

# EFFICIENCY IN THE UK PUBLIC SECTOR

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November 2008

# AGENDA

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- Recent history of efficiency in UK public sector
  - Context of my review
  - Objective
  - Scope
  - Approach
  - Principal review outputs
  - Reported progress
  - What's worked
  - What hasn't worked so well
  - Learning points
  - Future efficiency objectives
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# RECENT HISTORY OF EFFICIENCY IN UK PUBLIC SECTOR (1980-99)

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- ❑ Weak linkage between efficiency & service quality
- ❑ Public perception: efficiency = cuts in services

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- ❑ Outlook for public finances
- ❑ Raising taxes and increasing borrowing not politically viable options

# OBJECTIVE

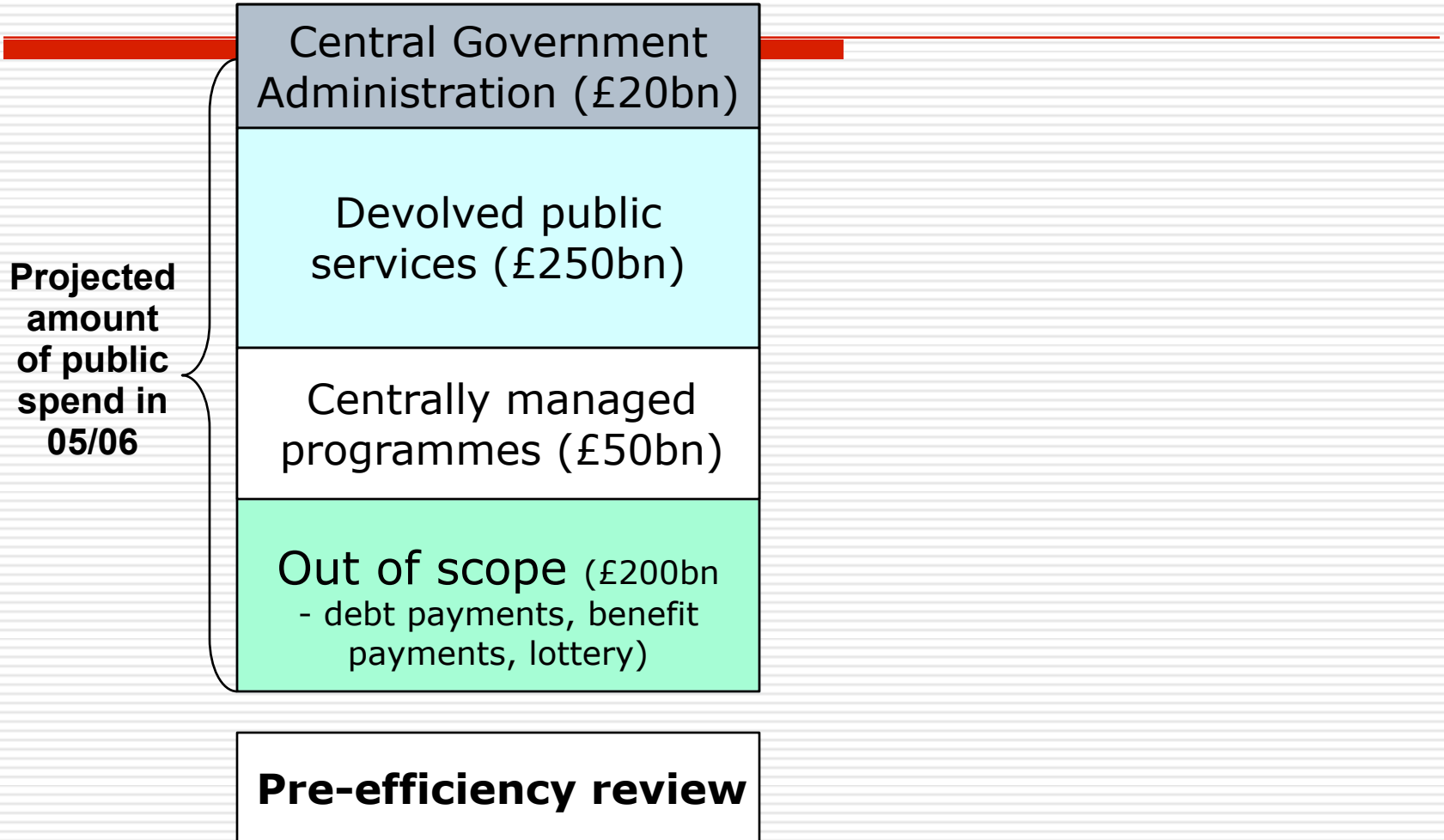
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- To release major resources during 05/06-07/08 into front-line services that meet the public's highest priorities out of activities which can be undertaken more efficiently

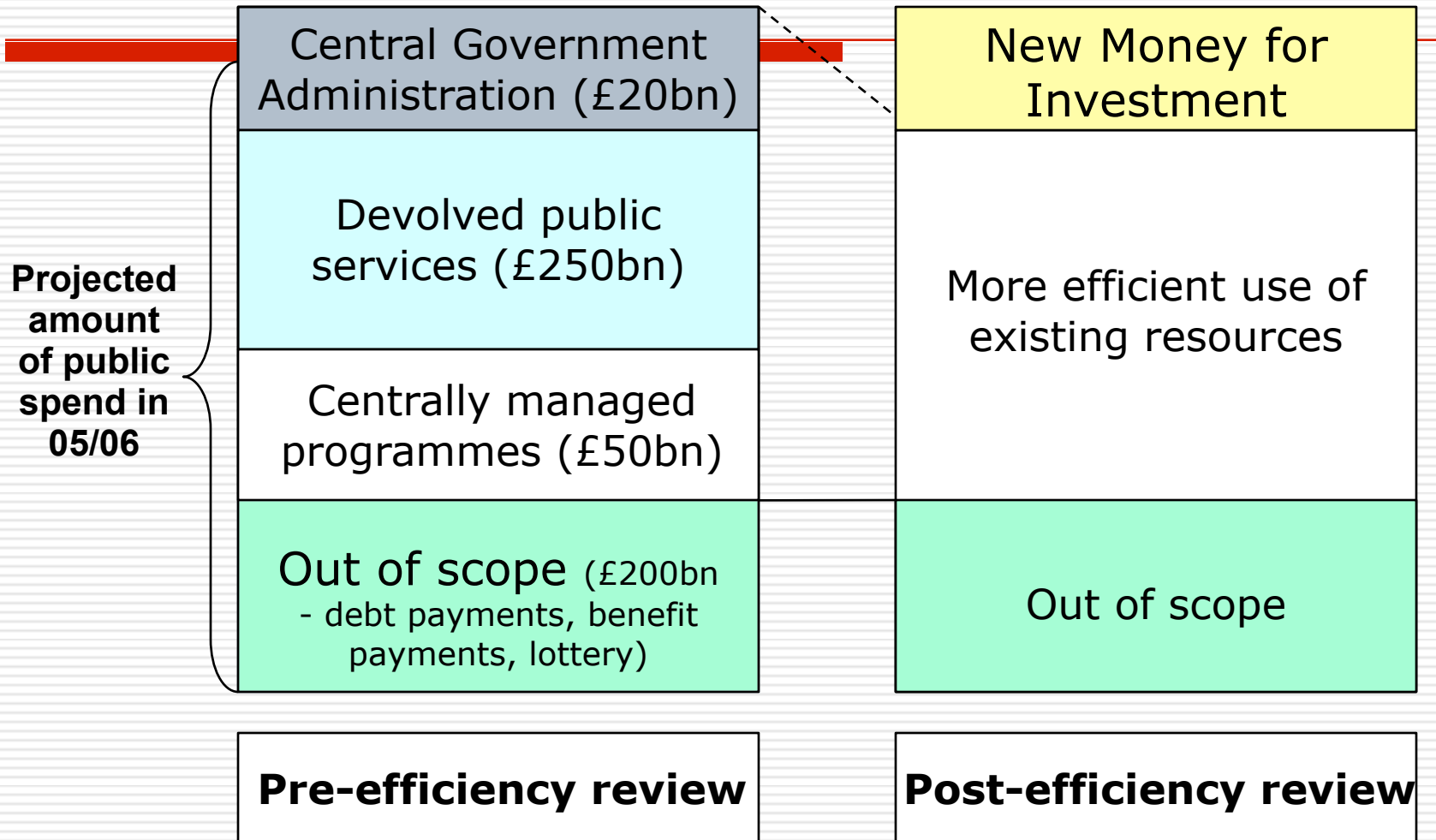
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# APPROACH

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- ❑ Consult
- ❑ Avoid dependencies on new legislation or large new IT systems

# OLD HABITS DIE HARD?

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“I understand your distress at the recent Budget announcement of cuts in the service but I assure you that there is no need to distress yourself in any way. This has all happened before, and there is an established procedure for dealing with it. We simply follow the infallible seven-stage plan...”

Extract from a letter from Sir Humphrey to Bernard published in the Daily Telegraph, 20 March 2004.

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- ❑ Improved ratios of output per unit cost of input
- ❑ Changing the balance between different outputs aimed at delivering a similar overall objective in a way that achieved a greater overall output for the same or fewer inputs (“allocative efficiency”)

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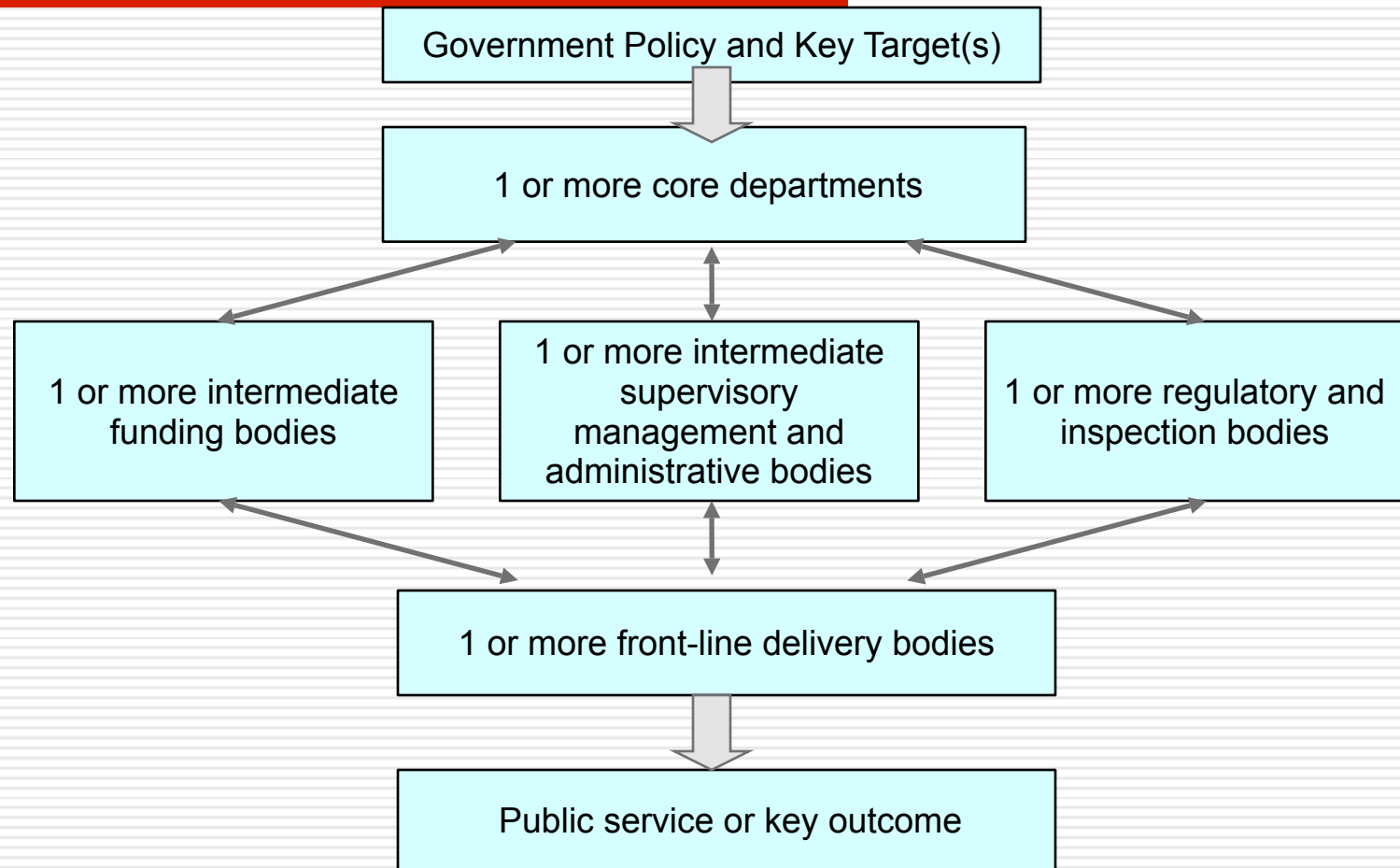
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- ❑ Procurement
- ❑ Corporate services
- ❑ Transactional services
- ❑ Productive time of employees
- ❑ Policy, funding & regulation (PFR)

# POLICY, FUNDING & REGULATION

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# PRINCIPAL REVIEW OUTPUTS

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- Agreed target of UK£21.5 billion of efficiency gains in 07/08
  
- Net reduction of 70,600 in Civil Service posts by March 2008

# REPORTED PROGRESS

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- Over £23billion of annual efficiency gains to Dec 07
- Net reduction of 77,600 in Civil Service workforce
- Approx 50% of the gains are cash releasing

# ANALYSIS OF REPORTED EFFICIENCY GAINS

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	Actual%	Original%
<input type="checkbox"/> Procurement	34.5	30
<input type="checkbox"/> Corporate Services	6.5	5
<input type="checkbox"/> Transactional Services	3.9	5
<input type="checkbox"/> Productive Time	24.6	25
<input type="checkbox"/> PFR	13.4	7
<input type="checkbox"/> Other	17.1	28

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- ~~❑ Development of public sector capacity~~

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- ❑ Improving the public's perception of public sector efficiency

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- ❑ Accelerating the diffusion of best practice
- ❑ Importance of a programme management approach
- ❑ Public sector capacity is essential

# EFFICIENCY OBJECTIVES FOR 2008/9 – 2010/11

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- 3% p.a. cash releasing savings over the period across central and local government
- 5% p.a. annual real reductions in departmental administration budgets
- Additional focus launched in July 08 on Back Office, IT, Procurement, Asset Management and Delivery Chains