Office for Value for Money

10 Year Efficiency Projections

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for Money

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Purpose

1.1 Autumn Budget 2024 announced the Office for Value for Money (OVfM) would, among other things, assess where and how to improve efficiency across government. This was part of the government's work to reset public spending, including through a laser focus on efficiencies to drive better outcomes for better value. This meant taking action to reform the framework for how efficiencies are identified and delivered – going beyond announcing high-level ambitions, and instead setting out detailed deliverable plans that can be systematically reported on, enabling success or failure to be tracked.

1.2 Efficiencies are focused on protecting or improving outcomes, not just reducing costs. They are defined as delivering more output for the same input, or the same or greater output for less input.

1.3 At Spending Review 2025 (SR25) the OVfM supported departments to develop bespoke efficiency targets, underpinned by credible delivery plans that set out how those targets would be achieved. In total, the government identified efficiencies of almost £14 billion a year by 2028-29. The publication of the bespoke targets and summaries of the delivery plans alongside SR25 will enable greater external scrutiny, public accountability and sharing of best practice. The National Audit Office (NAO) commented on the new approach: "ensuring that efficiencies represent genuine improvements as opposed to spending cuts, developing clear plans to support targets, and ensuring rigorous follow-up of progress, are all important principles for achieving sustainable efficiencies."[1]

1.4 Bespoke targets, greater transparency and a new focus on delivery unlocked efficiencies in departmental spending at SR25, but the government's goal is long-term and ambitious. The government is committed to improving outcomes and services for citizens at lower costs in future years, not just in this Spending Review (SR) period.

1.5 The OVfM has worked with other government departments to set out the expected long-term investments and efficiency gains of a selection of programmes funded at SR25. The forecasts in this document begin to address a longstanding criticism that successive governments have focused too much on short-term issues in public spending at the expense of decisions that would provide benefits in the

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[1] Letter from the Comptroller and Auditor General to the Chair of the Office for Value for Money, GOV.UK, June 2025

long run. For example, in March 2024 the Public Accounts Committee stated that “Government does not do enough to plan for the long-term, or to provide long-term investment for its policies. This not only causes problems now, but leaves problems that will be critical in the future.”[2]

1.6 This document builds on and complements the efficiencies exercise conducted at SR25, by setting out the efficiency projections for 10 years. Increased transparency will ensure departments have greater accountability for delivering efficiencies over the longer-term, providing HM Treasury with greater confidence that these investments will be value for money and a stronger incentive to fund them. This in turn should provide departments with greater incentive to develop robust efficiency proposals to tackle long-term issues for future spending reviews, even where the efficiency gains in the SR period do not exceed the investment. Greater transparency around investment decisions can also support the evaluation of projects and programmes, inform subsequent analysis, and enable better allocation decisions over time.

Overview

1.7 This document is a new initiative and is intended to act as a prototype by:

- setting out a proposed methodology that will allow consistent and robust 10 year efficiency projections to be published alongside investment decisions, and outside of normal business planning cycles; and
- demonstrating the practical application of that methodology for a subset of investments announced at SR25. The investments were selected to test the methodology against both types of efficiency, technical and allocative, as defined below.

1.8 This prototype will support departments to develop their modelling capability to enable a greater focus on long-term value for money, and could allow HM Treasury to conduct a similar exercise in future. The government would welcome insight and challenge from those outside government on the methodology.

[2] Eighth Annual Report of the Chair of the Committee of Public Accounts, UK Parliament, March 2024

Chapter 2 Methodology

2.1 The methodology used in this document builds on that used to determine the departmental efficiency targets published at Spending Review 25 (SR25),[3] which was informed by the Government Efficiency Framework.[4]

2.2 The investment figures reflect departmental settlements announced in SR25. They are subject to annual business planning processes, so are subject to change, but departments do not expect significant deviations from the numbers presented.

2.3 In some cases, departments have assumed investment in years beyond the Spending Review (SR) period (i.e. when no budgets have been allocated). In these cases, the efficiency projections are derived from the full scope of the investment, rather than being limited to investment announced at SR25. This is on the basis that departments have confirmed they would prioritise the investment in any future SR settlement.

2.4 Efficiency projections represent efficiencies as defined in the Government Efficiency Framework. Efficiencies include:

- **cash-releasing technical efficiencies** – where the same output can be achieved at a lower cost. These are cash-releasing because they could lead to a direct reduction of departmental spending on an activity, project, programme or policy;
- **monetisable non cash-releasing technical efficiencies** – where higher outputs are achieved with the same level of spending; and
- **allocative efficiencies** – where allocating, or reallocating, resources towards those activities with the best ratio of cost to benefits maximises outcomes for a given input. For example, moving from treatment (dealing with the disease at the point patients have it) to preventative support (for example, early intervention with vaccines at reduced cost).

2.5 Efficiency projections have been calculated in line with the principles set out in the Government Efficiency Framework. These include: being calculated with quality data that is likely to be seen as reliable, reasonable and verifiable by an impartial third party; only measuring sustainable efficiencies rather than the deferral of

[3] Spending Review 2025: Departmental Efficiency Plans, HM Treasury, June 2025

[4] The Government Efficiency Framework, HM Treasury, November 2025

investment to future years; and avoiding double-counting of efficiencies between organisations.

2.6 These projections capture the efficiencies that accrue to the public sector (including both central and local government), and do not reflect any wider economic benefits from these investments (e.g. wellbeing benefits to individuals).

2.7 Efficiency projections represent the efficiency gain against the counterfactual spending profile that would have occurred in the absence of this specific investment (i.e. in the no policy change scenario). The modelling adjusts for effects that would have occurred without intervention, to ensure that only the impacts attributable to the investment are accounted for.

2.8 Gross efficiency projections represent the total efficiencies from the investment in any given year (i.e. they are not cumulative, though likely will have been impacted by investments in previous years). The total gross efficiencies represent the sum of these numbers from 2026-27 to 2035-36.

2.9 Efficiencies net of investment represent the efficiencies minus the investment in any given year. The total efficiencies net of investment represents the sum of these numbers from 2026-27 to 2035-36.

2.10 Both investments and efficiencies are presented in cash terms (i.e. they are not adjusted for inflation). This follows the approach taken in the Departmental Efficiency Plans published at SR25, which measured efficiencies against planned Resource Departmental Expenditure Limits, which are set in cash terms.

2.11 When the UK government increases spending on services in England that are devolved to the administrations in Scotland, Wales, and Northern Ireland, those administrations receive additional funding through the Barnett formula. These additional allocations are known as Barnett consequentials. Investment figures exclude Barnett consequentials, as devolved administrations may not invest in the same activities as those detailed in this document.

Chapter 3 Programmes

3.1 In developing this document, the Office for Value for Money (OVfM) has worked with departments to select a range of different types of investments:

- children's social care;
- NHS technology transformation;
- shared services clusters; and
- HMRC digital services.

3.2 This is not a comprehensive picture of the Spending Review 2025 (SR25) investments that will deliver efficiencies beyond the three-year spending review (SR) period. As noted above, this document is meant as a prototype. These specific investments were selected to ensure that a range of programmes could be tested.

3.3 This document focuses on programmes funded from day-to-day resource rather than capital budgets. Many capital programmes are inherently more long-term than those funded from day-to-day resource budgets, and generally require planning over several years. Other public sector bodies, such as the National Infrastructure and Service Transformation Authority (NISTA), already report publicly on the delivery of capital programmes. Some of the investments set out in this document, however, do include a limited amount of capital funding.

Children's Social Care

Table 3.1

£ million	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-25	35-36	Total
Investment (TDEL)[1]	1,108	1,114	743	0	0	0	0	0	0	0	2,964
Gross efficiencies	71	633	1,156	1,439	1,153	658	269	7	7	8	5,400
Efficiencies net of investment	-1,037	-481	413	1,439	1,153	658	269	7	7	8	2,4376

[1] Investment figures are subject to annual departmental business planning

3.4 The government provided a significant increase in funding for children's social care reform in 2025-26, doubling direct investment in children's social care prevention services through the Children's Social Care Prevention Grant. SR25 confirmed an additional £555 million from the Transformation Fund. The Local Government Finance Policy

Statement confirmed the government will go further; the multi-year Settlement will make available over £2.4 billion for children's social care reform. This includes continuing the £523 million investment available in 2025-26 for each year of the multi-year Settlement; £319 million of the Transformation Funding announced at SR25; and additional new funding confirmed in the Local Government Finance Policy Statement of £547 million over the Settlement – all ringfenced for spend on prevention and de-escalation through the Families First Partnership Programme. Further detail can be found in the Spending Review 2025 document and the Local Government Finance Settlement Policy Statement.[5]

3.5 Table 3.1 above sets out a proportion of this funding – £2.96 billion across 2026-27 to 2028-29 – and therefore does not constitute the full amount that government is investing in children's social care reform.

3.6 The Families First Partnership programme is a new system of help and protection designed to prevent need from escalating and help children stay with their families where possible. This historic investment demonstrates the government's commitment to invest in prevention and will support councils working across the safeguarding partnership to deliver children's social care reform, making a real, tangible difference to children and families.

3.7 As well as the Families First Partnership programme, total investment includes investment to fund additional foster home and kinship placements and improved training for the vital child protection workforce.

3.8 This investment aims to rebalance the children's social care system away from crisis intervention and towards earlier help and support. It will further strengthen and scale up the preventative work already delivered successfully by many councils, which has supported efforts to reduce the number of children entering care and improve family support. Evidence for reform has been developed over the past decade and the consensus across government and safeguarding partners is that this shift to a more preventative approach will improve outcomes for children, by allowing more to stay in a loving, family environment. This will also reduce costs for local authorities, by reducing the number of children taken into care or, where a child is taken into care, placing them in less costly alternatives to residential care, such as foster care.

3.9 This investment is expected to deliver net efficiencies to local government of £2.4 billion over the next 10 years. There are also expected to be efficiencies to other government departments resulting from impacts such as improved mental health and labour market outcomes, although these are not captured in the table above as the modelling isn't sufficiently developed.

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[5] Spending Review 2025, June 2025
Local government finance policy statement 2026-27 to 2028-29, November 2025

NHS technology transformation

Table 3.2

£ million	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-25	35-36	Total
Investment (TDEL)[2]	281	266	256	168	123	85	82	84	86	89	**1,520**
Gross efficiencies	261	381	475	520	577	222	227	231	236	241	**3,371**
Efficiencies net of investment	-20	115	219	352	454	137	145	147	150	152	**1,851**

2 Investment figures include £101 million capital investment in Future Workforce Solutions

3.10 SR25 announced the government would significantly increase investment in NHS technology and digital transformation, which will support the NHS in delivering 2% productivity growth in each year of the SR period. This investment will also help deliver the shift of services from analogue to digital, a key ambition of the government's 10 Year Health Plan for England.

3.11 Work is underway to allocate this additional funding to specific technology and digital transformation programmes so that business cases can be brought forward for approval. Key programmes where business cases have already been agreed include:

- £709 million across 2026-27 to 2028-29 for the Future Workforce Solution, which will replace the existing Electronic Staff Record system with a new, scalable, user-centric, and data-driven system. Efficiencies will be delivered by a reduction in the number of more costly local systems, improved ease of use and accessibility, and advanced analytics to support improved workforce planning, talent management, and strategic decision-making. The initiative supports both the NHS's long-term workforce ambitions and its digital transformation agenda, helping the NHS to address challenges in staff retention, operational efficiency, compliance with legislative requirements and serving as an enabler for wider strategic initiatives; and
- £92 million across 2026-27 to 2028-29 for the Federated Data Platform, which will enable data from disparate local systems to be joined up, streamlining patient care and giving staff and clinicians the access they need to deliver better outcomes to patients. The programme will also provide business change and transformational support to all NHS organisations in England, strengthening the NHS's ability to make the best use of data to drive improvements in population health, care coordination, elective recovery, vaccination and screening and supply chain management, as well as supporting operational efficiency and effectiveness. For patients, this means more appointments, reduced waiting lists, and fewer delays. These improvements are critical to the mission of improving NHS productivity, alongside the wider technology transformation plan.

Shared services clusters

Table 3.3

£ million	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-25	35-36	Total
Investment (TDEL)	63	29	11	0	0	0	0	0	0	0	**103**
Gross efficiencies	19	19	21	21	21	21	21	21	21	21	**206**
Efficiencies net of investment	-44	-10	10	21	21	21	21	21	21	21	**103**

3.12 To increase the productivity and efficiency of government departments, SR25 committed £103 million across 2026-27 to 2028-29 to the Unity shared services cluster. Shared services clusters will improve and expand shared services by replacing legacy IT systems and consolidating back-office functions across multiple departments, creating economies of scale and reducing costs that arise from maintaining separate functions within individual departments rather than operating a single shared service across several. The move to shared systems will also deliver reductions in operating costs by streamlining processes and better aligning resources, and lowering spending on contingent labour as departments make better use of existing staff and infrastructure.

3.13 There are three cross-departmental shared services clusters – Synergy, Matrix and Unity - hosted by the Department for Work and Pensions, the Department for Science, Innovation and Technology and His Majesty's Revenue and Customs (HMRC) respectively. Table 3.3 sets out the investment projections for Unity only, and the associated efficiency projections for HMRC as the lead department, as the business cases for Matrix and Synergy were still in the process of being approved at the time of publication.

HMRC digital services

Table 3.4

£ million	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-25	35-36	Total
Investment (TDEL)[3]	114	202	165	124	0	0	0	0	0	0	605
Gross efficiencies	11	34	74	79	80	80	80	80	80	80	678
Efficiencies net of investment	-103	-168	-91	-45	80	80	80	80	80	80	73

[3] Figures include £65 million capital investment

3.14 To further improve the experience for users of government digital services, HMRC will continue recent progress in providing high-quality digital interactions for customers, delivering a minimum of 90% of self-serve engagement by 2029-30. To achieve this, the government is investing £481 million into customer service digitisation across 2026-27 to 2028-29, which will deliver sustainable savings over the 10 year period and beyond. Digital services are available 24/7, are quicker and easier to use, and are consistently rated better for customer satisfaction. This means fewer customers will need to write or call HMRC, improving the experience for customers and creating workforce efficiencies.

3.15 The transformation will be underpinned by a unified customer relationship management system, giving staff a complete view of each customer, automating routine tasks, and enabling secure digital interactions. Advanced analytics and artificial intelligence will help predict compliance risks, tailor interventions, and continuously improve service delivery. These enhancements will enable proactive compliance, more accurate tax collection and benefit payments, and reduced errors, helping to close the tax gap and further improve customer satisfaction. Other government digital initiatives like the Digital ID scheme and GOV.UK One-Login may also support such benefits in the future.

Improving and Modernising the IT Estate

Table 3.5

£ million	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-25	35-36	Total
Investment (TDEL)[4]	528	580	488	496	0	0	0	0	0	0	2,092
Gross efficiencies [5]	587	587	341	179	96	96	96	96	96	96	2,270
Efficiencies net of investment	59	7	-147	-317	96	96	96	96	96	96	178

[4] Figures include £336 million capital investment

[5] Figures for 2030-31 onwards not fully modelled

3.16 HMRC maintains a large IT estate with a large volume of legacy systems and platforms which are costly to run and maintain. Its strategy is to move to Software as a Service (SaaS), buying modern platforms and services from the market and decommissioning the legacy estate. These modern tools are more secure with better information security and in line with the broader government strategy for buying technology. They are also cheaper to run, generating an efficiency upon decommissioning of the legacy system that extends into the years beyond the SR25 period. They also offer productivity gains.

3.17 New systems and platforms allow for connected data that enables HMRC to utilise AI and other digital tools to create internal efficiency and productivity. It also allows HMRC to review and streamline the volume of services and platforms used, and the licences bought. Fewer platforms and services, operated under SaaS, will enable efficiencies across the current range of licences due to rationalisation of the IT estate.

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