Northern Ireland Audit Office

Review of the Efficiency Delivery Programme

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
11 December 2012

Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

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K J Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
11 December 2012

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Abbreviations

ALBs	Arms Length Bodies
CRHT	Crisis Resolution Home Treatment Service
CSR	Comprehensive Spending Review
DARD	Department of Agriculture and Rural Development
DCAL	Department of Culture, Arts and Leisure
DE	Department of Education
DEL	Department for Employment and Learning
DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services and Public Safety
DOE	Department of the Environment
DRD	Department for Regional Development
DSD	Department for Social Development
EDPs	Efficiency Delivery Plans
FE	Further Education
FSA	Food Standards Agency
HE	Higher Education
HSC Board	Health and Social Care Board
HSCTs	Health and Social Care Trusts
MH&D	Mental Health and Disability Directorate of the Northern Health and Social Care Trust
MORE	Maximising Outcomes, Resources and Efficiencies Programme
NAO	National Audit Office
NICS	Northern Ireland Civil Service
NIAO	Northern Ireland Audit Office
OFMDFM	Office of the First Minister and Deputy First Minister
OGC	Office of Government Commerce
PAC	Public Accounts Committee
RPA	Reform of Public Administration
VFM	Value for Money

Glossary of terms

Arms Length Bodies
ALBs are responsible for delivering a range of important public services and for advising Government on technical issues. ALBs include Executive Agencies which have responsibility for particular business areas, but which are still part of, and accountable to, the Department. They also include Non-departmental Public Bodies which have a role in the process of government but are not part of government departments.

Departmental Expenditure Limit
The Departmental Expenditure Limit is the expenditure limit within which a department has responsibility for resource allocation (subject to DFP agreement and rules) though some elements may be demand led.

Educations and Skills Authority
The Education and Skills Authority is the proposed single authority for the administration of education, intended to subsume the functions, assets and liabilities of the five Education and Library Boards (ELBs), the Council for Catholic Maintained Schools (CCMS), the Staff Commission and the Youth Council.

Efficiency Delivery Plan
Each department published an Efficiency Delivery Plan setting out how it planned to deliver the required three per cent cumulative cash releasing savings over the period 1 April 2008 to 31 March 2011.

Foods Standards Agency
The Foods Standards Agency is a UK non-ministerial government department. It is accountable to Parliament through health ministers, and to the devolved administrations in Scotland, Wales and Northern Ireland for its activities within their areas.

Gershon Review
The Gershon Efficiency Review was a review of efficiency in the UK public sector, conducted in 2004-5 by Sir Peter Gershon. His report recommended making savings through changes to the organisation of each government department and automating their work patterns, in order to 'release' resources from the public sector.

Office of Government Commerce
The Office of Government Commerce helps the UK government deliver best value from its spending. It provides policy standards and guidance on best practice in procurement, projects and estate management, and monitors and challenges departments' performance against these standards.

Executive Summary

Executive Summary

1. As part of the 2008-11 Budget process the Northern Ireland Executive agreed that all government departments should work to deliver cumulative efficiency savings of three per cent a year from 2008-09 to 2010-11. All efficiency savings were to release resources which would be redeployed to other areas of public service. Savings were not to be achieved by simply cutting funding to priority frontline services. In 2011 departments reported £1,600 million of efficiency savings against the three year target of £1,605 million.

2. This study examines the extent to which the 2008-11 efficiency programme delivered efficiency savings and the lessons that can be learnt for future efficiency programmes. The review focuses on a sample of 42 efficiency projects - drawn from the four largest spending departments (the Department of Education, the Department for Employment and Learning, the Department for Regional Development and the Department of Health, Social Services and Public Safety) which, between them, accounted for some £1,303 million (81 per cent) of reported savings.

Measurement of Departmental Efficiency Savings

3. It is important that all planned efficiency savings can be measured. This requires the establishment of a clear baseline position; clear measures of inputs (costs/spend); activities/outputs (e.g. number of participants trained); and quality of service (e.g. achievement of qualifications). NIAO found that although there is extensive guidance on best practice in the measurement of efficiencies this had not been followed in most of the projects we examined.

4. Of the 42 projects we examined we consider that 11 are likely to have achieved real efficiency savings without risk to service quality. It is possible 4 other projects will deliver efficiencies, but there is a risk to quality of service and sustainability. In 14 of the projects a lack of basic financial and performance information meant we could not confirm efficiency savings had been achieved. In the remaining 13 projects we examined, the types of activities did not meet the definition of an efficiency saving.

Management of the Efficiency Programme

5. NIAO identified a number of weaknesses in the management of the efficiency programme. We consider that guidance provided to departments was not sufficiently detailed and guidance issued was not always fully implemented. Departments produced and published Efficiency Delivery Plans (EDPs) setting out what savings they planned and how these would be achieved. However, EDPs lacked detail on the rationale for the chosen efficiencies and the basis of measurement, and offered insufficient assurance that frontline services were being protected. Overall we found that the reporting of efficiencies was not comprehensive, transparent or meaningful.

Key Conclusions and Recommendations

On the Measurement of Departmental Efficiency Savings

6. For around two thirds of the projects we examined, NIAO can offer no assurance, that genuine efficiency savings have been achieved. This reflects a lack of understanding by departments of what represents an efficiency saving, and a lack of sufficient financial and performance information. **We recommend that departments do more work to improve information systems, particularly to identify the unit cost of activities and to quantify current performance.**

7. There are some good practice examples where real efficiencies are likely to have been delivered. These include areas such as improved procurement, energy efficiency and efforts to reorganise the workforce to improve productivity. **We recommend that good practice examples of this nature are identified and disseminated across the wider public sector.**

8. Around a third of the projects we reviewed did not have the basic financial and performance information necessary for us to make an informed judgement on the achievement of efficiency savings. The quality and transparency of information needs to be improved and better documented. **We recommend that departments maintain a clear audit trail to support the identification, monitoring and reporting of future efficiency or savings measures.**

9. The relationship between efficiency and quality of service is complex. There is a risk that some of the projects we examined either may not be sustainable, or may have an adverse impact on quality of service. **We recommend that future efficiency or savings initiatives include measures which seek to capture quality of service. This is likely to require a range of indicators in complex areas such as health provision.**

10. Departments, on the whole, measured only inputs, in cash terms, but there was little focus on the measurement of outputs, quality, and the extent to which frontline services were protected. Efficiencies cannot be validated unless departments collate all the necessary information. **We recommend that departments establish measures of inputs, outputs and quality of service for all savings programmes; that a robust baseline is established; and that all these measures are monitored and reported on comprehensively, on an annual basis.**

11. Departments did not always net off the upfront investment costs or the additional recurrent costs necessary to deliver an efficiency. This is misleading. **We recommend that in measuring and**

Executive Summary

reporting future savings, all such costs are counted and netted off the reported figure.

12. We found a number of examples where departments had increased charges as a means of raising income. These are not genuine efficiencies, but transfer the cost onto service users. **We recommend that departments give greater consideration to the impact that "savings" will have on service users to ensure they are not disadvantaging particular client groups.**

On the Management of the Efficiency Programme

13. Guidance provided by the Department of Finance and Personnel (DFP) was not sufficiently detailed and was not fully implemented by departments. It did not define an efficiency saving; detail how departments should monitor and measure savings; provide advice on the need to net any investment costs off against savings; or seek assurance that the saving had not impacted adversely on service users. **We recommend that more substantive guidance is prepared for future savings or efficiency programmes. Guidance should be published and disseminated before the programme commences. The training needs of staff involved in managing and measuring efficiencies should be assessed and any necessary training should be provided to departments.**

14. There was no centralised challenge function over the content of EDPs and the validity of efficiencies reported by departments. **We recommend that in future efficiency programmes a central body advises departments on how to identify and measure efficiencies and works with departments to put in place arrangements to evaluate future savings or efficiency plans, challenge proposals and validate claimed savings. In our view, this function would fall best within DFP.** DFP has expressed to NIAO its concerns that, if it were allocated additional tasks in terms of challenge and scrutiny of departments' efficiency plans, this would go beyond what was envisaged by the Executive when individual ministers were expressly charged with realising efficiencies within their departments. DFP also considers that the proposed scrutiny role would be time-consuming and costly to perform.

15. Departments' published EDPs were inconsistent; lacked transparency about what was actually being proposed and the potential impact of those proposals; did not provide information sufficient to allow for meaningful public scrutiny or internal monitoring; and did not provide an adequate basis for the measurement of efficiency savings. **We recommend that future savings or efficiency plans should be more comprehensive in nature and should provide sufficient detail to allow for proper and full**

public scrutiny. Annual performance should be reported to the same level of detail as the plans themselves.

16. Departments failed to challenge or validate efficiencies where the implementation lay with Arms-Length Bodies (ALBs), imposed percentage reductions without a clear analysis of baseline positions and failed to ensure frontline services were not affected. **We recommend that departments exercise improved oversight of their ALBs efficiency proposals, enhance their scrutiny role and improve governance arrangements. Departments should provide a strong challenge function to their ALBs in relation to the planning and delivery of future efficiency measures, including the need to ensure that quality of service is maintained.**

17. Public reporting of efficiencies was not transparent, comprehensive or meaningful. Progress against departments' overall savings target was reported to the Executive and Assembly but was not published. Information on performance against the details contained in EDPs was not published and little, if any, reference was made in departments' annual reports. **We recommend that future reporting of savings is more comprehensive in nature and includes high level measures of spend, outputs and quality of service.**

Part One:
Background and Introduction

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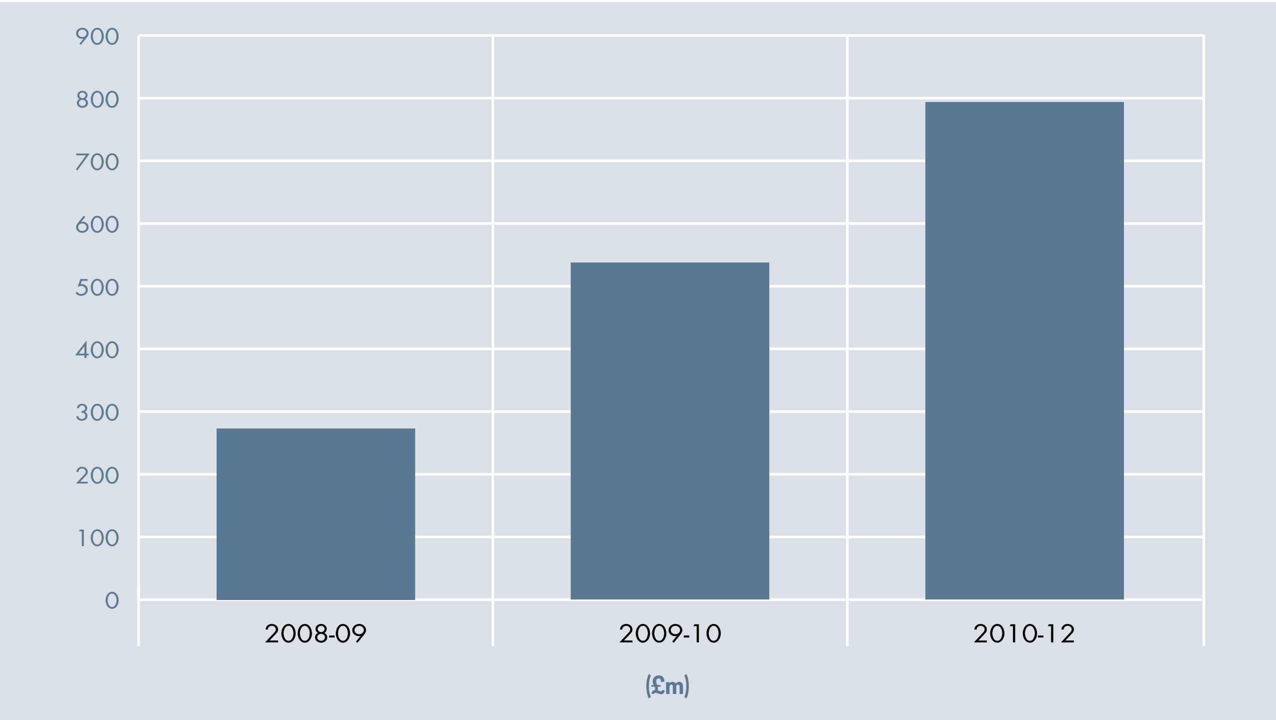
Background and Introduction

The 2008-11 Budget required all government departments to deliver cumulative efficiency gains of three per cent a year over the period. These efficiency savings were to be resource-releasing

1.1 As part of the 2008-11 Budget process, the Northern Ireland Executive agreed that departments should work to deliver cumulative efficiency gains of three per cent a year[1] over the period 2008-09 to 2010-11. All efficiency savings were to be 'resource- releasing'[2] and were, as part of the Budget process, to be redeployed to other areas of public service. Departments were told that savings should not be achieved by simply cutting funding to priority frontline services. As illustrated in **Figure 1**, the targeted efficiency savings were:

- £273.2 million in 2008-09;
- £537.3 million in 2009-10; and
- £793.5 million in 2010-11.

Figure 1: Efficiency Gains 2008-09 to 2010-11 (£m)



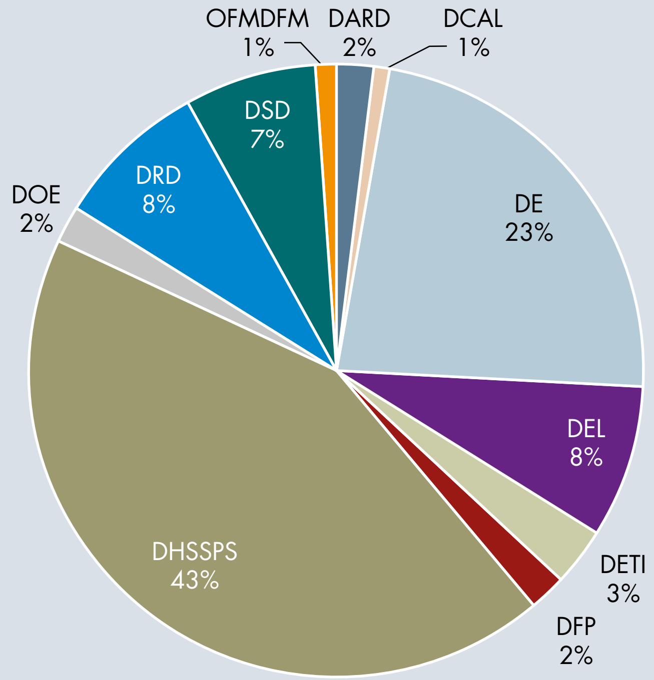
Source: DFP

1 This compares to the previous period 2005-06 to 2007-08 when, although a 2.5 per cent cumulative efficiency target was in place, only half the gains sought were resource releasing.

2 That is, a cashable gain which involves reducing inputs without affecting service quality as opposed to a non-cashable gain which occurs when output or service quality increases using the same level of inputs

1.2 All departments were required to deliver the same three per cent rate of efficiencies. Because of this, the largest spending departments had to deliver the highest value of efficiency savings. The Department of Health, Social Services and Public Safety (DHSSPS) accounted for 43 per cent of the target and the Department of Education (DE) for 23 per cent. Four departments (DHSSPS, DE, the Department for Regional Development (DRD) and the Department for Employment and Learning (DEL)) accounted for £1,303 million (81 per cent) of targeted efficiency savings (see **Figure 2**).

Figure 2: Percentage Cumulative Efficiency Gains by Department



Source: DFP

Part One: Background and Introduction

Efficiency savings should not result in cuts to priority frontline services. To ensure transparency on this issue, departments had to publish Efficiency Delivery Plans

1.3 The Department of Finance and Personnel (DFP) 'Framework for Monitoring of Budget 2008-11' (the Framework) details the requirement for departments to publish an Efficiency Delivery Plan (EDP) for each measure introduced to meet the three per cent savings target. Publication was to provide transparency and facilitate scrutiny to ensure savings were delivered and that frontline services were protected.

1.4 The Framework did not provide specific definitions of what constituted an efficiency or how it should be measured. Since 2004, however, when the Gershon Report[3] was published, an extensive body of guidance on the management and measurement of efficiency programmes has been developed in GB, principally by HM Treasury and its Office of Government Commerce (OGC), and the National Audit Office (NAO). In Northern Ireland, under the 2005-08 Budget when efficiencies were also required, DFP had previously published guidance which broadly replicated that issued by HM Treasury for GB departments. Among the common criteria identified in this range of guidance were that efficiencies should:

- **reduce the number of inputs** (for example expenditure), whilst maintaining or improving the level of service provision; or
- **improve ratios of output per unit cost of input**; or
- **change the balance between different outputs** aimed at delivering a similar overall objective in a way which achieves a greater overall output for the same inputs.

Efficiencies should also:

- **be quality neutral** – the quality of service provided should not deteriorate as a result of the actions taken to deliver an efficiency and priority frontline services should not be adversely affected;
- **be net of costs** – all upfront and investment costs together with additional ongoing or running costs should be netted-off from the claimed efficiency;
- **not transfer costs to others** – efficiencies should not be claimed if expenditure on a particular activity has simply been transferred to another part of the public sector or to service users; and
- **be sustainable** – efficiencies must be sustainable and not the result of simply shifting expenditure from one year to another.

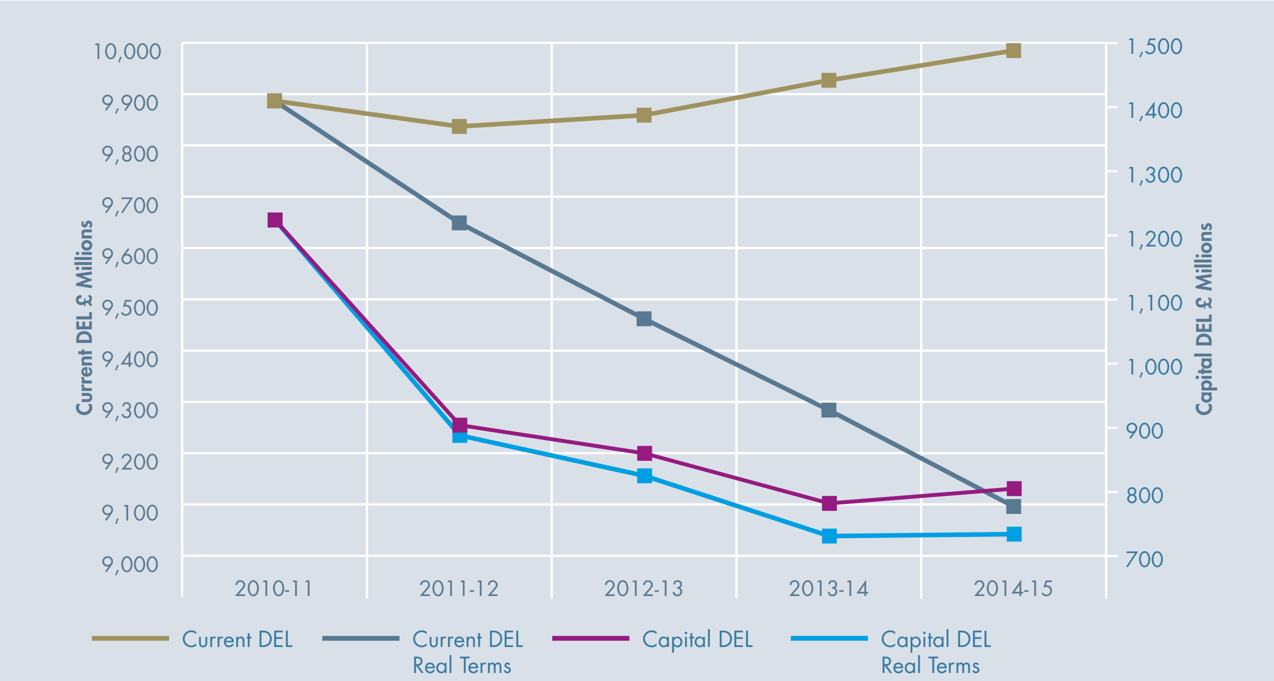
3 "Releasing Resources to the Frontline" July 2004

Efficiency savings were delivered in an environment where public expenditure was increasing in real terms. Conversely, the 2011-15 Budget envisages cuts in public expenditure

1.5 The public sector in Northern Ireland has faced a range of efficiency challenges over successive budgets. However, earlier efficiency initiatives were generally to be delivered in a period when public expenditure in real terms was increasing. For example, the 2008-11 Budget refers to planned expenditure growth of 2 per cent a year in real terms on a UK basis. In cash terms, Northern Ireland's 2008-11 budget planned for annual current expenditure of £8,308.8 million in 2008-09, £8.596.9 million in 2009-10 and £8,972.4 million in 2010-11 (representing annual cash increases of 3.0 per cent, 3.4 per cent and 4.4 per cent respectively).

1.6 Conversely, the current 2011-15 Budget envisages reductions in public expenditure. In real terms, the percentage decrease over the 2010-11 NI Spending Review Settlement for current expenditure is -2.4 per cent in 2011-12, -4.3 per cent in 2012-13, -6.1 per cent in 2013-14 and -8 per cent in 2014-15. Capital Departmental Expenditure Limit[4] allocations will fall at an even greater rate over the same period (40.1 per cent by 2014-15, compared with 2010-11 levels) (**Figure 3**).

Figure 3: NI Spending Review Allocation from HM Treasury



Source: DFP

4 The expenditure limit within which a department has responsibility for resource allocation (subject to DFP agreement and rules), though some elements may be demand led.

Part One: Background and Introduction

1.7 Real budget reductions of this nature are likely to lead to cuts in both service provision and delivery of capital projects. However, the achievement of efficiencies is still a key feature of the public expenditure agenda. The 2011-15 Budget Statement spells out the significance of achieving genuine efficiency savings: *"While the Executive had less money to allocate as a consequence of the UK Government's settlement, we believe that we have now allocated our available resources to the highest priority areas. This should ensure that key frontline services are protected as much as possible. However, there is a requirement upon the Executive to ensure that these scarce resources are being deployed in the most efficient manner possible. I believe that there is still considerable scope to drive out genuine, cash-releasing efficiencies over the next few years"*.

1.8 This is also the case in Great Britain where the focus on efficiency savings remains significant. The Westminster Government intends[5] that half of the £81 billion reduction in spending planned over the next three years should come from efficiency savings rather than through cuts to services or delays to important projects.

A series of Westminster Public Accounts Committee reports have made recommendations for improving national efficiency programmes. Further recommendations were made by the Northern Ireland Assembly

1.9 The Westminster Public Accounts Committee (PAC) has issued four reports[6] since 2006 on the effectiveness of national efficiency programmes. A number of concerns have remained constant over this period, particularly regarding the management and measurement of efficiency projects. These include:

- the risk that reported gains did not represent real efficiency savings;
- the basis for some claimed efficiency savings was not sufficiently challenged;
- the absence of baselines showing the level of performance at the start of each project;
- claimed savings which did not take into account the costs incurred in achieving them;
- the need to measure service quality robustly to ensure efficiency savings are achieved, rather than budgets simply cut; and
- evidence that some projects may be having an adverse impact on service quality.

5 'The Efficiency and Reform Group's role in improving public sector value for money', House of Commons Committee of Public Accounts, 7 September 2011, HC 1352

6 'Progress in Improving Government Efficiency' 19 June 2006, HC 978; 'The Efficiency Programme: A Second Review of Progress' 9 July 2007, HC 349; 'Evaluating the Efficiency Programme' 21 July 2009, HC 520; 'Progress with VFM savings and lessons for cost reduction programmes' 27 October 2010, HC 440

1.10 The Assembly's Committee for Finance and Personnel (the Committee) raised similar concerns in relation to Northern Ireland. The Committee's June 2010 report[7] identified a number of key issues including:

- the need to identify services and strategic policies to be prioritised so there will be no reduction in quality of these services or in outcomes achieved;
- the importance of a strategic approach to targeting, delivering and monitoring efficiency gains which avoids *"crude 'salami slicing' of departmental budgets"*;
- the need for DFP to ensure a clear definition of valid efficiency savings is applied in its own guidance to departments, and by departments in their EDPs;
- the importance of DFP's central personnel role in ensuring the capability within departments to identify valid efficiency savings and that a culture of efficiency is embedded; and
- that DFP should ensure departments were applying the lessons and action points arising from reviews by NAO and the Westminster PAC.

1.11 DFP responded to the Committee's recommendations in October 2010, both in writing and through an oral evidence session. DFP guidance on Savings Delivery Plans issued to all departments in preparation for Budget 2011-15, advised that due regard should be given to the Committee's recommendations. The Committee also encouraged NIAO to review the performance of departments to date, in order to inform any future efficiency drive.

This study examines the extent to which the 2008-11 efficiency programme delivered efficiency savings and the lessons that can be learnt for the current Budget period

1.12 Overall, departments reported £1,600 million of resource-releasing efficiency savings against a target in EDPs of £1,605 million (99.7 per cent of the cumulative 3 year target). The targeted level of savings (3 per cent) was removed from the departmental baselines at the start of the 2008-11 budget process.

1.13 NIAO's study methodology consisted of:

- **a review of relevant literature** - including the 2004 Gershon Report, NAO and Westminster PAC reports on previous efficiency programmes, together with Wales Audit Office and Audit Scotland reviews of efficiency programmes in their respective jurisdictions;
- **a review of guidance** - on efficiency savings produced by HM Treasury, OGC and DFP;

7 NIA Committee for Finance and Personnel, Report on the Preliminary Inquiry into Public Sector Efficiencies, 2 June 2010

Part One:
Background and Introduction

- **examining a sample of 42 efficiency projects** - drawn from the four largest spending departments (DE, DEL, DRD and DHSSP) which, between them, accounted for around £1,303 million (81.4 per cent) of reported savings. A list of the projects we examined, together with our assessment of whether these savings represented efficiency savings, is at **Appendix 1**; and

- **interviews with key personnel** - in DFP, the four largest spending departments and in the Health and Social Care Trusts[8] (HSCTs).

8 There are five area trusts which provide health and social care services to their residents – Belfast, South Eastern, Northern, Southern and Western.

Part Two:
The Measurement of Departmental Efficiency Savings

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The Measurement of Departmental Efficiency Savings

2.1 As indicated at paragraph 1.4, in order to validate that a claimed saving represents a true efficiency, it is important that it meets a number of criteria. This means ensuring that financial inputs have reduced relative to the baseline and are therefore resource-releasing; the volume and quality of service delivery has not deteriorated; the savings are sustainable over time; any costs incurred in delivering the saving have been netted off; and costs are not simply transferred to the wider public sector or to service users.

2.2 In addition, it is important that all claimed efficiency savings are amenable to measurement. This requires clear measures of inputs (costs/spend); activities/outputs (e.g. number of participants trained); and quality of service (e.g. achievement of qualifications). These should be recorded and measured for each efficiency project. A clear baseline position should be established and figures recorded and compared for each year over the duration of the initiative.

2.3 The difficulties in measuring efficiency savings have been clear since such programmes were first introduced in 2004. At national level, the Westminster PAC has, on a number of occasions, expressed concerns about measurement weaknesses, doubts around the reliability of claimed efficiency savings and evidence that some efficiency projects were having an adverse impact on service delivery. Since then, extensive guidance has been produced to assist departments in this task.

2.4 Despite this, NIAO found that best practice in the measurement of departmental efficiency savings had not, for the most part, been followed in relation to the 2008-11 programme. We have categorised the claimed efficiency savings that we examined as follows:

- **likely to be real efficiencies** – these represented cases where we considered that, conceptually, the actions taken were consistent with the delivery of an efficiency and there was some measurement to support the claimed efficiency;

- **possibly an efficiency, but concerns over quality of service delivery** – these represented cases where we considered there was a possibility of more efficient delivery, but we had some concerns about whether quality of service was being maintained and had insufficient information to confirm this;

- **insufficient Information** – these represented cases where there was a general lack of information in terms of financial and/or performance measures to provide us with any assurance; and

- **unlikely to be/not an efficiency** – these represented cases where we found that the types of activities did not fit with the definition of an efficiency, or where we found that the actual financial and performance information provided did not support the level of efficiency claimed.

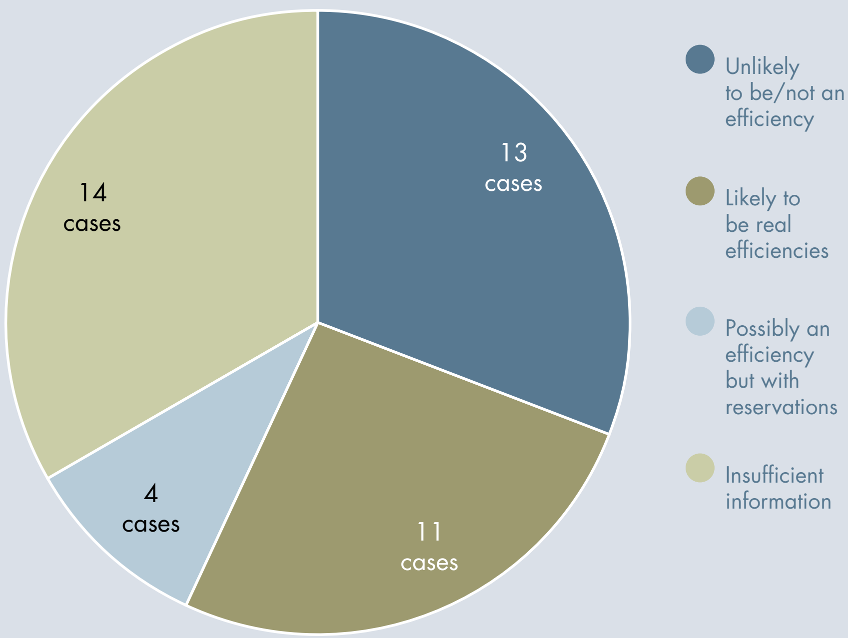
In around two thirds of the sample we reviewed, we are unable to offer any assurance that they are genuine efficiencies

2.5 Overall, we are unable to offer assurance on the majority of efficiency projects that we reviewed. We examined 42 projects (see paragraph 1.13). Of these, our judgement is that 11 are likely to be efficiencies; a further 4 are possibly efficiencies; 14 do not contain sufficient information to make an informed judgment; and 13 were not, or were unlikely to be, genuine efficiencies (**Figure 4**).

There were a number of projects which we consider are likely to have achieved real efficiency savings without risk to service quality

2.6 We found that a number of the efficiency projects examined, particularly in the Health and Social Care Trusts (HSCTs), were sound in their approach and are likely to have produced efficiency savings without impacting negatively on the quality of service provided. Of the 42 projects examined, we consider 11 are likely to represent efficiencies savings. **Case Studies 1, 2 and 3** provide illustrations of this.

Figure 4: NIAO's Assessment of Claimed Efficiencies (N=42)



Source: NIAO

Part Two:
The Measurement of Departmental Efficiency Savings

Case Study 1

REGIONAL PHARMACY PROCUREMENT PROJECT - SOUTH EASTERN HSCT

A Regional Pharmacy group was established to identify drugs and other pharmacy consumables used across all the HSCTs which could be purchased under collective contract arrangements. The South Eastern HSCT reports savings of approximately £1 million from its use of regional pharmacy contracts. For all HSCTs, the savings identified are £6.6 million over the three year efficiency programme period.

One example of the efficiencies achieved is the Prevenar pneumococcal conjugated vaccine; its unit price was reduced from £325.38 to £190.48 (a 41 per cent saving). South Eastern HSCT achieved total savings of £163,000 on this item alone.

NIAO considers this project is a good example of how efficiency savings can be made. By standardising product procurement and exploiting the collaborative purchasing power of health as a region the HSCTs have been able to provide essential items more efficiently. The project illustrates the scope for better collaboration and joint working to realise efficiency savings.

Case Study 2

BELFAST HSCT ENERGY OPTIMISATION PROJECT

The energy optimisation project encouraged the use of modern technology and processes to reduce the cost of energy within the Belfast HSCT. These included:

- use of 'stack economisers' to reduce fuel use by recovering heat from flue gases;
- oil to gas conversions in eight residential care facilities and the inclusion of solar thermal domestic hot water heating; and
- general energy optimisation (e.g. ventilation, heat controls, inverter heat pumps).

Belfast HSCT considers that the service to the end user has been unaffected as the heating and lighting levels are the same as before.

It estimates that the project has achieved cumulative savings of £1.3 million since 2007-08. Between 2008 and 2011, total energy savings of £3 million were achieved (including energy optimisation project savings) while capital investment costs of £1.7 million were incurred on energy projects.

Although NIAO considers that this project is likely to have resulted in efficiency savings, we note that savings have been reported based on recurrent costs only and do not adjust for those capital costs incurred in achieving them.

Case Study 3

SOUTHERN HSCT - FOSTER CARE PROJECT

The aim of the project was to reduce the reliance on private foster care placements by increasing the availability of alternative foster care providers such as traditional foster care placements. Private agencies are the most expensive providers of foster care, with an estimated minimum cost of £50,000 per placement per annum (traditional placements are £30,000 a year). In 2007-08 the Southern HSCT had 19 placements with private agency providers at a cost of £943,160. By 2009-10 this had reduced to 10 at a cost of £526,700. This saving occurred during a period when demand for foster care places had risen by 23 per cent.

Given the increase in demand and the limited availability of traditional foster care it is likely that, without this project, there would have been an increased reliance on the more expensive option of private agency placements.

The Southern HSCT is responsible for the inspection and registration of all foster care providers in its area. NIAO notes that, while this should ensure that the quality of foster provision is not compromised, as the standards applied for inspection and registration remain the same, no specific evidence was collated regarding maintenance of the quality of care as a direct consequence of the project.

It is possible some other projects will deliver efficiency savings, but there is a risk to quality of service and sustainability

2.7 There were a number of other projects undertaken where we found some evidence to indicate that efficiency improvements had occurred, for example, costs had been reduced and the volume of service delivery maintained or increased. We categorised a further four of our sample as being possible efficiencies.

2.8 We recognise that in these cases genuine attempts have been made to deliver services more efficiently. However, we also had some concerns that the claimed efficiency savings either may not be sustainable in the long-term, or did not have sufficient information on the quality of service delivery to offer complete assurance on the efficiency.

A lack of basic financial and performance information meant we could not confirm whether almost a third of the projects we examined had achieved efficiency savings

2.9 Of the 42 projects examined, we found that in 14 cases basic financial and performance information was not available to allow us to come to a view on whether efficiency savings had been achieved. The main deficiencies in information are set out in paragraphs 2.10 to 2.16 below and included:

(a) a lack of robust and comprehensive baseline information;

(b) no clear link between the ratio of inputs to outputs; and

(c) insufficient information about the quality of service delivery and/or performance.

Part Two:
The Measurement of Departmental Efficiency Savings

(a) Many efficiency projects lacked robust and comprehensive baseline information

2.10 When efficiency targets were previously introduced under the 2004 Spending Review, OGC guidance was clear that measurement of both financial savings and quality of service was to be against the organisation's own previous performance (and not, for example, against other organisations or against targeted levels of service). Measuring efficiency savings requires:

- a measurement methodology for savings, supported by an evidence based assessment of quality; and
- clear baselines for all the inputs, outputs (or outcomes) and service quality levels that are specified in the measures before efficiency activity is begun.

2.11 Many of the efficiency projects we reviewed had not established comprehensive baseline information at the outset. As a result of wide scale restructuring of the health service, HSCTs faced distinct challenges in measuring efficiency gains using information systems designed for other purposes and for a greater number of legacy bodies. The Southern HSCT, for example, told us that organisational restructuring under the Reform of Public Administration (RPA) had posed significant challenges in establishing baseline information to provide evidence of efficiency savings.

(b) Efficiency is measured as the relationship between inputs and outputs (unit costs). Relatively few of the individual efficiency savings were calculated or reported by departments on this basis

2.12 As cashable efficiency savings are based on reducing inputs for the same outputs or reducing prices for the same outputs, in order to calculate savings departments need to measure inputs and outputs[9]. At its most basic, this ratio (in effect the unit cost of level of productivity) needs to improve from the baseline position in order to prove that it is a genuine efficiency.

2.13 Few of the efficiencies we examined were calculated on the basis of the relationship between inputs and outputs. This can be a difficult task, particularly in the health sector where often projects are not truly stand-alone, and the relationships between inputs and outputs are complex and affected by such considerations as increasing demand for services and the introduction of new treatments.

2.14 Nevertheless, in the absence of this basic information, it is not possible for NIAO to offer any assurance that the claimed efficiency savings have in fact been achieved. Lack of basic financial and performance information (in particular, unit cost and productivity measures) undermines the claimed efficiencies reported by departments and means that such efficiencies are not supported by objective evidence.

9 OGC guidance states that where the efficiencies arise solely from reducing inputs, it is only necessary to demonstrate that service quality has not deteriorated

Case Study 4

NORTHERN HSCT - CRISIS RESOLUTION HOME TREATMENT SERVICES

An efficiency project saving of £1.4 million was identified by the Northern HSCT's Mental Health & Disability (MH&D) Directorate. The project consisted of the creation of a 'Crisis Resolution Home Treatment Service' (CRHT) from April 2009, which allowed patients with mental health problems to be treated in their own homes, without the need for admission to an acute psychiatric inpatient unit.

As a result of the project, hospital admissions have reduced and there is less pressure on hospital beds. Patients are also reported as preferring this type of service and find it supports more effective recovery. Savings were achieved by the closure of 28 beds at Whiteabbey and Holywell hospitals.

NIAO considers that, while this is an innovative project, there is insufficient information to determine whether efficiency savings have resulted. The impact on quality of care is difficult to establish as CRHT is awaiting a formal regional audit, reviewing the service against its original aims. Given that hospital beds have closed, this may cause problems if these resources are required in future.

(c) In many cases, departments are not able to demonstrate clearly that quality of service or other aspects of performance have been maintained

2.15 Efficiencies cannot be achieved by reducing costs if that compromises the quality or quantity of outputs. The report of the Assembly's Committee for Finance and Personnel (see footnote 7) called for robust safeguards to ensure that there was no diminution in the level and quality of service provision in priority areas.

2.16 In many of the projects reviewed, we found that it was not possible to determine if quality of service had been maintained. In the health sector, for example, information which was relevant to quality of care (such as re-admission rates) was often not available at the level of the ward or unit where the efficiency measure had been implemented. Inspections to ensure compliance with the appropriate regulatory regime tended to report on the hospital or service as a whole and did not specifically address the area affected by the efficiency (see **Case Study 4**).

In our view, a number of the projects we examined were clearly not efficiencies

2.17 We consider that a number of the reported efficiencies we examined are clearly not efficiencies. These included examples where:

(a) there was a reduction in the budget and a cut in service delivery;

(b) income was raised by introducing new or increased charges which passed the cost onto the service user;

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(c) capital projects were postponed or cancelled;

(d) unit costs of provision had in fact increased; and

(e) upfront and/or investment costs were not netted off the claimed efficiency.

(a) Some of the reported efficiencies appear to have reduced service delivery

2.18 A key tenet of efficiencies is that they should not result in cuts to service delivery and should release resources to the frontline. We recognise that efficiencies can be delivered by reorganising service provision. In such cases, however, we would expect to see clear evidence that the particular service was designated as low priority and remedial measures were put in place to maintain overall service quality: this type of analysis was not found (see **Case Study 5**).

Case Study 5

DRD BUS ROUTE SUBSIDY

DRD generated savings by withdrawing, from 2008-09, an annual £2.1 million bus route subsidy paid to Translink. As a result, the service provided by Ulsterbus has been reduced on low use routes and timetables. DRD reports that there was no reduction in the services provided by the Metro and Goldline services.

DRD states that is difficult to determine to what extent increases in bus fares in the period were attributable to the withdrawal of the subsidy, as other factors such as fuel costs and wage increases also have an impact on fare levels.

Translink has advised DRD that it is not possible to produce statistics which link performance of routes on which subsidy was payable in 2007-08 to the period to 2010-11, as there have been a number of revisions to the bus network in the intervening period. Many of the savings were achieved by minor timetable modifications which Translink considers did not have a serious detrimental effect on passenger travel options. Translink told us that the services reduced were, by definition, low use routes (hence the subsidy) and this means the overall network is more efficient in transporting people within limited budgets. Translink also states that "optimisation of loss making services allowed enhanced frequency in demand lead routes". Customer satisfaction rates remained relatively stable over the period, although the number of passenger journeys has declined from 22.3 million in 2007-08 to 19.5 million in 2010-11.

NIAO considers that, as baselines were not set at the outset and outputs have not been measured, it is not possible to make a direct correlation between the removal of this subsidy and impacts on routes and timetables.

NIAO considers that this saving is not an efficiency as it has resulted in a reduction in service delivery.

Case Study 6

DRD - GENERATION OF ADDITIONAL INCOME BY ROADS SERVICE

DRD generated additional income and reduced demand on the Executive's budget by increasing parking fees and penalties to the public. DRD considers it maintained, and in some cases improved, the level of output, i.e. the provision of on-street parking. On-street parking was extended in July 2008 to include Lisburn and, in September 2008, to include Newry. The number of traffic attendants also increased in that time.

This efficiency measure has resulted in increased fees being charged to the public for parking and penalties. DRD highlighted that parking fees range from 50p to £1.00 per hour and that this is a more favourable rate than is charged by private providers of car parking. DRD also indicated that there had been no increase in parking penalties since 2006. There were some minor upfront costs associated with changing signage etc.

NIAO considers that this measure does not represent an efficiency, as the savings reported have resulted from the generation of additional income in the form of increased costs to service users. DRD notes that DFP was content that income from charging could be included in departments' EDPs (see paragraph 2.19).

(b) Increased charges do not represent genuine efficiencies

2.19 In Northern Ireland, DFP took the view that income from charging could be included in departments' EDPs. At departmental level, income-generation projects were included in a number of EDPs. For example, the HSCTs agreed with DHSSPS that income generation projects were appropriate for inclusion as an efficiency measure. In addition, DRD's EDP also counted increased car parking fees as efficiencies (see **Case Study 6**).

2.20 We recognise from a budgetary perspective that the public sector may need to introduce or change its charging policies as a means of generating additional revenue. However, in our view, these are not genuine efficiencies. Increased income from charging is not included in the efficient government programmes in GB, as this is seen as constituting a reduction in service. The Committee for Finance and Personnel has also questioned the appropriateness of such measures. It considered that, if budgetary savings and other measures are to be included in EDPs, then these should be distinguished from proper efficiencies. We agree with this viewpoint.

(c) Postponement of capital projects does not represent a sustainable efficiency

2.21 Efficiency savings should represent lasting improvements in the way public money is spent. Once secured, they should be sustainable for the foreseeable future. OGC guidance stipulates that one-off savings, such as the sale of assets or cancellation or postponement of capital projects, do not represent efficiencies.

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2.22 We found a number of projects for which efficiency savings had been reported which were non-recurrent capital savings (see **Case Study 7**). This was particularly evident in DRD which has a large capital budget and where its scope for effecting savings was therefore constrained. Had better guidance been provided, these savings might not have been classified as efficiencies and would have been recognised as constituting cuts in the capital budget.

(d) Unit costs of delivery had increased in some cases

2.23 Efficiency is measured as the ratio of inputs to outputs. By definition, there cannot be an efficiency where this ratio deteriorates and the unit cost of service delivery increases. We found examples where savings were claimed without any recognition being given to the overall unit cost of service delivery (see **Case Study 8**).

Case Study 7

DEPARTMENT OF EDUCATION (DE) CAPITAL EFFICIENCY SAVINGS

DE has claimed that it achieved efficiency savings of £27.28 million in 2009-10. This figure fully reflects the savings anticipated in its EDP. DE stated that this represents the difference in what was requested under the Investment Strategy and what was allocated - that is, a reduction in budget. This had a direct impact on the delivery of projects. DE told us that it has also pursued efficiencies in its capital programme through a range of wider measures, including new Procurement Framework procedures; economies of scale and scope in the schools' estate through an Area Planning approach to the investment programme and the establishment of the Education and Skills Authority; and the pursuit of additional capital receipts arising from rationalisation of the schools' estate.

NIAO considers that a cut in capital budgets is not an efficiency; the savings claimed have therefore been overstated. NIAO also notes that an element of savings was to be achieved by including increased levels of asset disposals but considers that the disposal of assets, as a one-off cash releasing exercise, cannot be defined as a true efficiency saving.

Case Study 8

DE CONSTRAINT OF TEACHERS AND NON TEACHERS PAY

DE has claimed £6.04 million of cash releasing efficiency savings based on constraining the cost of living increases and pay progression of teachers and non-teachers through pay negotiation. The claimed efficiency was based on the difference between the actual rates of pay agreed and the anticipated rate based on previous years' increases. DE was expecting pay to increase by 2.5 per cent per annum; the actual rate was 2.45, 2.3 and 2.3 per cent respectively. It therefore claimed 0.05, 0.2 and 0.2 per cent as efficiencies.

However, these claims take no account of the total spend on teachers' and non-teachers' pay and the ratio of inputs (pay) to outputs (student numbers). These show that while the general rate of inflation in the economy over this period was 7.7 per cent, the total pay bill for teachers and non-teachers increased by 8.3 per cent and the number of pupils decreased by 1.1 per cent. As a result, the total staff cost per pupil increased by 9.3 per cent in cash terms and 1.8 per cent in real terms.

NIAO accepts that during this period the quality of service delivery has been maintained or improved if measured by educational outcomes (exam success). However, it is difficult to see how this represents a resource-releasing efficiency, as the staff cost per pupil has increased in real terms over the period.

(e) Savings were not always reported net of any additional costs incurred in their delivery

2.24 Good practice indicates that the measurement of efficiencies should capture all additional costs which have been incurred in achieving the improvements made. We found, however, that a number of projects reported efficiency savings without netting off the additional costs incurred in achieving them.

2.25 HSCTs, for example, identified savings on administration costs arising from the RPA. These savings rose progressively to £49 million a year by 2010-11 relative to the 2006-07 baseline. The savings were achieved in part from the rationalisation of posts and the centralisation of services which involved, in some cases, voluntary redundancies and voluntary early retirements. The cost of achieving these reductions was £82 million. These costs were not netted off the savings figures reported to the Executive as achieved efficiencies.

2.26 DHSSPS told us that it was important to note that:

- DHSSPS and the HSCTs had consistently publicised both the costs and the savings throughout the RPA process;
- in its view, it was not possible to state recurrent savings net of non-recurrent costs and hence the department's approach in always cross referring between the two figures was correct, open and transparent on the nature of the saving;

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- each individual approved case for Voluntary Redundancy or Voluntary Early Retirement in any case considered all costs and benefits and had to demonstrate a pay back within 3.5 years. Therefore the offsetting of costs was a fundamental part of the decision-making process; and

- the manner in which the savings was reported was entirely in line with Northern Ireland guidance.

2.27 Where HSCTs incurred capital costs in order to realise efficiency savings (such as for the refurbishment of wards or the introduction of more energy efficient heating and ventilation systems) these costs were not netted off the savings claimed by DHSSPS.

Overall Conclusions and Recommendations

2.28 For around two thirds of the projects we examined, NIAO can offer no assurance, that genuine efficiency savings have been achieved. This reflects a lack of understanding by departments of what represents an efficiency, and a lack of sufficient financial and performance information. **We recommend that departments do more work to improve information systems, particularly to identify the unit cost of activities and to quantify current performance.**

2.29 There are some good practice examples where real efficiencies are likely to have been delivered. These include areas such as improved procurement, energy efficiency and efforts to reorganise the workforce to improve productivity. **We recommend that good practice examples of this nature are identified and disseminated across the wider public sector.**

2.30 Around a third of the projects we reviewed did not have the basic financial and performance information necessary for us to make an informed judgement on the achievement of efficiency savings. The quality and transparency of information needs to be improved and better documented. **We recommend that departments maintain a clear audit trail to support the identification, monitoring and reporting of future efficiency or savings measures.**

2.31 The relationship between efficiency and quality of service is complex. There is a risk that some of the projects we examined either may not be sustainable, or may have an adverse impact on quality of service. **We recommend that future efficiency or savings initiatives include measures which seek to capture quality of service. This is likely to require a range of indicators in complex areas such as health provision.**

2.32 Departments, on the whole, measured only inputs, in cash terms, but there was little focus on the measurement of outputs, quality, and the extent to which frontline services were protected. Efficiencies cannot be validated unless departments collate all the necessary information. **We recommend that departments establish measures of inputs, outputs and quality of service for all savings programmes; that a robust baseline is established; and that all these measures are monitored and reported on comprehensively, on an annual basis.**

2.33 Departments did not always net off the upfront investment costs or the additional recurrent costs necessary to deliver an efficiency. This is misleading. **We recommend that in measuring and reporting future savings, all such costs are counted and netted off the reported figure.**

2.34 We found a number of examples where departments had increased charges as a means of raising income. These are not genuine efficiencies, but transfer the cost onto service users. **We recommend that departments give greater consideration to the impact that "savings" will have on service users to ensure they are not disadvantaging particular client groups.**

Part Three:
Overall Management of the Efficiency Programme

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Overall Management of the Efficiency Programme

Guidance to departments was not sufficiently detailed and was not fully implemented

3.1 In GB, extensive guidance on managing and measuring efficiencies has been produced since the Gershon Report in 2004 (see footnote 3). In particular, OGC, which coordinated the Efficiency Programme, issued comprehensive measurement guidance to departments and offered significant assistance to GB departments. OGC guidance includes, for example, how to set baselines, how to avoid double counting efficiency savings, how to demonstrate the sustainability of efficiencies and, above all, how to measure quality of service, because *"there is no efficiency unless it is possible to demonstrate that service levels have at least been maintained"*.

3.2 DFP had overseen a previous efficiency programme in the 2004-07 Budget. This programme had aimed to achieve gains of 2.5 per cent each year, half of which was to release resources to frontline services. In order to measure these efficiencies, DFP required all departments to produce Efficiency Technical Notes[10], as a robust means of measuring, monitoring and quantifying the targeted financial impacts.

3.3 For the 2008-11 period, DFP issued guidance to departments on the preparation and monitoring of EDPs:

- In October 2006 'Comprehensive Spending Review Guidance' on the preparation of EDPs usefully identified supporting indicators (such as staff numbers, unit costs or input costs against benchmarks) which were to be established for each project and against which progress in improving efficiency should be monitored; and
- The 'Framework for Monitoring of Budget 2008-11' (the Framework) outlined arrangements for monitoring performance against EDPs.

3.4 DFP guidance provided helpful advice to departments, particularly on the need for evidence to support estimated savings, and the requirement to monitor progress against at least one supporting indicator. There were, however, a number of points not specifically addressed in the guidance:

- a definition of what constituted an efficiency measure. For example, guidance did not address whether income generated as a result of passing on fees and charges to users could be regarded as an efficiency saving[11]. The guidance stated that one category of efficiency savings was *"allocative efficiency: releasing resources by transferring activity from less effective to more effective policy interventions"*. How this would be measured and evidenced is not clear from the guidance;
- how efficiencies should be identified although reference is made to the Gershon Report (in which this is addressed); and

10 Efficiency technical notes set out how departments proposed to measure and monitor progress against the 2004-07 efficiency targets

11 Guidance did, however, rule out measures which shifted costs onto other government departments

- the production of business cases to support the EDP and detail the the rationale behind individual efficiency projects (for example, a decision to close a ward or a residential home).

3.5 While guidance was provided on the monitoring and measurement of savings, it was not comprehensive and did not include:

- a requirement that efficiencies should be recorded net of upfront[12] and investment costs (although there are a number of references to 'net cashable savings' we consider the definition could have been clearer. However, where efficiencies were not recorded net of upfront and investment costs, this was clearly contrary to DFP guidance and appears to have resulted from the failure of departments to communicate the requirement to their arm's length bodies);
- a requirement that efficiency savings should be sustainable in the long-term, and not one-off savings achieved, for example, by cancelling or postponing capital projects; and
- a requirement to set quality indicators, although departments were required to include in EDPs their plans for mitigating any adverse impact on quality of service.

3.6 There were also a number of requirements set out in the guidance which our review of 42 projects (described Part 2) indicates were not always implemented in practice:

- the supporting evidence underpinning efficiency savings was to be subject to rigorous scrutiny within departments and DFP (Supply), supported by expert analysis where possible;
- the guidance also required the EDP to include a breakdown of savings by category[13] which would be used to *"benchmark Department's efficiency programmes against each other and to communicate to the public the sources of savings at a Government-wide level"*. However, while this information appeared in some, but not all, EDPs, the monitoring return to DFP did not require this information to be provided for efficiencies achieved, and efficiency savings were not reported to the Executive on this basis; and
- guidance to Departments was that, in monitoring implementation of efficiencies in high priority areas of frontline delivery, they would be expected *"to provide evidence that there has not been a detrimental impact on services to the public"*.

3.7 In June 2010 the Assembly's Committee for Finance and Personnel (see footnote 7) emphasised the need for DFP to ensure departments applied the lessons and action points arising from previous reviews by NAO and the Westminster PAC. The Committee also called for a clear definition of efficiencies to be

12 There was a requirement to identify upfront costs and explain how they would be met.
13 The categories, which were derived from the original Gershon typology, were: procurement; productive time; corporate services; transactions; administration/policy, funding and regulation; allocative efficiency; and other.

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provided. DFP advised the Committee that their recommendations and lessons learned from the 2008-11 EDPs would feed into future guidance on savings delivery plans.

DFP monitored EDPs at a high-level but its role was not to evaluate EDPs or validate reported efficiency savings

3.8 Past reviews of Efficiency Programmes in Westminster have considered it essential that there is a centralised, co-ordinating body with responsibility for challenging departments on their management and delivery of efficiencies. NAO's review[14] of the management of the Efficiencies Programme in 2007 considered that the basis for some claimed efficiencies was not sufficiently challenged and called for HM Treasury to adopt a more rigorous process for reviewing the supporting evidence for departments' claimed efficiencies.

3.9 NAO's review also considered the role of the OGC[15] Efficiency Team which was responsible for driving forward and co-ordinating the Programme. The Team had challenged departments' efficiency plans and in some cases influenced the make-up of those plans. OGC monitored delivery against targets and developed a reporting process which required senior management to sign off reported progress.

3.10 In its report[16] on the 2008-2011 VFM savings programme, the PAC at Westminster made clear that it expects HM Treasury to take full responsibility for the delivery of future cost reduction programmes, it cannot *"simply reduce departments' budgets and then walk away from responsibility for the delivery of the level of savings required across government"*.

3.11 In its June 2010 report the Assembly's Committee for Finance and Personnel expressed its view that the central monitoring role of DFP was crucial in relation to the capacity of the public sector to identify and deliver efficiencies. DFP told the Committee that although it had required EDPs to be published, it had not carried out a formal evaluation of these plans. This was regarded as a matter for departments, given that it was departments, and not DFP, who were accountable for delivery against those plans. DFP told the Committee it had a co-ordinating role in the process, as a reflection of its wider role in ensuring *"public expenditure is managed effectively to deliver value for money for the people of Northern Ireland"*[17].

3.12 In its Framework (see paragraph 3.3) DFP indicated that it would adopt a risk based approach in its monitoring of EDPs. This was to involve:

- meeting with departments every four to six weeks as part of their normal business. The implementation of EDPs was added as a regular agenda item at these meetings;

14 'The Efficiency Programme: A Second Review of Progress' NAO, February 2007
15 In June 2010 OGC moved from HM Treasury to the Cabinet Office to become part of the Efficiency and Reform Group (ERG).
16 'Progress with VFM savings and lessons for cost reduction programmes' Report, July 2010.
17 DFP's 'Framework for Monitoring of Budget 2008-11 Efficiency Delivery Plans

- departments submiting biannual reports to DFP to facilitate reporting to the Executive; and
- liaising with departments in cases where it had become apparent that efficiencies would not be delivered.

DFP's approach, as set out in the Framework, was to involve greater challenge and interrogation for those EDPs where implementation was proving difficult or where there was a significant risk that targeted savings were not being achieved.

3.13 DFP's monitoring of EDPs was therefore at a high level and DFP has indicated that more detailed monitoring was only undertaken where a department had flagged a measure as 'red' (where the project status was classified as green, red or amber) i.e. highlighting that planned savings may not be delivered. DFP told NIAO that its main assurance that savings were being made was that the associated funding was removed from departmental baselines at the start of the Budget 2008-11 process.

3.14 DFP's role was not to validate savings identified by the departments to ensure that they represent genuine efficiency savings. DFP emphasised that[18] primary responsibility for EDPs lies with individual departments: *"it is departments who are accountable for the delivery of efficiency savings as well as ensuring that there is not a negative impact on priority frontline services"*.

Published EDPs lacked detail on the rationale for the chosen efficiencies and the basis of measurement, and offered insufficient assurance that frontline services were being protected

3.15 Publication of EDPs[19] aimed to ensure openness and transparency in the process and to reassure the public that efficiency savings would not be straightforward budget cuts. However, some departments produced EDPs which provided little detailed information and which would not have allowed for meaningful public scrutiny. This is illustrated by the extract from DEL's EDP which sets out the detail supporting one of its efficiency measures (**Appendix 2**). From the information provided, it would not be clear to readers of the plan that the efficiency related to a change in the basis for, and level of, financial support to disabled persons starting employment[20].

3.16 In the equality assessment of this efficiency measure, DEL identified that the planned reduction in funding of disability programmes would have a negative impact on those with a disability. DEL was therefore required to provide evidence of its consideration of

18 In the Framework for Monitoring of Budget 2008-11 Efficiency Delivery Plans

19 DFP's Framework for Monitoring of Budget 2008-11 Efficiency Delivery Plans states "The rationale for publishing these documents on departmental websites was to provide confidence to the Assembly, key stakeholders and the public in general that NI Departments will deliver the targeted level of savings in a strategic and planned manner rather than through an arbitrary cuts exercise".

20 DEL previously funded a basic wage subsidy (Employment Support) based on a % of salary. Under this efficiency measure DEL started a new scheme (Workable NI) which offered claimants maximum benefit in the first year, but reduced funding as individuals become more able and were supported by an employer. Employment Support is still operational (it has fewer than 700 participants) but is not open to new entrants.

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mitigations or justification of the decision to proceed despite the negative impact. The only evidence/justification provided was the comment: *"we will maximise the use of the remaining budget to ensure that the resources are used as efficiently and effectively as possible"*.

3.17 While DEL and DRD placed full EDPs on their websites, DE provided only a summary of its EDP on its website - not the full plan. The published EDP for DHSSPS set out high level efficiency savings planned. It was supported by more detailed delivery plans prepared by each HSCT.

3.18 Departments were asked to set out in their EDPs at least one supporting indicator for each efficiency measure, against which progress could be measured. Often the indicator chosen was not specific or defined in numeric terms, e.g. staff numbers or unit costs in £, but was a narrative such as *"monthly monitoring"*, *"measurement against EDP"* or *"monitoring of expenditure against reduced budgets"*.

3.19 Overall, as **Part 2** shows, we found that EDPs were inconsistent in nature; did not contain sufficient financial or performance information; and did not explain in detail how the proposed efficiencies were to be delivered. Robust baselines were not provided and there was a lack of unit cost and productivity information or benchmarking regionally or nationally.

There is scope to improve governance arrangements. Departments had limited oversight of their Arms' Length Bodies' efficiencies and in many cases simply passed on a percentage budget reduction without any underlying analysis

3.20 In many cases departments reduced funding of their Arms' Length Bodies (ALBs) by a flat rate percentage. For example, in the health sector, DHSSPS reduced HSCTs budgets by 2.5% (2008-09); 3% (2009-10) and 3.5% (2010-11) – this amounted to a total reduction of £244.4 million for the HSCTs (Belfast HSCT £91.7 million; Southern HSCT £36 million; South Eastern HSCT £37.1 million; Northern HSCT £43.6 million and Western HSCT £36 million).

3.21 The DHSSPS EDP describes the monitoring arrangements in place to ensure savings were delivered without a detrimental effect on high priority services: *"Monitored through a reduction of allocations… and ongoing regular monitoring of achievement against efficiency targets and overall break even position…"*. Monitoring in this case was on a quarterly basis to be conducted by DHSSPS Finance. Monitoring arrangements made no reference to the steps taken to ensure service quality was maintained.

3.22 DHSSPS told us that there are well developed mechanisms and processes in the Department and Health and Social Care Board[21] (HSC Board) to monitor quality and manage performance across the whole sector. It would

21 The Health and Social Care Board was established in April 2009, its role is to commission health and social services from the health and social care trusts and to work with the trusts to ensure that these services meet the needs of users.

therefore not consider that specific and parallel monitoring of service quality would be required to deal with the consequences of each of the individual components that feed into the overall efficiency programme, as this would be administratively burdensome and add little value.

3.23 DEL provided us with a summary of efficiencies realised within the Higher Education sector with the caveat attached that *"the figures that were provided by the higher education institutions have not been validated by us"*. DEL told us that a validation exercise would have been time consuming and costly to perform.

3.24 Departments provided biannual returns to DFP on their progress against EDP targets which reported mainly in terms of total amount claimed as saved in the period and forecast savings in future periods. In most cases, very limited information was sought and provided in the *"supporting evidence/impact of action"* section of the return.

3.25 There was a lack of clear financial and performance information reconcilable to the original spending settlement. Headcount and spending outturns for each department over these three years are at **Appendix 3**.

3.26 In GB, HM Treasury guidance required departments to have robust governance arrangements to provide assurance over the validity of publicly reported savings. As a result, GB departments established efficiency teams reporting directly to a working group, or the main board, on their progress against targets. There was therefore the opportunity to scrutinise savings before these were reported publicly, and to identify if there was sufficient information to determine whether savings measures had impacted on service quality. We found little evidence of similarly effective governance arrangements operating in respect of the efficiency projects we examined. We did note instances, particularly in the health sector, where appropriate governance arrangements had been implemented. **Case Study 9** sets out the Belfast HSCT's arrangements in respect of its MORE Programme (Maximising Outcomes, Resources and Efficiencies).

Case Study 9

BELFAST HSCT MORE PROGRAMME - AN APPROACH TO MANAGING AN EFFICIENCIES PROGRAMME

Belfast HSCT's MORE programme was established in 2007 to address both the efficiency agenda and its underlying deficits. The programme has a strategic focus and aims to deliver sustainable efficiencies/ cost reductions through the reform and modernisation of services.

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Belfast HSCT set out the following key principles for the programme:

- there should be no compromise on patient and client safety, and service quality and volumes must be maintained;
- a focus on reforming and modernising services, using innovative and best practice models, to generate sustainable efficiencies rather than non-recurrent remedies;
- identify, prevent and remove waste within systems, processes and from an environmental perspective;
- all areas of Belfast HSCT business, services and expenditure should be reviewed and critically challenged, with no 'no-go' areas;
- a bottom-up approach, with initiatives and projects developed and delivered by Service and Corporate Groups, not blunt targets removed from budgets; and
- a culture and way of working integrated and mainstreamed within Belfast HSCT's core business.

The programme sought to provide accountability, with clear lines of reporting from Project Managers through to Workstream Leads, to Directorate Steering Groups, to the MORE Programme Accountability Board, the Senior Executive Team and ultimately the Belfast HSCT Board.

The MORE programme is reviewed annually by Internal Audit who have provided satisfactory assurance on the adequacy of Belfast HSCT's arrangements. In addition, the Health and Social Board's Financial Stability Team carried out two extensive reviews of Belfast HSCT's MORE programme during 2010-11.

Internal monthly reporting arrangements for the MORE programme were developed in line with PRINCE/ Managing Successful Projects project management principles. Belfast HSCT also reports quarterly to DHSSPS in respect of the Comprehensive Spending Review (CSR) element of the MORE programme. During 2010-11 Belfast HSCT reported monthly to the Health and Social Care Board's Financial Stability Programme Board (FSPB). The FSPB comprises Chief Executives from the Board and the HSCTs, with other key stakeholders, such as DHSSPS, in attendance.

Under the MORE Programme, approximately 370 standalone projects have been progressed in the period 2008-11. Belfast HSCT has identified that these individual projects had released cash savings of £102.5 million by the end of 2010-11. In the same period, Belfast HSCT dealt with increasing demands for service provision. For example, there has been a seven per cent increase in Accident & Emergency attendances over the same four year period.

The Programme Leaders in the five HSCTs established an informal network for sharing approaches, ideas and expertise across the health and social care sector at the outset of the 2007 CSR. This group has since been formalised and meets at least once every quarter. In addition, HSCTs developed a database of all projects implemented and planned across the sector, together with contact details, which is available to all health and social care organisations. The Directors of Planning and Performance in all five HSCTs have also established an Efficiency and Improvement Collaborative to take forward overarching modernisation/ efficiency workstreams. As a consequence of the MORE programme Belfast HSCT considers that there is now a strong focus on value for money amongst its senior and middle managers.

The reporting of efficiencies was not comprehensive, transparent or meaningful

3.27 When reporting on initiatives such as the Efficiency Delivery programme, it is important that the information is clear, comprehensive and easy to understand. Absence of such information undermines the ability of elected representatives and the public to scrutinise and make informed judgements on performance.

3.28 As **Part 2** of our report indicates, we were unable to offer assurance on whether around two thirds of the efficiency projects that we reviewed represented genuine efficiency savings. In many cases, this lack of assurance was due to limited financial and performance information at individual project level and a concern that a saving in one area might have led to a deterioration in service quality.

3.29 DFP's summary of savings achieved for the three years covered by the 2008-11 EDPs is set out at **Figure 5**. Overall, departments reported £1,600 million of resource- releasing efficiency savings against a target of £1,605 million (99.7

Figure 5: Departmental Performance against Efficiency Delivery Plans

	2008-09			2009-10			2010-11		
Department	**Target £m**	**Savings achieved £m**	**Savings Achieved %**	**Target £m**	**Savings achieved £m**	**Savings Achieved %**	**Target £m**	**Savings achieved £m**	**Savings Achieved %**
DARD	6.2	7.2	116.1	12.2	12.3	100.3	18.1	18.1	100.0
DCAL	3.2	3.2	100.0	6.0	6.0	100.0	9.4	9.4	100.0
DE	63.2	63.2	100.0	124.5	124.5	100.0	184.0	178.5	97.0
DEL	20.4	20.3	99.5	40.1	40.1	100.0	59.2	59.2	100.0
DETI	7.7	7.7	100.0	15.2	16.1	105.9	23.7	23.7	100.0
DFP	6.1	6.1	100.0	11.3	11.3	100.0	15.8	15.8	100.0
DHSSPS	118.2	118.3	100.1	232.9	223.5	96.0	343.1	343.1	100.0
DOE	3.9	3.9	100.0	7.7	7.7	100.0	11.4	11.4	100.0
DRD	22.5	22.5	100.0	44.2	44.2	100.0	65.4	65.4	100.0
DSD	19.4	19.6	101.0	38.1	39.8	104.4	56.3	59.2	105.2
OFMDFM	2.4	2.4	100.0	4.6	4.8	103.9	7.7	9.2	119.8
FSA	0.2	0.8	354.5	0.4	1.0	230.8	0.7	0.8	127.7
Total	273.2	275.2	100.7	537.3	531.3	98.9	794.6	793.8	99.9

Source: DFP

Part Three:
Overall Management of the Efficiency Programme

per cent of the cumulative 3 year target). As the targeted level of savings (three per cent) was removed from departmental baselines at the start of the 2008-11 budget process, actual savings reported have generally matched proposed savings.

3.30 DSD and the Food Standards Agency (FSA) were the only departments which exceeded their targets across all three years. Only three departments failed to meet their targets (DEL in 2008-09 by 0.5 per cent, DHSSPS in 2009-10 by 4 per cent and DE in 2010-11 by 3 per cent). DE claimed all efficiencies had been met in full but it did not publish[22] a revised EDP when it replaced two projects which had failed to realise targeted savings. DE told NIAO that further savings (totalling £71.1 million) were identified in 2010-11 to address a number of issues including the shortfall in efficiencies, but they were not specifically linked to the EDP.

3.31 In our view this form of reporting, which provides only monetary values, lacks sufficient detail, is not informative and lacks clarity. As noted in **Part 2**, efficiencies can only be genuinely claimed where there is no reduction in the volume or quality of service delivery. No information was provided, either by departments or centrally by DFP, on volume of outputs or quality of services and therefore there can be no informed interpretation as to whether efficiencies have genuinely been delivered.

3.32 This form of reporting reflects the manner in which the Efficiency Delivery Programme was implemented. A three per cent pro-rata cut of baseline budgets for the period was imposed across all departments. The policy of a three per cent target was agreed by the Executive in May 2007 as a minimum requirement.

3.33 The Committee for Finance and Personnel's report on efficiencies of June 2010 considered that *"…it will be vitally important for the Executive to take a strategic approach to targeting, delivering and monitoring the additional efficiency gains. This will help to avoid both a crude salami slicing of departmental budgets and a disjointed or silo approach by individual departments, which can be counterproductive in terms of the efficiency of the wider public sector"*. The Committee was concerned that *"…the three per cent cumulative efficiency targets imposed on all departments by the Executive may be more easily achievable for some departments and put enormous pressure on the others… some departments may be in a position to achieve efficiencies over and above the three per cent target."* Some concerns were expressed that *"…the current drive for savings may cause an element of misdirection in the NICS* [Northern Ireland Civil Service], *with focus on the achievement of long-term objectives being sacrificed for short-term gains."* The Committee heard evidence from a number of witnesses highlighting the risks associated with imposing an across the board percentage cut in budgets. Professor Colin Talbot[23], when asked how

22 DE was considered to have acted contrary to the agreed undertaking to publish EDPs (including revised EDPs), which was designed to provide an assurance that there was no risk of cuts in frontline services.

best to cut public services, stated: *"...the worst way to do that is by top-slicing across the board, because it damages what you want to keep and protects what you do not want to keep.... Top-slicing is easy to implement, but it is extremely damaging, particularly in the long-term"*.

Overall Conclusions and Recommendations

3.34 Guidance provided by DFP was not sufficiently detailed and was not fully implemented by departments. It did not define an efficiency saving; detail how departments should monitor and measure savings; provide advice on the need to net any investment costs off against savings; or seek assurance that the saving had not impacted adversely on service users. **We recommend that more substantive guidance is prepared for future savings or efficiency programmes. Guidance should be published and disseminated before the programme commences. The training needs of staff involved in managing and measuring efficiencies should be assessed and any necessary training should be provided to departments.**

3.35 There was no centralised challenge function over the content of EDPs and the validity of efficiencies reported by departments. **We recommend that in future efficiency programmes a central body advises departments on how to identify and measure efficiencies and works with departments to put in place arrangements to evaluate future savings/efficiency plans, challenge proposals and validate claimed savings. In our view, this function would fall best within DFP.** DFP has expressed to NIAO its concerns that, if it were allocated additional tasks in terms of challenge and scrutiny of departments' efficiency plans, this would go beyond what was envisaged by the Executive when individual ministers were expressly charged with realising efficiencies within their departments. DFP also considers that the proposed scrutiny role would be time-consuming and costly to perform.

3.36 Departments' published EDPs were inconsistent; lacked transparency about what was actually being proposed and the potential impact of those proposals; did not provide information sufficient to allow for meaningful public scrutiny or internal monitoring; and did not provide an adequate basis for the measurement of efficiency savings. **We recommend that future savings or efficiency plans should be more comprehensive in nature and should provide sufficient detail to allow for proper and full public scrutiny. Annual performance should be reported to the same level of detail as the plans themselves.**

3.37 Departments failed to challenge or validate efficiencies where the implementation lay with ALBs, imposed percentage reductions without a clear analysis of baseline positions and failed to ensure frontline services were not affected. **We recommend that departments exercise improved**

23 Professor Talbot, of the University of Manchester, has advised a number of Parliamentary committees on performance and public spending. The Committee for Finance and Personnel also heard evidence from Victor Hewitt of the Economic Research Institute of Northern Ireland and referred to the 2009 report from the think-tank DEMOS "Getting More for Less: efficiency in the public sector". The report had warned of the risks of strategies such as 'salami-slicing' which "*might secure initial savings, but will make things more expensive in the long term*".

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oversight of their ALBs efficiency proposals, enhance their scrutiny role and improve governance arrangements. Departments should provide a strong challenge function to their ALBs in relation to the planning and delivery of future efficiency measures, including the need to ensure that quality of service is maintained.

3.38 Public reporting of efficiencies was not transparent, comprehensive or meaningful. Progress against departments' overall savings target was reported to the Executive and Assembly but was not published. Information on performance against the details contained in EDPs was not published and little, if any, reference was made in departments' annual reports[24]. **We recommend that future reporting of savings is more comprehensive in nature and includes high level measures of spend, outputs and quality of service.**

24 DHSSPS referred to the achievement of its efficiency targets in its 2008-09 and 2010-11 resource accounts; DE referred to the efficiencies to be derived from convergence under Education and Skills Authority in its 2009-10 resource accounts. Neither DEL nor DRD made reference to performance against efficiency targets in resource accounts from 2008-09 to 2010-11.

Appendices

Appendix 1:
(Paragraph 1.13)

Efficiency Saving Measures Reviewed by NIAO

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DE	**Capital Efficiencies:** planned savings reflected in reduced budget. A number of planned efficiencies could not be achieved, often for reasons outside DE's control. Fewer capital projects were undertaken than planned	No	No	No	No	No	Not an efficiency
	Effective Workforce Management: largely by reducing the cost of providing cover for sickness absence	Yes	No	Yes	No – correlation is assumed	Unclear, cost per teacher/pupil reduced	Insufficient information to determine
	Establishment of Education and Skills Authority (ESA): ESA has yet to be established but a severance programme was implemented	Yes	No	No	No	Not known	Not an efficiency
	Teachers' and Non Teachers' Pay: by constraining pay levels below an anticipated rate	Unclear	Yes	Yes	Yes	No – pay up by 7.6% but pupil numbers down by1%	Unlikely to be an efficiency
	Aggregated Schools Budget: by constraining budgets partly as a result of falling pupil numbers	Unclear where enrolments falling	Yes	Yes	Yes	No - cost per pupil up by 13.5%	Unlikely to be an efficiency
	Classroom 2000 (C2K): improved contract management of ICT provision in schools	Yes	Yes	Yes	Yes – if contract terms fulfilled	Yes	Likely to be an efficiency

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DEL	**New Deal/Steps to Work:** revised contract arrangements allowed for removal of Lead Partner funding	Yes	Yes	Yes	Yes, satisfactory inspections of all contractors	Yes, as evidenced by 2012 consultants' report	Likely to be an efficiency
	Rationalisation of FE structure: Principally from rationalisation of staff posts following merger of 16 colleges into 6	Yes	Yes	Yes	Yes, in relation to attainment rates. Nothing on wider impact on locality	Unclear, cost per teacher/ pupil reduced	Likely to be an efficiency saving
	Reduction in FE recurrent grant allocations: made possible largely by the introduction of Individual Learning Programmes for students	Yes	Yes	Yes	Yes	Yes	Likely to be an efficiency saving
	Reduction in HE recurrent grant: HE institutions were to achieve efficiencies by maximising income, recovering full costs and improving processes i.e. more competitive procurement	Yes	Yes	Yes	Yes	No, expenditure up 6.9% but student numbers broadly static	Unikely to be an efficiency
	Reduction in funding of disability programmes: move from funding based on % of salary (programme closed to new entrants) to a focus on maximising benefit in the first year of employment and reducing support thereafter	Yes	Yes	Yes	Yes, based on consultants evaluation	Yes	Likely to be an efficiency
	Removal of training provision from Enterprise Ulster: training previously provided by Enterprise Ulster subsumed into New Deal	Yes	No	No	No	Not known	Insufficient information to determine

Appendix 1:
(Paragraph 1.13)

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DRD	**Generation of additional income:** by increasing parking fees and penalties	No	Yes	Yes	No	No	Not an efficiency
	Bus route subsidy: withdrawal of annual £2.1 million bus route subsidy	No	No	Yes, for total passenger journeys	No	Not known	Not an efficiency
	Northern Ireland Transport Holding Company asset disposal: savings from the disposal of surplus assets	No	N/A	N/A	N/A	N/A	Not an efficiency
	Reduction in capital budget for plant/depot: delaying the replacement of plant and machinery and deferring expenditure on depot refurbishment	Yes	Yes	Yes	No, long-term effect not known	Not known	Not an efficiency
	Roads Service delivery efficiencies (admin): reduction in administration staff levels while achieving business plan and operational targets and delivering increased capital budget	Yes	Yes	Yes, for staff numbers	Yes, achievement of targets	Yes, for programme spend per employee and ratio of admin to programme spend	Likely to be an efficiency

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DHSSPS – Belfast HSCT	**Review of Catering Provision:** improvements to value for money of catering services including use of in-house spare capacity to replace private sector contractors and renegotiating 'meals on wheels' contract	Yes	Yes	Yes	Yes – user surveys	Yes, cost per meal decreased, number of meals served has increased	Likely to be an efficiency
	Energy Optimisation: use of modern technology and processes to reduce energy costs	Yes	Yes	Yes	Yes, as reported by staff	Yes	Likely to be an efficiency - despite not adjusting for capital costs
	Laboratory Services - Harmonisation of Staffing Levels and Skills Mix: including changes to staffing mix in Pathology Laboratories to reflect national benchmarking information	Yes	Yes	Yes	N/A	Yes, expenditure decreasing as number of tests increase	Likely to be an efficiency
	Reduction of Enhanced Nursing beds in Withers Orthopaedic: reduction in surplus places (beds reduced from 14 to 8) and consequential reduction in nursing staff by 9.25 (whole time equivalent)	Yes	Yes	No – admissions to HDU not recorded separately	Yes – but long term impact uncertain	Some, limited, evidence that quality has been maintained.	Possible efficiency subject to caveat on long-term impact, and adequacy of information
	Elderly Care: Reduction and Relocation of beds and Provision of Intermediate Care: replacement of 96 elderly care beds with 48 bed ward in main hospital buildings and investment in improved community services. Nursing staff were redeployed.	Yes	Yes	No	Some evidence of service maintained.	Not Known	Insufficient information to determine if an efficiency

Appendix 1:
(Paragraph 1.13)

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DHSSPS – Northern HSCT	**Closure of Princes Gardens Children's Home:** closure of 8 bed unit judged not fit for purpose	Yes	Expenditure 2008-11 but no baseline costs	No	Not specific to this measure but use of foster carers shown to improve quality of care.	Yes, cost of care decreasing as numbers increase	Possible efficiency, impact on quality of care/long term impact of closure difficult to establish
	Introduction of Crisis Resolution Home Treatment Services: treatment of people with mental health problems at home and reduction in the number of admissions to acute psychiatric units (allowing closure of 28 beds at Whiteabbey and Holywell hospitals)	Yes	Yes, 2008-09 baseline year	No	No	Expenditure reduced as patient numbers increased significantly.	Insufficient information, impact on quality of care difficult to establish
	Reduction of security hours at acute hospital sites: reduction from 335 to 228 hours per week	Yes	Expenditure 2008-11 but no baseline costs	No	Yes – but longer term impact can't be judged	Yes	Unlikely to be an efficiency
	Reduction in private nursing home booked beds: by achieving better throughput in the HSCT's own facilities through improving average length of stay and occupancy rates	Yes	Expenditure 2008-11 but no baseline costs	No	Not specific to this measure but average length of hospital stay has reduced	No information on patient numbers, bed nights etc.	Insufficient information, impact on quality of care unclear
	Reduction in reliance on Locum Anaesthetists: by increased use of the HSCT's own staff to fill gaps in rotas	Yes	Yes, but no reduction in locum costs until 2010-11	No	Probably – but may not be sustainable longer term	Unclear, locum costs down but patient numbers also down and waiting times up	Unlikely to be an efficiency

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DHSSPS – Southerm HSCT	**Rehab Beds and Reduction of Medical Beds:** improvements to clinical practice resulted in the reduction in average length of stay allowing for closure of 28 beds at Daisy Hill and Craigavon hospitals	Yes	Yes	No	No	Not known	Insufficient information. Impact on quality of care, and long-term effect of bed closures not known
	Child and Adult Mental Health Service -Workforce Productivity: redesign of the delivery of mental health services allowing for recruitment of fewer than anticipated additional staff required to reduce waiting times	Yes	Yes	No	Yes – in terms of waiting times	Not known	Unlikely to be an efficiency, impact on quality of care unclear and issues around adequacy of information
	Introduction of car park charges: 50p an hour charges introduced at Craigavon hospital in August 2009 and at Daisy Hill in April 2010. Increased to £1 an hour in November 2010	No	Yes	No	No	Not known	Not an efficiency
	Fostercare Project: reduction in reliance on private foster care placements while increasing foster homes available	Yes	Yes	Yes	Yes	Yes	Likely to be an efficiency
	Older People and Primary Care - Workforce Productivity: programme to review vacant posts and assess if these should be filled or if processes/staffing can be reconfigured to eliminate the need for the post	Yes	Yes	Yes	Yes – scrutiny of impact of holding vacant posts	Yes (for physiotherapy – admin posts also affected)	Possibly an efficiency but wider quality issues unclear

Appendix 1:
(Paragraph 1.13)

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DHSSPS – South Eastern HSCT	**Regional Pharmacy Initiative:** reduction in drug costs as a result of the introduction of collective contract arrangements	Yes	Yes	Yes	Yes– in that clinicians involved in decision-making	Yes (based on small sample seen)	Likely to be an efficiency
	Proactive Rehabilitation approach to Care Management for Older People: provision of screening and rehabilitation before putting in place an appropriate long-term care package	Yes	No	Yes	No, care subject to inspection regime but not specific to this measure	Not known	Insufficient information to determine. GB reviews indicate better quality of life for clients under this approach
	RPA Efficiencies: savings on administration including the rationalisation of posts	Yes	No	Yes – in terms of staff numbers	No	Not known	Insufficient information to determine
	Voluntary sector: reduction of funding to voluntary groups on an individual basis and not by imposing a percentage cut across all groups	Yes	Yes	Yes – on case by case basis	Yes, subject to inspection regimes and monitoring against SLAs	Yes (based on small sample seen)	Possibly an efficiency but difficult to be definitive about quality of service for all projects
	Workforce Productivity: maximising workforce efficiency through scrutiny of vacancies, recruitment controls, controls over use of temporary staff and management of sickness absence	Yes	No	No – not for all services affected and no baselines	No – but savings achieved while activity increased	Not known	Insufficient information to determine

Dept	Measure	Conceptually does this make sense as an efficiency?	Is there a full run of expenditure data including a baseline position and each subsequent year?	Is there a full run of activity/ output data including a baseline position and each subsequent year?	Is there any evidence to show that service quality has been maintained – is this quantified or verifiable in any other way?	Does the cost per unit of output or activity actually decrease (in real terms) over the period by an order of magnitude in line with the claimed efficiency?	What is our overall judgement based on this?
DHSSPS – Western HSCT	**Corporate RPA savings:** reductions in administration and management posts	Yes, reduction in posts	No, information not available in requested format	No, information not available in requested format	Not specific to this measure though wider quality assurance processes in place	Not known as expenditure data also includes inflation and service developments and pressures	Insufficient information to determine
	Primary Care and Older People: investment in domiciliary care and rehabilitation allowing for closure of two residential homes	Yes	Yes, 2008-11 was baseline year	Yes	No, however sector is subject to inspection regime	Not known as information on domiciliary care is incomplete	Insufficient information to determine
	Women and Children's Directorate – Maternity Services: reduction in number of midwives at the Erne Hospital to bring staffing levels into line with those recommended nationally	Yes	No, expenditure 2008-11 but no baseline costs	Yes (number of births)	No, however sector is subject to inspection regime	Yes, spend per birth increased slightly (2.2%) but likely fall in real terms	Insufficient information to determine
	Acute Medical Ward Tyrone County Hospital: closure of acute medical ward in the Tyrone County hospital and redeployment of staff	Yes	Some high level data available	Some high level data available	No	Not known	Insufficient information to determine
	Adult Mental Health: staff reductions following restructuring of acute admissions wards and psychiatric intensive care units at Tyrone and Fermanagh hospital and Gransha hospital	Yes	Some high level data available	Yes	No	Unclear. Spend increased as patient numbers declined, but no data on 3rd year of anticipated savings	Insufficient information to determine, expenditure data also includes inflation and service developments and pressures

Appendix 2:
(Paragraph 3.15)

Extract from DEL Efficiency Delivery Plan 2008-11

WS7: Reduction in Funding of Disability Programmes

Department	Department for Employment and Learning
Efficiency Measure	**Transactions** This efficiency is about limiting expenditure in this area.
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	[Grade 5]

1. Forecast of Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin				
Resource	5.70	0.40	0.40	0.40
Capital				
Total	5.70	0.40	0.40	0.40

2. Summary of evidence supporting scope for realising savings

This efficiency is about limiting expenditure in this area.

3. Summary of any potential wider benefits (including non-resource releasing gains)

None.

4. Summary of Key Actions and any Upfront Costs

4a: Description of Key Actions
To identify impact on services / policy delivery at an early stage.
4b: Details of any Upfront Costs
None.

5. Timetable

TIMETABLE FOR DELIVERING EFFICIENCIES			
Date	**Action**	**Owner**	**Outcome**
Winter 2006/ Spring 2007	Prep for Work Division.	[Grade 5]	To ensure that such a reduction is manageable and deliverable wef April 2008.

6. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
Reduction in Funding of Disability Programmes.	Prep for Work	Disabled Advisory Service	Quarterly

7. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
Section 75 Disability	We will maximise the use of the remaining budget to ensure that the resources are used as efficiently and effectively as possible.

8. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
Section 75 breach may result in lack of support for efficiency saving at ministerial level. Negative press for DEL.	Consider alternative proposals including increasing savings elsewhere.

Appendix 3:
(Paragraph 3.25)

Departmental Outturn and Total Staff Numbers

	2008-09	2009-10	2010-11
DHSSPS Gross Expenditure (£000s)	4,335,732	5,002,426	4,380,831
Staff Numbers	1,722	1,651	1,370
DRD Gross Expenditure (£000s)	1,948,013	1,959,626	*734,225
Staff Numbers	2,654	2,496	2,465
DEL Gross Expenditure (£000s)	791,129	868,652	887,610
Staff Numbers	1,791	1,870	1,956
DE Gross Expenditure (£000s)	1,939,658	2,026,903	1,993,717
Staff Numbers	677	745	653

Source: Departmental Resource Accounts
*excludes £1.1billion for Roads Service cost of capital

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