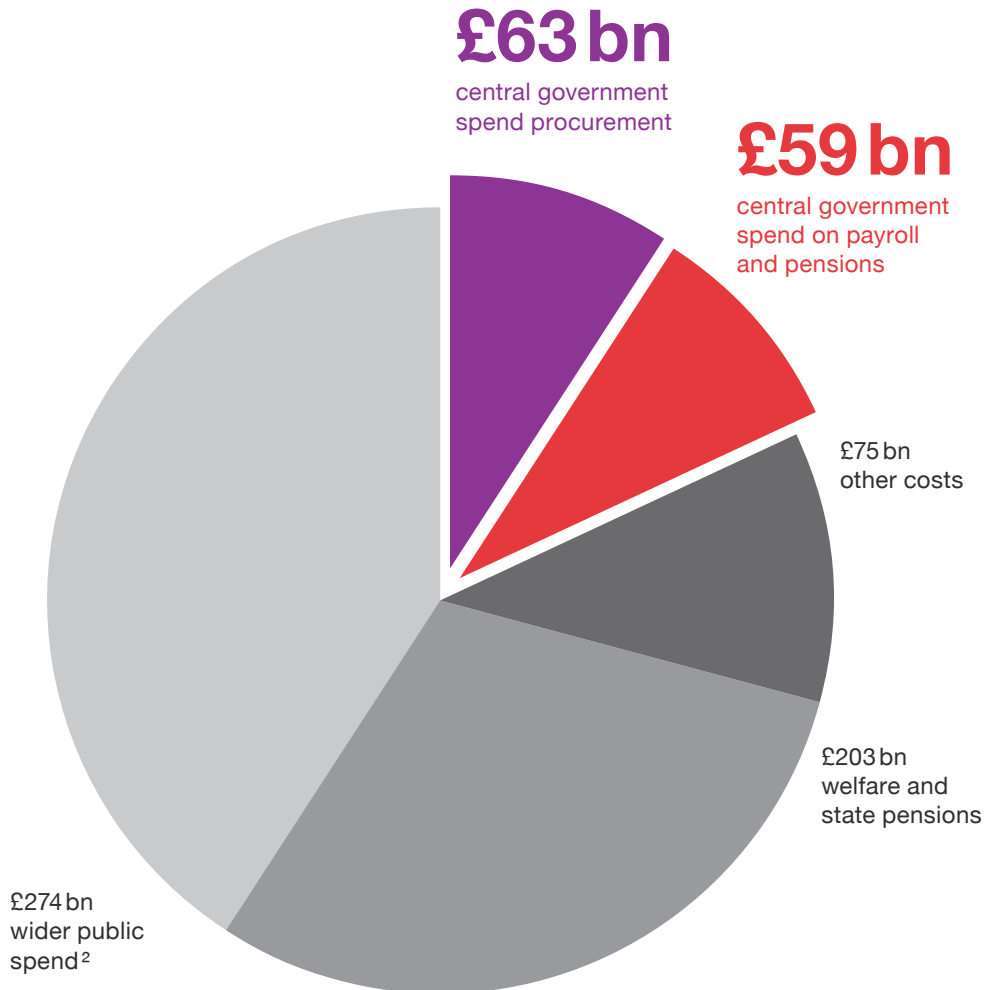
By next year we want to be saving £20 billion against a 2009/10 baseline from efficiency and reform, as well as by reducing losses to fraud, error and debt. This government is firmly on the side of hardworking people. They expect us to spend their money judiciously and that's just what we are going to do.

Francis Maude.

Total Spend

£674bn

total spend by
government in 2012/13¹



¹ Cabinet Office analysis of PESA data. Spend for 2013/14 will not be available until July 2014.

² Wider public sector spend includes schools, local government, health, police, and devolved administrations.

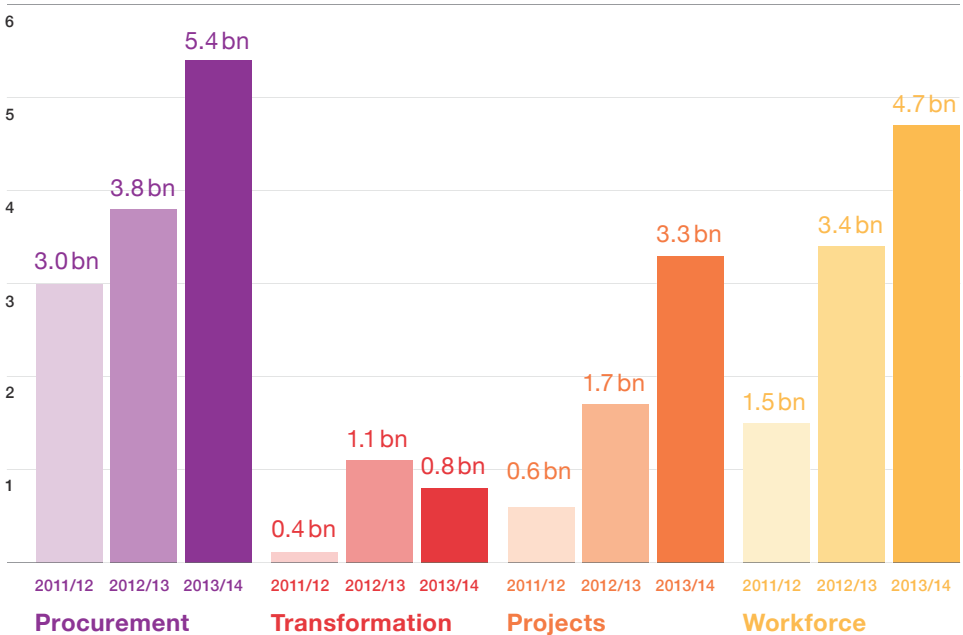
Savings

£14.3bn

savings made for 2013/14

In the first two years of this parliament HM Government delivered savings of £3.75 billion and £5.5 billion. For 2012/13 further savings of £10 billion were made. For 2013/14 we have secured savings of £14.3 billion. These savings are all against a 2009/10 baseline and are a mixture of recurring and non-recurring savings

These savings have been reviewed and verified by independent auditors.³



The government has also made other types of savings that have not been included in the headline figure. These include £1.1 billion workforce savings by constraining wage inflation; nearly £250 million savings from rail network repair and over £400 million savings from tackling fraud, error and debt in the welfare system and student loan applications.

³ For further details see technical note on the back cover.

Savings Breakdown for 2013/14 against a 2009/10 baseline

Procurement and commercial savings

£5.4 bn

The savings include:

- **£1.4bn** centralisation of procurement for common goods and services
- **£1.8bn** better management of contracts and commercial relations
- **£2bn** limiting discretionary expenditure on marketing and advertising, consultants and temporary agency staff

Transformation savings

£0.8 bn

The savings include:

- **£0.6bn** optimising the government's property portfolio
- **£0.2bn** transforming government IT; moving transactions online

Projects savings

£3.3 bn

The savings include:

- **£2.6bn** reducing costs in major projects and cancelling or reducing the scope of major government projects
- **£0.8bn** taking waste out of the construction process

Workforce reform and pensions savings

£4.7 bn

The savings include:

- **£2.3bn** reducing the size of the Civil Service
- **£2.3bn** increasing contributions to public sector pensions

These figures include savings from:

- lower prices for the same items and services
- selling assets the government no longer needs
- stopping buying items we no longer need
- identifying and tackling waste in our operations
- focusing activity onto our priorities and de-scoping low priority work
- negotiating returns from under-performing suppliers

Note: some figures may not sum due to rounding

More detailed information on all our calculation methods is published in our technical note online at: www.gov.uk/government/publications/government-savings-in-2013-to-2014

Procurement Savings

Our top priority is to secure best value for money. Procurement spend is being better coordinated by a stronger centre of government. ERG is supporting departments by taking a cross-government approach to our largest suppliers so we deal with them once on behalf of the Crown, and by centralising the procurement of common goods and services so that all departments can access the full commercial leverage of government's buying power.

£199 m

compensation received from holding suppliers to account for poor performance

£30 m

saved from negotiating savings on an extension to a major IT contract

231

certified graduates of the Crown Commercial Service Commissioning Academy, with an ambition to reach 1,500 by spring 2016

Transformation Savings

To deliver world-class public services more effectively, departments are transforming their operations so that they can deliver improved service at a reduced cost.

ERG supports departments which are undergoing transformation by:

- coordinating property occupation right across government and across the UK so that departments can make the most of each other's office buildings and facilities
- incubating new commercial delivery models such as mutually owned companies
- driving the delivery of our digital reforms

£462 m

reduction to in-year costs of the government's estate by vacating, renting or consolidating underused property

£10 m

for the taxpayer from AXELOS, a joint venture with Capita established in July 2013 which will develop training qualifications previously owned by Cabinet Office, and has the potential to generate £500m over the next ten years

35%

and over in savings to government from Shared Service Connected Limited, a joint venture with Steria established in November 2013, which is meeting the needs of 150,000 customers

Project Savings

Much of the work of government is carried out through Projects — from constructing the Olympics or building HS2 to reforming the National Health Service.

ERG helps departments deliver projects through the scrutiny and expert support of the Major Projects Authority.

£217 m

saved by cancelling low priority or wasteful projects

£145 m

saved by reducing costs in the Nuclear Decommissioning Authority

£379 m

saved by Highways Agency on the Major Roads programme

How we achieved this

All departments are now tackling the challenge of improving public services in an environment of reducing budgets.

ERG is a joint Cabinet Office and HM Treasury initiative designed to address wasteful spend, improve efficiency, deliver crucial reforms and tackle fraud, error and uncollected debt.

We help departments to achieve these goals by:

- **Implementing and operating spending controls** — stopping unnecessary expenditure, cutting waste, and helping departments deliver better value for money, including by cutting expenditure on consultants, property, IT projects, and marketing and advertising.
- **Improving our execution of projects** — supporting departments to help ensure projects deliver to time, cost and quality and taking waste out of the construction process.
- **Being smarter buyers** — radically overhauling central government procurement, setting up the new Crown Commercial Service to ensure we act as a single customer and have a much tighter grip on all aspects of commercial performance, from market engagement through to contract management.
- **Managing government property** — reducing the size of the government estate and rationalising the property portfolio.
- **Developing commercial models** — encouraging a diverse ecosystem of providers that includes mutuals, joint ventures, the voluntary sector and the private sector working alongside the public sector.
- **Promoting digitisation** — to ensure that in future all Government services will be fast, convenient, agile and digital by default. And we are radically overhauling the way government procures and delivers technology to ensure we get the best value for money and exploit new technologies and innovation.

Technical Note

Savings numbers quoted are not official statistics or national statistics, but internal performance information prepared on a management basis, in accordance with methodologies summarised in the accompanying technical note.

The savings release cash to be recycled within department budgets, to protect front-line services by reducing low value and wasteful activity. They do not usually represent direct funds returned to HM Treasury. They are claimed as 'cash-releasing savings' (or 'folding cash' savings).

These figures do not intend to correspond to economic definitions of pure 'efficiency savings' which preclude a reduction in outputs, because in some cases low value or wasteful outputs are reduced.

Savings figures quoted are calculated on an in-year cash basis. They are usually relative to a 2009/10 baseline, in pure cash (ie without a counterfactual) and net of delivery costs. The precise application of these principles can vary.

Cabinet Office has sought to avoid setting up an 'industry in measurement', but instead to use simple methods of counting that provide the best practical assessment with integrity and without seeking to duplicate detail management accounts.

Where overlap exists between savings areas (for example, between major project savings and savings arising from renegotiation of contracts) these are eliminated before publication.

Savings figures are based in the best available information, normally reports from departments or suppliers. Where appropriate, reports are agreed by senior officials.

This technical note summarises the quality of the savings figures. A full and detailed disclosure can be found in our published technical note that sets out the calculation methods used to describe each the savings.

It can be found here:

www.gov.uk/government/publications/government-savings-in-2013-to-2014