

# 6

## DELIVERING HIGH QUALITY PUBLIC SERVICES

The Government's aim is to deliver world-class public services through sustained investment and far-reaching reform. The 1998 Comprehensive Spending Review (CSR) put in place a modernised framework for public spending and performance management to support the delivery of the Government's long-term priorities.

A decade on from the start of the first CSR, the Government is now conducting a second CSR reporting in 2007. Building on an analysis of the key long-term challenges facing the UK, the 2007 CSR provides the opportunity to assess what further investments and reforms are needed to equip the UK to respond. In preparation for the 2007 CSR, this Pre-Budget Report announces:

- **solid progress in the Government's SR04 efficiency programme**, with departments and local authorities reporting gains of £13.3 billion by September 2006, over halfway towards the target of over £21 billion by 2007-08;
- building on this success, **the baseline savings ambition for the 2007 CSR period will be at least 3 per cent per year across central and local government**, with a focus on net cashable savings to free-up resources to meet the challenges ahead;
- **administration budgets across departments will be reduced by at least 5 per cent per year in real terms over the 2007 CSR period**, releasing resources for reallocation to frontline services;
- **an early CSR07 settlement for the Department for Constitutional Affairs**, which will see its budget fall by an annual average of 3.5 per cent in real terms over the 2007 CSR period;
- **an early CSR07 settlement for education capital with investment rising from £8.3 billion in 2007-08 to £10.2 billion in 2010-11**, a total of £36 billion over the next four years; and
- **the publication of Sir David Varney's review of public service transformation**, making recommendations to strengthen and join up public service delivery and make public services more efficient and responsive to the needs of users.

The Pre-Budget report outlines further measures directing resources to the Government's priorities, including:

- **a further £130 million direct to schools in England in 2007-08**, including to support personalised teaching and extended services;
- an increased focus on small group and one-to-one support, with **the Every Child a Reader scheme rolled out nationally to 30,000 children a year by 2010-11**, and an **additional £10 million in 2007-08 to increase personalised support in schools where boys are falling behind**; and
- **an additional £84 million to support the ongoing expansion of counter-terrorism capabilities in the Intelligence Agencies.**

**6.1** The Government's aim is to deliver world-class public services through sustained investment and far-reaching reform. High quality education and training, a modern health service, a fair and effective criminal justice system and a fast and reliable transport network provide the essential foundations for a flexible economy and a fair society, which is well placed to prosper in the increasingly competitive global environment.

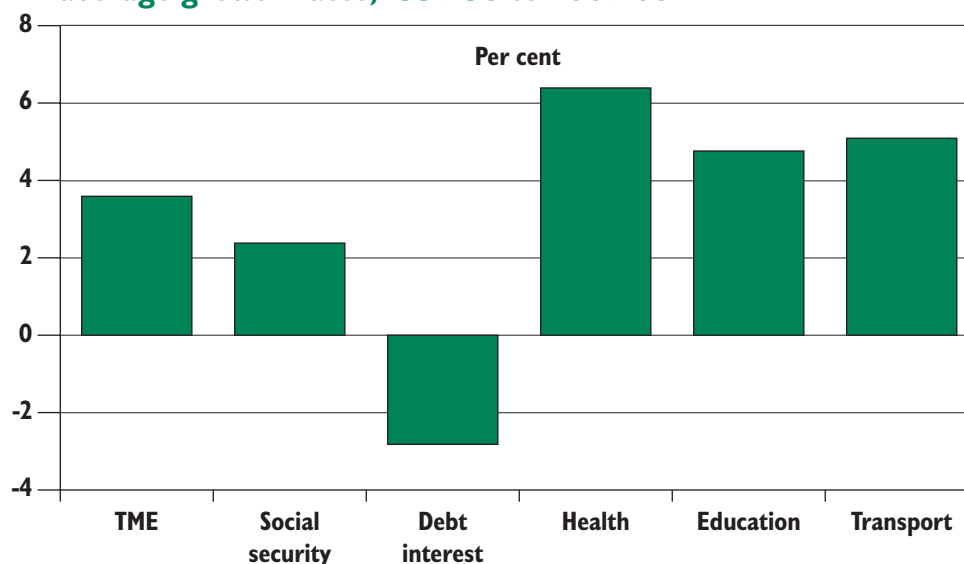
### Investing in priorities

**6.2** In June 1997 the incoming Government launched the first Comprehensive Spending Review (CSR), to lay the foundations for a modernised public spending and performance management framework that supports the prudent and efficient planning of expenditure over the medium to long term. The 1998 CSR, the most fundamental and in-depth examination of public spending ever attempted, enabled the Government to re-focus resources on its priority areas such as health, policing, education and transport.

**6.3** Successive Spending Reviews in 2000, 2002 and 2004 built upon these foundations to deliver further increased resources in these priority areas. These increases in spending were made possible by stable and sustainable economic growth, with falling debt interest payments and low unemployment, as illustrated by Chart 6.1. By 2007-08, compared with 1997-98:

- spending on the National Health Service (NHS) will be nearly 90 per cent higher in real terms, with overall UK health spending as a proportion of GDP expected to rise from 6.8 to over 9 per cent, around the EU average;
- total spending on education will be 60 per cent higher in real terms, rising from one of the lowest in the industrialised world to among the highest; and
- public expenditure on transport is planned to increase by over 60 per cent in real terms.

**Chart 6.1: Releasing resources for priorities – real annual average growth rates, 1997-98 to 2007-08**



Source: HM Treasury.

**6.4** By matching this growth in spending with ambitious reforms to support the efficiency, delivery and accountability of public services, the Government has been able to achieve major improvements in the outcomes achieved across front-line services, including:

- increased resources for the NHS have helped save around 200,000 lives since 1996 as a result of reductions to mortality rates from cancer and cardiovascular disease among people aged under 75;
- over 58 per cent of 16 year olds now achieve five or more good GCSEs, up from 45 per cent in 1997, with some of the biggest improvements seen in disadvantaged areas with a history of low achievement; and
- between 1997 and 2005-06 overall crime rates fell by 35 per cent, and the risk of being a victim of crime is now the lowest recorded by the British Crime Survey since it began in 1981.

## Preparing for the decade ahead

### Changing domestic and international context

**6.5** While much has been achieved in the past decade, the world is changing rapidly, with new challenges emerging that must be addressed in order to lock in these benefits for the decade to come. Since the 1998 CSR huge social, economic and technological changes have transformed the environment in which public services operate. An ageing population, changing patterns of work and family life, the development of the internet and other far-reaching changes have created new and rising demands on public services, ranging from childcare to education and training, and to health and social care. The international context has changed too, with the rapid pace of global economic integration, the emergence of new security challenges following the end of the Cold War, increasing pressures on global ecosystems and a growing international consensus around tackling global poverty.

### 2007 Comprehensive Spending Review

**6.6** These developments will shape the decade ahead, with fundamental implications for public services that will require innovative policy responses, co-ordination of activity across departmental boundaries and sustained investment in key areas. In July 2005, the Chief Secretary to the Treasury therefore announced the launch of a second CSR reporting in 2007. The 2007 CSR will set departmental spending plans and priorities for the years 2008-09, 2009-10 and 2010-11. A decade on from the start of the first CSR, the 2007 CSR provides the opportunity for a fundamental review of the balance and pattern of public expenditure, taking stock of what the programme of investment and reform has delivered to date, and identifying the further steps needed to meet the challenges and opportunities of the decade ahead.

**6.7** Over the last year the Government has been laying the groundwork for the 2007 CSR, by taking forward a detailed programme of analytical work involving:

- an examination of the key long-term trends and challenges that will shape the next decade;
- detailed reviews on specific cross-cutting issues where innovative policy responses across departmental boundaries will be required in order to meet the challenges ahead;
- an ambitious and far-reaching value for money programme to release the resources needed to address these challenges, involving further development of the efficiency programme in the areas identified by the Gershon Review, a set of zero-based reviews of particular areas of departments' baseline expenditure, and a review of the opportunities for transforming public services led by Sir David Varney, to assess their effectiveness in delivering the Government's long-term objectives;

- a more strategic approach to asset management and investment decisions, ensuring the UK is equipped with the infrastructure needed to support both public service delivery and the productivity and flexibility of the wider economy; and
- a review of the performance management framework to continue driving outcome-focussed improvements and ensure that public services are accountable and responsive to the needs and expectations of users.

This chapter provides a detailed progress report on each of these elements of the Government's preparations for the 2007 CSR.

## MEETING THE LONG-TERM CHALLENGES

**Long-term challenges** **6.8** *Long-term opportunities and challenges facing the UK: analysis for the 2007 Comprehensive Spending Review*,<sup>1</sup> published on 27 November 2006, describes some of the key long-term trends that will continue to transform both the environment in which public services operate and the UK's role in the world in the decade to come, in particular:

- demographic and socio-economic change, with rapid increases in the old age dependency ratio on the horizon and rising consumer expectations of public services;
- the intensification of cross-border economic competition, with new opportunities for growth, as the balance of international economic activity shifts toward emerging markets such as China and India;
- the rapid pace of innovation and technological diffusion, which will continue to transform the way people live and open up new ways of delivering public services;
- continued global uncertainty with ongoing threats of international terrorism and conflict, and the continued imperative to tackle global poverty; and
- increasing pressures on natural resources and the global climate, requiring action by governments, businesses, and individuals to maintain prosperity and improve environmental care.

**6.9** As announced in Budget 2006, CSR07 will be informed by the analysis and conclusions of a series of reviews on key cross-cutting issues where innovative policy responses will be required in order to meet the challenges set out above. An overview on the reviews, described in more detail in other chapters, is set out below.

**Demographic & socio-economic change** **6.10** Chapter 5 sets out the steps the Government is taking to promote fairness and social justice. To continue making further progress in the context of demographic and socio-economic change over the decade ahead:

- Budget 2006 launched a joint HM Treasury and Department for Education and Skills (DfES) policy review of children and young people to secure further improvement in outcomes. Further details are set out in Box 6.1;
- Budget 2006 also announced a review of the policies needed to improve mental health outcomes and employment, recognising that too many people are excluded from the world of work when, with the proper support, it should be possible for them to find or remain in work benefiting their health and the wider economy (further details are set out in Chapter 4); and

<sup>1</sup> *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review*, HM Treasury, November 2006.

- building on the Government's response to Kate Barker's *Review of Housing Supply*,<sup>2</sup> a policy review on supporting housing growth will inform the 2007 CSR to determine the infrastructure implications of growth in different spatial forms and locations, and establish a framework for sustainable and cost effective patterns of growth, as described in Chapter 3.

### Box 6.1 Review of Children and Young People

Preventing problems, or intervening as soon as they are identified, is essential to sustain children's life chances. *Every Child Matters*, the Government's programme of reform of services for children, has brought significant improvements. The Review of Children and Young People has identified a number of areas where further progress can be made. For example, continued progress on educational attainment, building social and emotional skills, and supporting parents to play their role in their child's development. The review has received views and inputs from around 200 organisations and has also held consultation events with academics, parents, young people and practitioners from public and voluntary services. Under the umbrella of this review, sub-reviews are focusing on:

- **a strategy for youth services:** building on progress made through *Youth Matters*, the review has identified the need to go further to break down the barriers that currently prevent some young people participating in positive activities, raising the quality and consistency of what is made available and involving more young people in the design and delivery of their own opportunities for development;
- **support for disabled children:** despite many examples of good practice, the review has found effective public service responsiveness to the needs of disabled children is not a universal experience. Further progress is needed to understand the impact of support for disabled children, including earlier intervention, enhancing the ability of disabled children and their families to influence the way services are delivered to them, and ensuring local public services cooperate sufficiently to deliver effective packages of care; and
- **support for families caught in a cycle of low achievement:** there are a minority of families with multiple problems leading to particularly harmful outcomes for their children, and using significant resources from a number of public agencies, reducing these services' ability to redirect resources towards prevention for others. This review has identified the need for more effective, coordinated care for these families across different public services, particularly between services for children and for adults.

**6.11** As set out in *Long-term opportunities and challenges facing the UK*, the number of older people, particularly those aged over 85, is expected to rise sharply over coming years with significant implications for public services, such as long-term care for the elderly. Recent reports from Derek Wanless for the King's Fund, the Joseph Rowntree Foundation and others have made important contributions to the debate around the future of social care provision, which will also be informed by Individual Budgets, Partnerships for Older People Projects, direct payments and the In Control programme. In assessing proposals, as part of the long term vision of the 2007 CSR, the Government will consider whether they are affordable, whether they are consistent with progressive universalism and whether they promote independence, dignity, well-being and control in line with *Improving the Life Chances of Disabled People*, the White Paper *Our Health, Our Care, Our Say* and the National Service Framework for Older People.

<sup>2</sup> *Review of Housing Supply*, HM Treasury and the Office of the Deputy Prime Minister, March 2004.

**Changing global economy** 6.12 The steps set out in Chapters 2 to 4 to entrench macro-economic stability, raise productivity growth and increase employment opportunity for all are essential to ensure every individual and business is able to seize the opportunities of an increasingly competitive and integrated global economy. To make further progress over the CSR07 period:

- the *Eddington Transport Study*, published on 1 December 2006, sets out criteria for securing the maximum long-term benefit from transport investment on economic productivity, stability and growth (further details are set out in Chapter 3);
- the Leitch Review of Skills, published on 5 December 2006, sets out ambitions for the skills profile that the UK should aim to achieve by 2020 (further details in Chapter 3);
- in order to ensure that all regions of the UK prosper in the decades ahead, the Government is reviewing the effectiveness of sub-national interventions on economic development and the regeneration and renewal of deprived areas (further details in Chapter 3); and
- the *Barker Review of Land Use Planning*, published on 5 December 2006, shows how planning policy can better deliver economic growth and prosperity alongside other sustainable development goals (further details in Chapter 3).

**Innovation & technological development** 6.13 The rapid pace of technological change is set to continue over the decade ahead, creating new opportunities for both businesses and public services. To help harness these opportunities, the Sainsbury Review of science and innovation policies across government will look at what needs to be done to ensure the UK's continued success in wealth creation and scientific policy-making. Chapter 3 sets out further details and also describes the other work the Government is taking forward to maximise the impact of the UK's science and innovation system, including the Cooksey Review of health research and the Gowers Review on intellectual property.

**Continued global uncertainty** 6.14 Whilst the UK has faced terrorist threats in the past, the global reach, capability and sophistication of international terrorist groups places the current threat on a scale not previously encountered. As part of the Government's continued commitment to meet this challenge, **this Pre-Budget Report announces £84 million to support the ongoing expansion of counter-terrorism capabilities in the Intelligence Agencies launched in the 2004 Spending Review settlement.** Global security in the decade ahead will be shaped by a range of factors, including international responses to poverty, future conflict and areas of instability. As part of its response to these challenges, the 2007 CSR will be informed by a review of the delivery of the Government's counter-terrorism and security strategies. With spending on counter-terrorism and resilience rising to £2 billion by 2007-08, double the pre-9/11 levels, this review is an opportunity to ensure the best use of these resources, including examining the case for a single security budget, and to provide a strategic framework for investment choices.

**Environmental pressures & climate change** 6.15 *The Stern Review on the Economics of Climate Change*,<sup>3</sup> published in October 2006, examined the consequences of climate change in both developed and developing countries, and the specific implications for the UK. The review, led by Sir Nicholas Stern, concluded that climate change is the greatest market failure the world has seen: the costs of unabated climate change could be between 5 and 20 per cent of global GDP. In contrast, the costs of action to reduce greenhouse gases to avoid the worst impacts of climate change can be limited to around 1 per cent of global GDP. Chapter 7 details the Government's progress and sets out further measures the Government is taking to tackle this challenge.

<sup>3</sup>*Stern Review on the Economics of Climate Change*, Cambridge University Press, October 2006.

**Engaging wider society** 6.16 The Government alone cannot meet these challenges: citizens, communities, businesses and non-governmental organisations will all play a vital role in shaping the future of UK society. To inform the 2007 CSR and develop a shared understanding of how the country must respond to the challenges of the decade ahead:

- over the past year HM Treasury has consulted extensively to develop a shared understanding of the key long-term challenges and their implications for public services. The conclusions of this analysis and consultation were published in *Long-term opportunities and challenges facing the UK* and box 6.2 sets out the next steps the Government is taking to engage the public;
- the Government has engaged in the largest ever consultation with the third sector as part of a review of its future role in the social and economic regeneration of the UK. *The future role of the third sector in social and economic regeneration: interim report* is published today, as discussed in further detail in Chapter 5; and
- Sir Michael Lyons' Inquiry is addressing the long-term challenges facing local government and is considering how any reforms to the role and funding of local authorities could help meet those challenges, as discussed in more detail later in this chapter.

#### **Box 6.2 Engaging the public on the long-term challenges facing the UK**

Recognising that every citizen, business, and community has a major stake in the outcomes of the 2007 CSR, the Government wants to ensure that it is fully informed by widespread public engagement on the long-term challenges facing the UK. As part of its analysis and preparations to date, the Government has already undertaken extensive consultation with over 2000 third sector organisations, service users, front-line professionals, businesses, think-tanks and academics amongst others.

The Government has begun the process of assessing the long-term policy choices it will have to confront in the 2007 CSR and beyond to deliver on its ambitions in the changing domestic and international environment. In addition to the specific policy reviews set out above, the Cabinet has set up Ministerial working groups in six key areas of policy: maintaining a strong and stable economy; public services; security, crime and immigration; energy and environment; foreign policy; and the role of Government. These reviews and discussions are ongoing and will be informed by the analysis set out in *Long-term opportunities and challenges facing the UK*.

Through the policy reviews, Ministerial working groups, the development of delivery agreements for Public Service Agreements and other forms of engagement, the Government will continue to stimulate public debate and listen to people's views on the key opportunities and challenges for the UK and how government, citizens, businesses and communities should be responding to them in the decade ahead.<sup>4</sup>

<sup>4</sup>The Government invites views on the key opportunities and challenges for the UK. These should be sent to [csr2007@hm-treasury.gov.uk](mailto:csr2007@hm-treasury.gov.uk) or CSR2007, FREEPOST 18249, London, N4 1BR.

## ENSURING VALUE FOR MONEY

**6.17** To ensure that historic increases in investment are translated into better outcomes across public services, the Government has taken a series of steps to drive improvements in delivery and value for money. Achieving greater efficiency supports the delivery of public services by enabling the Government to reinvest resources in further improving key front-line services. The 2004 Spending Review (SR04) set out the Government's ambition of achieving annual efficiency gains of over £21 billion by 2007-08.

**6.18** In line with the recommendations of the Gershon Review, the SR04 efficiency programme has focused on key processes that are common across government business and bringing the worst performing business units up to the level of the best. Solid progress has been made, with **departments and local authorities reporting annual efficiency gains of £13.3 billion by the end of September 2006, more than halfway towards the target of over £21 billion by 2007-08.** These include:

- the Ministry of Defence (MOD) launched the People, Pay and Pensions Agency in April and forecasts a reduction of 40 per cent against the previous cost of providing HR services, delivering savings of over £300 million;
- the Department of Health has secured a further £300 million reduction in the cost of reimbursing pharmacists for drugs dispensed, achieved as part of the annual negotiation of the pharmacy contract;
- the Home Office has delivered efficiency gains in asylum support costs totalling £445 million, in part by renegotiating accommodation contracts and using more economical pre-planned accommodation rather than expensive emergency accommodation; and
- local authorities have achieved a total of around £1.9 billion of efficiency savings by the end of March 2006, and are expected to achieve a further £1.3 billion in 2006-07, surpassing the 2007-08 target for local authorities of around £3 billion one year early.

**6.19** Reporting on the progress of the Government's efficiency programme in February 2006, the National Audit Office (NAO) recognised that the programme was the first to look at efficiency across the public sector as a whole. The NAO recognised the challenges of verifying and validating efficiency data.<sup>5</sup> The Office of Government Commerce (OGC) has developed, in consultation with the NAO, a framework and criteria against which reported efficiency gains can be assessed.<sup>6</sup> This has improved the way the Government is able to measure and assess efficiency gains.

### Workforce reductions

**6.20** As part of departmental efficiency programmes, the 2004 Spending Review also outlined plans for a gross reduction of 84,150 posts in civil service and military administration and support functions by 2007-08. These plans include 13,550 staff reallocated to front-line services, leading to a net reduction of 70,600 posts. Budget 2006 reported that gross reductions of over 40,000 posts had been achieved by the end of December 2005. This strong progress has continued, as table 6.1 shows, with **a further 14,600 posts removed, resulting in gross reductions of nearly 55,000 by the end of September 2006.** The programme remains on course to meet its targets.

<sup>5</sup> *Progress in Improving Government Efficiency*, NAO, February 2006.

<sup>6</sup> Further information at <http://www.ogc.gov.uk/>

**Table 6.1: Workforce reduction across departments**

Department	Reductions	Reallocations to front line roles	Total reduction
Department for Work and Pensions	20,337	6,667	27,004
HM Revenue & Customs	7,716	2,745	10,461
Ministry of Defence	9,948	0	9,948
Other departments	7,550	0	7,550
Total	45,551	9,412	54,963

**Lyons relocations** **6.21** The 2004 Spending Review set out the Government's aim to move 20,000 posts out of London and the South East by 2010. **As at the end of September 2006, over 10,500 posts have been successfully relocated confirming that progress is over half way towards the 2010 target.** Examples include:

- over 2,400 posts relocated to Wales;
- over 2,200 posts relocated to Yorkshire and the Humber; and
- over 2,000 posts relocated to the North West.

**Transforming government procurement** **6.22** The purchase of goods and services by the public sector accounts for a significant proportion of public expenditure, and of demand for goods and services in the economy. The Office of Government Commerce (OGC) supports and challenges departments to secure better value for money savings. The Government is well on track to meet its target of £3 billion of value for money savings from procurement by the end of the 2004 Spending Review period, having already made £2.6 billion of savings in 2005-06.

**6.23** To ensure high quality public services, value for money and spending in a sustainable way, the Government will need to maximise the opportunities that businesses can offer through their commercial expertise and ability to innovate. The Government has already made improvements in its procurement capability in recent years. To make the step-change required to further harness business expertise, the Government will shortly announce detailed plans to transform government procurement.

**The Kelly Report** **6.24** The Government is continuing to implement the recommendations of the Kelly Report.<sup>7</sup> The Public Sector Construction Clients Forum, established in 2005, is working on a guide to the Green Book to promote and encourage the implementation of robust whole-life value techniques, and is also looking at identifying and promoting fair payment techniques.

## Value for money in the 2007 CSR

**6.25** The 2007 CSR marks the next stage of development in the Government's programme for delivering better value for money in public services. To continue to improve front-line service delivery and release the resources needed to respond to new long-term challenges, CSR07 will go beyond the ambition set in the 2004 Spending Review efficiency programme by:

- deepening the government-wide efficiency programme in the operational areas established by the Gershon Review, with greater engagement of frontline professionals to identify opportunities for service improvements;

<sup>7</sup>See *Increasing competition and improving long-term capacity planning in the government marketplace*, OGC, December 2003.

- taking a radical look at the way that government spends money on programmes and policies ten years on from the first CSR, through a set of zero-based reviews of departments' baseline expenditure;
- delivering a step-change in the management of the public sector asset base, taking forward the recommendations of the Lyons Review of asset management; and
- reviewing the opportunities for transforming service delivery across government, looking at how the channels through which services are delivered can be made more efficient and responsive to the needs of users.

**6.26** In July 2006 the Government published an interim report on its value for money programme, announcing that it had already identified scope to deliver savings of at least 2.5 per cent per year over the 2007 CSR period. Based on the further progress that has been made across government, both on the current programme and on departments' preparations for the 2007 CSR, **this Pre-Budget Report can confirm that the baseline savings ambition for the 2007 CSR period will be at least 3 per cent per year across central and local government.** Furthermore, the focus of the CSR07 value for money programme will be on delivering net cashable savings, which will free-up resources to meet new challenges.

**6.27** These savings will be delivered through a combination of operational efficiencies, building on the 2004 Spending Review efficiency programme by looking to drive further efficiency savings out of common government processes, and zero-based reviews, re-examining departments' baseline expenditure to reflect changing priorities. For example:

- the Department for Trade and Industry is leading work to simplify the Government's business support schemes, moving from more than 3,000 schemes to no more than 100 by 2010 (described in further detail in Chapter 3);
- the Department for Communities and Local Government (DCLG) is reviewing its housing investment programme to lever in greater private sector investment and identify opportunities to reduce construction costs in the procurement of new social housing and properties for low cost home ownership; and
- the Foreign and Commonwealth Office (FCO) will move to a new hub and spoke system of providing regional management support to local overseas staff and, together with the Department for International Development, will also increase the proportion of overseas staff in co-located offices in host countries from 43 per cent to over 70 per cent.

**6.28** Following the early CSR07 spending settlements announced at Budget 2006, **this Pre-Budget Report announces further settlements for the Department for Constitutional Affairs (DCA) and a number of smaller departments** which will embed ongoing value for money savings into their medium-term expenditure planning and lay the foundations for a CSR focussed on meeting the challenges of the decade ahead. Further details are set out in box 6.3.

**Box 6.3: Embedding efficiency in departmental expenditure planning**

Budget 2006 announced that the Department for Work and Pensions, HM Revenue & Customs, HM Treasury and the Cabinet Office had identified ambitious value for money reforms over the CSR07 period which will enable them to continue improving services within budgets that fall by 5 per cent a year in real terms in 2008-09, 2009-10 and 2010-11.

Since the Budget, strong progress has been made across all departments in their value for money preparations for CSR07. **This Pre-Budget Report announces that the DCA has now also agreed a CSR07 settlement, which will reduce its budget by an annual average of 3.5 per cent in real terms over the CSR07 period.** This settlement, together with over £100 million of up-front transformation funding, will enable the DCA to take forward a series of investments and reforms to improve the efficiency and delivery of justice, including:

- reform of legal aid procurement following the independent review led by Lord Carter, to deliver a system that is financially sustainable over the long term, offers both choice and quality, allows efficient suppliers to prosper and safeguards the future provision of legal aid for those who need it;
- modernisation of the courts, with a long-term programme of investment and renewal in the courts estate, alongside measures to reduce running costs by streamlining back office functions; and
- rationalisation of the Tribunals Service, with the creation of a regional based management structure and an integrated jurisdiction allowing cases to be heard more effectively and flexibly, underpinned by investment to modernise the estate and make better use of IT in case processing.

**In addition, this Pre-Budget Report announces early CSR07 settlements for five small departments which will reduce their budgets by 5 per cent a year in real terms over the CSR07 period: the Privy Council Office, National Savings & Investments, the Central Office of Information, the Food Standards Agency and the Government Actuary's Department.**

The Government has set aside £1 billion in modernisation funding for the early settlements announced to date, enabling these departments to release a total of over £2 billion in nominal savings over the three years of the CSR07 period and to embed ongoing efficiencies over the longer term.

**Administration budgets** 6.29 Administration budgets set for departments help to drive economy and efficiency in the running of government itself. By harnessing the potential of new technologies and driving out operational efficiencies in the running of departmental business, the Government will also be able to make further progress in reducing the proportion of taxpayers' money that is spent on the administration of departments. Having frozen administration budgets in nominal terms over the 2004 Spending Review period to ensure that all additional expenditure went directly to frontline services, this Pre-Budget Report announces that **the Government will go further over CSR07 with 5 per cent annual real reductions in administration budgets across departments, thereby reducing the proportion of public spending spent on administration to a new low.** MOD administration costs will also be brought into the administration budget control regime on this basis.

**6.30** In line with real reductions in administration budgets in the 2007 CSR, the Government will continue to drive value for money in the procurement of professional services. Guidance will be issued to all central departments to ensure tighter control over consultancy fees and contract charges, with tougher budgeting rules to avoid incentives to contract out work from the civil service where this does not offer value for money.

**Public sector pay 6.31** Public sector pay accounts for around a quarter of all public spending, and controlling pay is therefore essential in delivering value for money and keeping inflationary pressures in check. The Public Sector Pay Committee (PSPC), established in 2005, sets common objectives for pay across government and ensures that pay awards and pay systems are evidence-based, consistent, and financially sustainable over the long run. The PSPC has already led to real progress on achieving affordable pay settlements, with pay awards recommended by Pay Review Bodies (PRBs) for 2006-07 averaging just 2.25 per cent, the lowest figure since 1993.

**6.32** In July 2006, the Chancellor of the Exchequer wrote to the PRBs emphasising the continuing need to ensure pay settlements are based on the achievement of the Government's inflation target of two per cent. The Government will continue to ensure that public sector pay awards contribute to the low and stable inflationary environment and are sustainable in the long term, as well as providing value for money. As part of this commitment, and in preparation for the 2007 CSR, each department will prepare pay and workforce plans setting out how they will achieve this throughout the 2007 CSR period. DCLG will similarly prepare pay and workforce plans for employees in the local government sector.

**6.33** The PSPC is continuing to review progress on local pay and will consider options to encourage increased regional flexibility. PRBs are required to have regard to regional and local labour markets, and their effects on recruitment and retention. Relevant departments are required to make clear to PRBs how they expect pay to reflect different local and regional markets. In addition, civil service pay guidance instructs departments to ensure that their pay and reward systems reflects their individual labour market.

## Public investment

**6.34** The 1998 CSR established public investment as a long-term priority, recognising its crucial contribution to both public service delivery and the productivity and flexibility of the wider economy. Since then, subsequent Spending Reviews have addressed the legacy of under-investment in the nation's public infrastructure, increasing public sector net investment from just 0.6 per cent of GDP in 1997 to a planned level of 2<sup>1</sup>/<sub>4</sub> per cent from 2006-07 onwards. This substantial growth in public investment has been underpinned by reforms to the budgetary and fiscal framework, including separate capital and resource budgets that safeguard long-run capital investment.

**6.35** Together with private investment, public sector investment is delivering improvement to capital assets used for public services:

- the NHS is undertaking the biggest hospital building programme in history, with 57 new hospital schemes open since 1997, and another 31 under construction;
- since 1997, all schools have benefited from building improvement, and the Government has committed to providing 21st century facilities for all secondary school pupils and rebuilding or refurbishing half of all primary schools; and
- significant improvements have been achieved in the quality of the strategic road network.

**Capital in the 2007 CSR** **6.36** Having addressed the most urgent investment backlogs, the challenge for the CSR07 period is to ensure that the Government is getting maximum value for money from its asset base and further investment is focused on the areas where it is most needed to meet the challenges ahead. The 2007 CSR will therefore take a more strategic approach to investment and asset management practices throughout the public sector. Building on the recommendations of the Lyons Review of Asset Management, the centrepiece of this new approach is the development of a unique Asset Management Strategy (AMS) for each department, which sets out the steps departments are taking to maximise the value of their existing asset base and provides a firm foundation for future investment decisions. Departmental AMS will focus on:

- improving the management and utilisation of the assets departments use to deliver public services;
- basing future investment decisions on a more complete assessment of the condition and performance of the existing asset base;
- taking a zero-based approach to capital budgeting, more fully realising the benefits of separate resource and capital budgets; and
- disposing of assets no longer required for public service delivery.

**Asset management strategy** **6.37** Recognising the importance of efficient management of the Government's asset base to the performance of public services, the 2007 CSR will ensure all departments place greater focus on improving their asset management practices. As part of their AMS, departments will be required to demonstrate that they have in place effective organisational and institutional frameworks for good asset management, consistent with the recommendations of the Lyons Review of Asset Management. This will include:

- robust financial management frameworks;
- clear and effective delegation and accountability;
- robust investment appraisal systems; and
- a framework to assess additional utilisation opportunities of assets and their potential for Wider Markets Activity.

**A zero-based approach to capital budgeting** **6.38** To strengthen the information base for investment decision-making in the 2007 CSR, the Government is:

- publishing an updated National Asset Register in early 2007, as part of a comprehensive survey of the condition and performance of the public sector asset base; and
- taking a zero-based approach to capital budgeting to ensure that further investment is focused where it is most effective and in the areas where it is most needed to meet the challenges ahead.

**Asset disposals 6.39** The 2007 CSR will also encourage all departments to fully explore the potential for realising greater commercial value from their existing asset base. In their individual AMS, departments will outline plans for the exploitation of under-utilised assets and the disposal of assets no longer required for service delivery. These will build upon the progress already made towards the Government's objective of realising £30 billion of asset disposals by 2010-11. The Government is on track to meet this target, **having delivered £5.9 billion of asset disposals in 2005-06, bringing the total up to £12.2 billion since 2004-05**. Box 6.4 provides an update on progress in the disposal of surplus assets in central and local government.

**Box 6.4: Asset disposals over the CSR07 period**

In 2004, the Government announced an objective to dispose of £30 billion of surplus assets by 2010-11, in order to release under-utilised resources for the investment needed to meet future challenges. The Lyons Review of Asset Management assessed this ambition to be stretching but achievable.

With total asset disposals of £12.2 billion since 2004-05, the Government is on course to meet its objective. As part of the preparatory work for the CSR07 capital review, departments have identified candidates for disposal that ensure the Government remains on track, including:

- the MOD continues to deliver its strategic programme of estate rationalisation, with total asset disposal receipts reaching £2.2 billion by 2011. The future programme includes the redevelopment of defence training sites, increasing normalisation in Northern Ireland; and the sale of defence estate in Greater London;
- the Department for Transport plans to dispose of land and buildings held by the Highways Agency, Channel Tunnel Rail Link and British Railways Board (Residuary) Ltd, releasing over £300 million by 2011;
- the Department of the Environment, Food and Rural Affairs plans to sell between £90 million and £100 million of assets across the CSR07 period; and
- over the last six months, the FCO have disposed of land in Bangkok worth £50 million and offices in Kampala worth over £2 million.

**6.40** To further strengthen incentives for effective asset management, following consultation with departments, the Government will be implementing changes to the treatment of impairments from 2007-08, removing barriers in the budgeting system to the disposal of surplus assets.

**Public corporations 6.41** In addition to the sale of £30 billion of fixed assets by 2010-11, the Government will continue to work with departments and local authorities to consider the potential sale options for public corporations, trading funds and financial assets where:

- they are no longer required to meet the Government's public service objectives;
- the private sector can generate operational efficiencies in the ongoing management of assets and services (through a sale or PPP structure); and
- resources are released from a sale that can be reinvested in public services.

**6.42** In line with its commitment to retain only those assets that are required to meet its public service objectives, the Government has completed the sale of Westinghouse for around

£3 billion on 16 October 2006. The Government continues to explore other asset disposals, including the potential sale of part of its stake in British Energy, continuing to seek to realise value from its stake in Urenco and finalising the sale of the Tote.

**6.43** Building on this progress, as part of the 2007 CSR, the Treasury will be working with departments to realise the disposal of other public corporations, trading funds and assets where it is economically productive and represents value for money. Additionally, the Government is working with London and Continental Railways to develop restructuring options for the company that could be implemented once section two of the Channel Tunnel Rail Link comes into service.

**Public sector spectrum** **6.44** In the response to Professor Martin Cave's 2005 audit of public sector spectrum,<sup>8</sup> the Government committed to drive forward a more efficient longer-term management of public sector spectrum through trading, auctions and incentive pricing. The Government and the Office of Communications (Ofcom) are continuing to work together to ensure this programme's long-term success. By the end of 2006, relevant government departments will submit specific proposals to HM Treasury for early release or sharing of spectrum holdings. This will allow the setting of ambitious targets for the sale or leasing of spectrum in the 2007 CSR. The Government will set out detailed plans in March 2007 for the implementation of significant changes to public sector spectrum, and forecasts of future spectrum requirements.

**6.45** The UK will switch to digital-only television between 2008 and 2012. The Government's established policy is that future use of the spectrum released following digital switchover should be determined in a technology-neutral auction or auctions. Ofcom will consult shortly on how the cleared spectrum should best be made available for use, with the aim of making a decision in mid-2007.

## Investment in education and skills

**6.46** Investment in education and skills is vital to making a reality of the Government's commitment to achieve a world-class skills base in the UK. The Leitch Review of Skills sets out ambitions for the skills profile that the UK should aim to achieve by 2020, as described in Chapter 3. The Government has committed record levels of investment to education and skills, with total spending projected to rise to 5.7 per cent of GDP by 2008. Capital investment in the educational estate has risen to unprecedented levels, to £8.3 billion by 2007-08, helping to reverse decades of underinvestment. In 1997 many schools were in poor condition, at or near the end of their expected life and unsuitable for the needs of the modern curriculum. Since 1997 the Government has been committed to a programme of investment across the education estate, including:

- delivery of 3,500 children's centres, one in every community by 2010, with a milestone of 2,500 to be open by 2008;
- a long-term programme of investment in the primary school estate to rebuild or refurbish over half of primary schools over around 15 years;
- providing every secondary school pupil with 21st century facilities through Building Schools for the Future, a long-term programme of strategic investment to rebuild or refurbish all secondary schools over 15 years; and
- increased investment in the further education estate, to deliver a world-class training infrastructure that gives employers confidence to invest in training, and a more responsive sector able to adapt to the rapidly changing needs of employers and learners.

<sup>8</sup>The Independent Audit of Spectrum Holdings, Professor Martin Cave, December 2005. Available at: [www.spectrumaudit.org.uk](http://www.spectrumaudit.org.uk).

**6.47** This Pre-Budget Report announces that capital investment in education will rise by an additional £250 million, £750 million and £1,850 million over the years 2008-09 to 2010-11. This will result in a total of £8.6 billion in 2008-09, £9.1 billion in 2009-10, and £10.2 billion in 2010-11 invested in the fabric of educational institutions over the CSR07 period, a total of £36 billion over the next four years. Capital expenditure on education will see annual average growth in real terms of 4.1 per cent over the 2007 CSR period.

## REFORMING THE DELIVERY OF PUBLIC SERVICES

**Service transformation 6.48** Budget 2006 announced that the Chancellor had asked Sir David Varney, former Executive Chairman of HMRC and former Chairman of O<sub>2</sub>, to advise him on the opportunities for transforming the delivery of public services, in particular by looking at how the channels through which services are delivered can be made more responsive to the needs of citizens and businesses. Sir David's report to the Chancellor is published today alongside this Pre-Budget Report.<sup>9</sup> Box 6.5 sets out the key recommendations for further reform in joining up service provision across the public sector.

### Box 6.5: Transforming the delivery of public services

*Service transformation: A better service for citizens and businesses, a better deal for the taxpayer* builds on the Government's progress in reforming the delivery of public services in the last decade. It responds to the changing expectations of citizens and business, who see their time as an increasingly limited resource, and to the opportunities offered by innovative delivery methods and new technologies. The report identifies how public service delivery can be strengthened by focusing directly on citizens' and businesses' needs and joining up government front-line contact with those needs in mind; saving citizens, businesses and government both time and money. It lays the groundwork for CSR07 transformation of customer contact, including:

- developing single contact services for bereavement, change of address and birth by 2010, initiated as pilots, to drive citizen and business focused cross-government working;
- improving Directgov and Businesslink.gov so they become the primary information and transactional channels for citizens and businesses, providing citizens and businesses with 24 hours-a-day, 7 days-a-week access to public services;
- improving public sector contact centre performance by establishing performance targets and best practice benchmarks, reducing operating costs by 25 per cent, equivalent to a saving of £400 million pounds per year by the end of the CSR07 period;
- taking forward proposals to develop a cross-government identity management system to enable greater personalisation of services and to reduce duplication across government, building on a proof of concept project to share data between HMRC, DWP and 12 local authorities;
- promoting the importance of citizen and business insight in the design and delivery of public services and developing better use of government channels to encourage a shift of use from face to face services and contact centres towards e-channels;
- developing better coordinated and focused face-to-face services, through a cross-government estates strategy, underpinned with departmental plans for increased third sector delivery of these services and more mobile working; and
- establishing a detailed delivery plan and quantitative performance indicators which form the basis of a published annual report on service transformation.

<sup>9</sup>*Service transformation: A better service for citizens and businesses, a better deal for the taxpayer*, HM Treasury, November 2006.

**6.49** The Government strongly welcomes this report and will take forward its recommendations as a comprehensive service transformation programme. The service transformation programme will also feed into the 2007 CSR value for money programme. This will provide a means to improve the convenience and access citizens and businesses will have to public services, but in particular for the most vulnerable in society who have the hardest task in accessing services.

**6.50** Citizens should be able to access public services in relation to changes in their personal or family life events through a single point. **This Pre-Budget Report announces that, under the leadership of the Secretary of State for Work and Pensions, the Government will immediately establish a feasibility study into a change of circumstances service, starting with bereavement.** If this is successful, the Government will look to make rapid progress in this area.

**6.51** Changes in technology and developments in the service sector point to citizens and businesses increasingly wanting to resolve their queries with fewer points of contact, 24 hours-a-day, 7 days-a-week. A much wider number of transactions need to be available online at a time convenient to them. Improving Government's online services is one of Sir David Varney's central recommendations, consequently, **the Government will look to substantially strengthen, and improve the cross-government DirectGov and Businesslink e-services programmes, working with the key departments involved.**

**6.52** A delivery plan to implement Sir David Varney's report for the 2007 CSR will be published next year, led at official level by Sir Gus O'Donnell, the Cabinet Secretary, and the Permanent Secretaries Steering Group (PSSG). This will include plans for better co-ordinating online services, contact centres and face-to-face services across government, including releasing £400 million for new priorities by the end of 2010-11 from reducing the operating cost of contact centres by 25 per cent. The plan will be informed by advice from the Delivery Council, recently established by the Cabinet Secretary, which builds on and subsumes the work of the Public Services Productivity Panel that is drawing to a close.

## Public service reform

**6.53** Since their introduction in 1998, Public Service Agreements (PSAs) have played a vital role in galvanising public services to deliver ambitious outcomes, building capacity and providing unprecedented levels of transparency. The service improvements achieved over the last decade have provided the impetus for a more devolved approach, and in successive spending reviews the performance management framework has evolved away from a centrally driven focus on inputs and the prescription of processes, to giving frontline public service professionals increasing flexibility to deliver the outcomes that really matter to the public.

**6.54** The Government will further strengthen its approach to performance management and public service delivery in the 2007 CSR, ensuring that it remains focussed on meeting the core needs of citizens and businesses in a rapidly changing world by:

- setting clear national priorities, which drive the collective efforts of departments and frontline professionals in meeting the challenges ahead;
- strengthening accountability for delivery, to ensure sustained improvements are delivered across diverse public service outcomes;
- incentivising responsive public services, by giving public servants the freedom and flexibility to tailor services and develop innovative approaches to reflect local needs; and
- empowering communities and citizens to engage, shifting the balance of the framework so the front line is able to combine a focus on meeting national priorities, with greater accountability to the citizens and the diverse communities they serve.

**Setting clear national priorities** **6.55** With 90 per cent of existing PSA targets due to come to an end in the forthcoming Spending Review period, a new set of PSAs in the 2007 CSR will express a more focussed list of key cross-government priority outcomes. This smaller set of corporate PSAs will reflect genuine choices about priorities for the 2007 CSR period, serving to unite efforts across departmental and organisational boundaries in meeting them. To ensure the efficient use of resources and a coherent framework for delivery across all departmental business, these PSAs will be complemented by a wider set of strategic objectives within each department.

**Strengthening accountability** **6.56** In the 2007 CSR systematic engagement and collaboration with public service professionals early in the process will inform the way PSA outcomes are defined, measured and delivered. This will ensure that the Government sets robust indicators, which do not distort operational priorities or create perverse incentives, and that effective plans for delivery are in place from the outset.

**6.57** Departments will be required to produce a single, coherent, cross-departmental Delivery Agreement for each PSA, informed by consultation with the delivery chain. Delivery Agreements will clearly set out the level of ambition, strategy for delivery, and role of each organisation involved, allowing scope for delivery plans to reflect the most effective balance between the diverse levers and drivers which impact upon delivery – from competition and choice, to inspection and regulation. For the first time these Delivery Agreements will be published, both to enhance Government's accountability to the public and to ensure key actors throughout the delivery chain are focused on achieving the priorities.

**Responsive public services** **6.58** Further changes to the performance management framework will also ensure that central bureaucracy does not crowd out local flexibility. In the 2007 CSR every PSA will be underpinned by a small basket of national-level indicators. Precise targets and minimum standards will only be attached to national indicators where this is the most effective way to drive delivery. To increase the responsiveness of public services to the needs of customers, this approach will allow for greater use of indicators that capture user experience and satisfaction.

**6.59** The Government also has a crucial role to ensure that the data it asks of the front line is proportionate and appropriate, and that it is collected efficiently. Building on the commitments in the Local Government White Paper, and in the run-up to CSR07, HM Treasury will work with the Better Regulation Executive to establish a mechanism for delivering a sustained reduction in the burden of data requests that departments, their agencies and inspectorates place on the front line.

**User engagement** **6.60** Finally, the performance management framework will embed a new focus in public services on engaging the communities and citizens they serve, building on recent policy developments. *Strong and Prosperous Communities – The Local Government White Paper*<sup>10</sup> sets out how the Government will empower communities to engage, for example through extending the Community Call for Action across all public services and encouraging the use of local charters. In the 2007 CSR, PSA Delivery Agreements will further drive systematic use of mechanisms that enable citizens to hold public services more directly to account. The Government is also exploring options for giving citizens greater access to timely data on performance of local services, providing 'bottom-up' pressure to improve services and giving users a greater basis on which to exercise choice.

**The Third Sector** **6.61** As described in Chapter 5, the third sector plays a pivotal role in shaping a fair and enterprising society. The sector also has a specific role to play in the delivery of improved public services through engaging citizens and delivering innovative and responsive

<sup>10</sup> *Strong and Prosperous Communities – The Local Government White Paper*, Department for Communities and Local Government, October 2006

personalised services. The Government provides investment to build capacity in third sector organisations through the Futurebuilders Fund, which has offered investments of grant and loan finance to over 170 organisations since 2004, totalling £68 million. The independent Futurebuilders Advisory Panel is due to report on the Futurebuilders programme at the end of this year. As part of this report, the Government is asking the Panel to look at further opening up the fund to all third sector organisations working to deliver public services. This would particularly help those organisations working on environmental activities including recycling, and those involved in community leisure and sports, many of which are social enterprises.

**6.62** Budget 2005 announced the participation of Cumbria, Dorset, Nottingham,<sup>11</sup> Portsmouth and Tower Hamlets Councils as local area pathfinders, committed to exploring ways in which the third sector can add value to the delivery of local services. The Government will shortly publish a report on the outcomes of the pathfinders as part of the evidence base for the third sector policy review. Each of the Councils involved is now implementing a range of actions to deliver a better relationship with the local third sector based on the Compact principles.

**Review of Government Offices** **6.63** The Government has made strong progress in implementing the review of the Government Offices (GOs), published alongside Budget 2006.<sup>12</sup> Strong performance management and governance measures have been introduced to help GOs achieve a more strategic focus and to enhance their input into central Government policy. The GOs and central government have agreed a benefits framework, which provides the basis for monitoring delivery against the full range of review outcomes. In particular, this will deliver a more streamlined, outcome-focused GO network.

**Local government** **6.64** Local government has an increasingly important role to play in the delivery of complex public service outcomes. The Local Government White Paper, published in October 2006, sets out how the Government intends to strengthen the role of local government, and increase local flexibility to deliver better outcomes across communities. The Government will create mechanisms for more citizen pressure and greater dynamism at a neighbourhood level, so that the front-line is more accountable to the public, building on this approach through the 2007 CSR. The Government will also reduce unnecessary performance monitoring burdens on local authorities, freeing them up to respond with local solutions to national priorities, and to deliver on the needs of individuals and neighbourhoods. In particular, local authorities will see a significant reduction in the number of national performance indicators, from between 600 to 1,200 down to 200, and a revised Local Area Agreement (LAA) process through which the Government and local partners will agree and manage a limited number of improvement targets for each local area.

**6.65** While the new framework will see increased devolution of decision making to local areas, there remains a crucial role for external challenge and assessment. The White Paper realises the Budget 2005 ambition on inspection gate-keeping in relation to local services inspection. The Audit Commission will lead an area-based risk assessment, with the other inspectorates, to inform a programme of intervention. This builds on the successes of the Comprehensive Performance Assessment (CPA) in driving improvement in local authority performance. This will be known as the Comprehensive Area Assessment and will be put in place from 2009-10.

**6.66** An independent inquiry, led by Sir Michael Lyons, is addressing the long-term challenges facing local government and is considering how any reforms to the role and funding of local authorities can help to meet those challenges. The Lyons Inquiry's two reports to date have set out his interim findings on funding and on function. Its report on the role of local authorities, published in spring 2006, fed directly into the White Paper.

<sup>11</sup> Nottingham City Council came on board as a pathfinder after Budget 2006.

<sup>12</sup> *Review of Government Offices*, Office of the Deputy Prime Minister and HM Treasury, March 2006.

**6.67** The Local Government White Paper, and the Eddington, Leitch and Barker reviews described in Chapter 3, have made important recommendations relating to the Lyons Inquiry. The Government has therefore now asked Sir Michael to consider further their implications in order to ensure a coherent approach to the role, function and funding of local government. The Lyons Inquiry's final report will be published around the time of Budget 2007.

**Inspection reform 6.68** The Government remains committed to modernising inspection policy and practice by refocusing inspection on what is most relevant, rationalising processes to better manage complex patterns of scrutiny and reducing burdens on the front line. The overall aim of the strategy is to create a modernised inspection system that gives high performing institutions freedom to deliver while ensuring swift action and intervention for poorer performers. As a result of modernising inspection programmes and a greater use of risk-based, proportionate approaches leading to fewer burdens on front line services, departments' public service inspectorates are close to finalising plans to reduce inspectorate expenditure by around a third over the medium term.

**6.69** As well as programme modernisation, structural reforms will go a long way to securing the benefits of a reformed and rationalised inspection. Following the successful passage of the Education and Inspections Act, from 1 April 2007 Ofsted's role will be expanded to include new functions, bringing together for the first time in one body responsibility for inspection of education, children's services and skills; this delivers one key component of the Government's strategy on public sector inspection. To deliver other key elements, a Bill to create the new local services inspectorate is expected to be introduced in the third Parliamentary session, as announced in the Local Government White Paper. A Bill to create a new regulator for the health and adult social care sector is expected to be introduced later in 2007.

**6.70** Following debate in Parliament regarding the merger of the five criminal justice inspectorates, the Government has decided for the time being to focus immediate efforts on working to secure the benefits of the institutional merger through closer collaborative working. Inspectorates will be held to account regularly for progress on these issues, and the need for further legislation, including structural changes, will be kept under close review.

## DELIVERING BETTER OUTCOMES ACROSS PUBLIC SERVICES

**Education 6.71** Spending on education in the UK will double in nominal terms between 1997-98 and 2007-08, rising as a proportion of GDP from 4.5 per cent to 5.7 per cent. These sustained levels of investment, taken together with reforms such as the Literacy and Numeracy Hour, specialist schools and city academies, have supported substantial improvements in pupil results. In 1997, 45.1 per cent of pupils achieved 5 GCSEs at grades A\* to C. In 2006, following year on year increases, this figure now stands at 58.1 per cent of pupils. The Government is on course to reach its target of 60 per cent of pupils achieving 5 grades at A\* to C by 2008. However, attainment gaps by gender, ethnicity and socio-economic background persist. For example, 62 per cent of girls achieved 5 GCSEs at grades A\* to C in 2006, whereas only 52 per cent of boys reached the same level of achievement.

**6.72** The Government is committed to raising attainment for all, narrowing attainment gaps, and improving wider outcomes for children, with a long term-ambition for all pupils to have access to the levels of support and opportunity currently available to pupils in the independent sector. In this context, Budget 2006 set out that the Government would aim – over time and adjusting for inflation – to increase funding towards today's private sector day school levels. As a first step towards this long-term goal, Budget 2006 announced that school capital investment would rise from £6.4 billion in 2007-08 to £8.0 billion by 2010-11 – matching 2005-06 private sector per pupil capital investment in real terms. This Pre-Budget Report sets overall capital plans for the Department for Education and Skills for the 2007 CSR period, consistent with this commitment. Further details are set out earlier in this chapter.

**Personalised teaching and learning** **6.73** Personalised teaching and learning in whole class settings, backed up by tailored support within and beyond the classroom, can drive up results for under attaining groups. Budget 2006 announced additional resources of £585 million over 2006-07 and 2007-08 to support personalisation. **This Pre-Budget Report announces a further £130 million direct to schools in England in 2007-08, including to support personalised teaching and extended services.** These additions, channelled through the Schools Standards Grant, mean that direct payments to schools will rise to an average of £200 per pupil for primary schools, and £225 per pupil for secondary schools. The Gilbert Review, announced in Budget 2006, is considering what steps are necessary to make personalisation a reality in every school and classroom, and will conclude by the end of the year.

**6.74** Available evidence suggests that attainment gaps emerge from an early age and that differences in literacy – as key to accessing the rest of the curriculum – are an important factor. The Literacy Strategy, and now the Primary National Strategy, have supported major gains in the number of children achieving expected levels at Key Stages 1 and 2. Proposals set out in the Rose Review on the use of synthetic phonics will further raise standards. The evidence also suggests that some children, particularly those that have fallen behind at an early stage, need extra support and can benefit significantly from intensive tuition. A recent study shows that six year old children taking part in the Every Child a Reader scheme, in which focused support is given to those significantly behind expected reading levels, make progress in reading at well over four times the normal rate and can be brought up to nationally expected levels. Insights from the Rose Review will help improve this approach still further and consideration will be given to the scope for greater cost effectiveness. **This Pre-Budget Report announces that the Every Child a Reader scheme will be rolled out nationally over the CSR07 period, benefiting over 30,000 children a year by 2010-11.**

**6.75** The Government is committed to helping parents support their children's early learning needs and progress in literacy. Children and their families now receive books between the ages of 6 and 9 months; 1 and 2 years; and 3 and 4 years of age. **To build on this offer, the Government announces £4 million to ensure that every child in England making the transition to both primary school and secondary school will receive a book from Autumn 2007.**

**6.76** While attainment gaps open early, they continue to widen over time. The transition to secondary school can be a particularly difficult period, with many pupils, and especially boys, falling behind between Key Stage 2 and Key Stage 3. **This Pre-Budget Report announces £10 million in 2007-08 to improve guidance to schools on supporting boys' reading and writing, and provide additional small group support and tuition targeted towards 400 secondary schools where the gender gap is largest.**

**High quality teaching** **6.77** High quality teaching is a key factor in supporting pupils' learning across all phases of education. The Teach First programme is already recruiting outstanding graduates to teach in challenging schools in London and Manchester. Budget 2005 announced that the scheme would be extended across a further four cities. **This Pre-Budget Report announces that Teach First will now expand on a regional basis and will provide high quality graduate teachers to a total of eleven cities by 2009-10.**<sup>13</sup>

**Health** **6.78** In Budget 2002, the Government announced real increases in NHS funding of 7.2 per cent a year over five years, building on the recommendations of the Wanless report.<sup>14</sup> As a result of these increases the NHS will have received an uplift of almost £100 billion by 2008.

<sup>13</sup> In addition to London and Manchester, Teach First will set up a Midlands regional base (covering Birmingham, Coventry and Nottingham), a Yorkshire and Humberside base (covering Leeds, Sheffield, Bradford, Doncaster and Huddersfield) and a North West regional base (covering Liverpool and the existing operation in Manchester).

<sup>14</sup> *Securing our Future Health*, Derek Wanless, April 2002.

Health spending, which was one of the lowest in Europe, will now be around the European average by 2008. This increase has helped deliver significant improvements in service standards and outcomes:

- over 380,000 fewer patients are waiting for treatment compared with 1997. The number of patients waiting over six months for an operation at the end of September 2006 was less than 200, reduced from around 280,000 in 1997;
- over 98 per cent of those attending Accident and Emergency are now seen within four hours, compared with 80 per cent in 2001-02; and
- heart disease and cancer have been significantly reduced, with 99.9 per cent of people with suspected cancers seen by a specialist within two weeks of an urgent GP referral. 99.3 per cent of patients diagnosed with cancer are treated within one month of the decision to treat.

**Transport 6.79** The Government has provided a funding commitment for transport at record levels to deliver sustained improvements to transport networks. Such major investment, currently £260 million per week, has made a real difference to people's travelling experiences:

- on road safety, the number of people killed and seriously injured fell by 33 per cent in 2005, and for children the fall was 49 per cent, compared with the average annual figures between 1994 and 1998;
- the use of local public transport continues to rise, with increases of 8 per cent in bus use and 28 per cent in light rail use between 2000 and 2005; and
- rail performance continues to improve, with punctuality and reliability at 87 per cent, exceeding the 2006 target and reaching the highest level since 2000. Over 4,300 train vehicles with better access for disabled passengers are now in passenger service.

**6.80** *The Eddington Transport Study*, published on 1 December 2006, sets out criteria for securing the maximum long-term benefit from transport investment on economic productivity, stability and growth. Further details are set out in Chapter 3.

**Security 6.81** In recognition of the significantly increased and enduring nature of the danger of specified operational locations, **the Secretary of State for Defence announced in October an additional tax-free operational allowance worth in total over £60 million a year, based on current commitments.** To be known as the Operational Allowance, this will increase the pay of those serving in Iraq, Afghanistan and the Balkans by up to £2,240 for a 6-month operational tour, and will be backdated to 1 April 2006. For around half of those serving, this will be worth more than the amount they would pay in tax and national insurance while there. All military personnel eligible for the Operational Allowance will be better off as a result.