

Public Accounts Committee

Oral evidence: Cabinet Office functional savings, HC 423

Wednesday 10 January 2024

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Members present: Dame Meg Hillier (Chair); Olivia Blake; Sir Geoffrey Clifton-Brown; Mr Jonathan Djanogly; Mrs Flick Drummond; Peter Grant; Ben Lake; Anne Marie Morris.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Eleanor Fairbairn, Audit Manager, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1 - 82

Witnesses

I: Sir Alex Chisholm, Permanent Secretary, Cabinet Office; Richard Hornby, Chief Financial Officer and Director of Assurance, Finance and Controls, Cabinet Office; Cat Little, Head of the Government Finance Function and Second Permanent Secretary, HM Treasury.



Report by the Comptroller and Auditor General Cabinet Office functional savings (HC 1865)

Examination of witnesses

Witnesses: Sir Alex Chisholm, Richard Hornby and Cat Little.

Chair: Welcome to the Public Accounts Committee on Wednesday 10 January 2024. Efficiency savings are the holy grail for all Governments. Any money saved, of course, is money that can be spent on other initiatives. Back in 2013, the Government set up a series of central functional teams to specialise the civil service, basically, so that we could see a professionalisation and hopefully, with those expert skills, improve Government efficiency.

In July last year, the Cabinet Office did some good work reporting that the functions had achieved, at that point, £4.4 billion of financial savings. The methodology is not perfect—we and the National Audit Office agree on that, and I think the Cabinet Office would agree too—but this was the second year of reporting on the figure, and it has gone up. If we take that figure of £4.4 billion, with all its inaccuracies, it would be the equivalent of spending by schools on almost 700,000 pupils in 2022-23, so this is significant in terms of public service delivery and the money available to whoever is Chancellor of the Exchequer. We are pleased to have a discussion about this today; it is really bread and butter for the Public Accounts Committee to see how Government can work more efficiently.

We are delighted to welcome Sir Alex Chisholm, who is the permanent secretary to the Cabinet Office. He is joined by Richard Hornby, who is the chief financial officer and director of assurance, finance and controls at the Cabinet Office—a very long title. We also welcome Cat Little, who is a regular attender here as the second permanent secretary, and, crucially for this hearing, head of the Government finance function, which is now a big team.

I reflect that when I started on this Committee in 2011, there were only two financially qualified permanent secretaries and it was still the case that many finance directors did not have to have a financial qualification. That was only in 2011, so it is quite shocking that we were still in those discussions then, and it is really helpful now that we have these functions. We want to scrutinise this today and see how well they are actually performing, but before we go into our main session, Sir Geoffrey Clifton-Brown has a question for Sir Alex Chisholm.

Sir Geoffrey Clifton-Brown: Happy new year, Sir Alex. I was very sorry to see from our biogs that you will be leaving your post in the spring. You are one of our most effective and thoughtful witnesses, so it will be a loss for us.



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Chair: It is not his last attendance, though.

Sir Geoffrey Clifton-Brown: There is more to come!

Chair: Sadly for him, he is coming back before us.

Q1 **Sir Geoffrey Clifton-Brown:** Before I ask my question, I have been advised that I need to make a declaration of my Member's interest as a chartered surveyor. I know that you have a lot to deal with, but you may recall our session on 13 October 2022, when we were asking questions about the Government hubs. All I am asking you to commit to today is producing some information for us, which should be fairly easy.

A tabular form might be the easiest way of doing it, but could you produce information on the 12 Government hubs, including the size of those hubs, the current percentage occupancy, the length of lease and break clause, and the current rent compared with the market rent? That is so we can see whether the long leases with long break clauses have led to a situation where any Government Department is paying a higher rent as a result of negotiations on those leases. That is mainly HMRC, but also when hubs are let to other Government Departments because they are not fully occupied. Could you do that?

Sir Alex Chisholm: I am happy to look into that and write to you.

Sir Geoffrey Clifton-Brown: That is very kind. Thank you.

Chair: We do forgive you for not having answers today.

Sir Geoffrey Clifton-Brown: I did not expect answers today, to be honest.

Chair: But it is an important issue, because those hubs are more expensive to set up, so we want to see what is happening with them. Thank you very much for that, Sir Geoffrey.

We turn now to looking at how successful the Government functions have been in achieving efficiencies. Peter Grant will kick off for us.

Q2 **Peter Grant:** Good afternoon to all our witnesses. I hope, Sir Alex, that being described as a helpful witness by Sir Geoffrey will not have blotted your copybook too much or damaged your reputation as a model civil servant. This is to you and Mr Hornby: how successful do you think the functions have been in improving efficiency since they were set up in 2013?

Sir Alex Chisholm: I would say "very". It is one of the things that I am most proud of. It was not my idea in the first place; I have inherited them, but I think they have come on very well in recent years particularly. I think the core to success is, first, trying to do things once well rather than many times over; that is obviously a good source of efficiency. We are trying to bring in a high level of professional expertise—often people with formal qualifications and held up to external accreditation—and bring in some external challenge, which I think is necessary sometimes. Part of the



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value of functional expertise for individual Departments and teams can be in having someone look in from outside and say, “Here is a better way of doing it.” It is also about recognising that some of these skills are very specialised and about being able to draw on an essential pool of people with particular expertise to help with individual negotiation. Those have been some of the most common elements.

As the Chair says, it is good that we are publishing, and have published for the last two years, pretty robust estimates of the savings. I think it is fair to say from reading the NAO Report, which we agree with, that we can do an even better job of that: they can be more comprehensive and we can have a little more consistency in the measurement. Broadly, we got them audited for good reason, because we wanted people to feel confident that the £4.4 billion in 2021-22 were real savings, of which £3.4 billion were cashable and £1 billion or so were non-cashable. There are more savings than that out there, because lots of work is done by functional experts and Departments that we regard as business as usual. We do not count that as additional. Even so, £4.4 billion is a substantial amount of saving in a year.

Richard Hornby: If I could add to that, the savings figures that we are talking about in this report are just those generated by the central teams within the Cabinet Office. If we think about the commercial function using the same methodology, which can be improved—we recognise that—£2.1 billion-worth of cashable savings were found in 2020-21 in the Departments, and £2.8 billion-worth of cashable savings in 2021-22 were found by the commercial teams in the Departments. The set of figures that we have published and audited understate the cashable efficiencies that the functions deliver.

If I could just describe my lived experience as an active member of two of the functions, it drives engagement. It is a really good employee offer: you can see career progression, you are trained—

Q3 **Chair:** Just to be clear, which are the two functions?

Richard Hornby: My anchor profession is finance; my second is the project and programmes profession. As a director, I also support the analytic and economics function and the security function based in the Cabinet Office. I live and breathe functions. You are quite right, Chair: this is all about delivering the cashable efficiencies.

Chair: It is in danger of becoming a new jargon, isn’t it—that you “live and breathe functions”? But we get the point, and it is helpful to get that background. Thank you, Mr Hornby.

Q4 **Peter Grant:** Where are the areas that have not improved as well as you might have hoped, and why?

Sir Alex Chisholm: I think it is fair to recognise that functions are at different stages of development. Going back, as the Chair mentioned, to 2013, there was the establishment of the Government commercial function. You took evidence recently from the Government’s chief



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commercial officer. That is a very well-established function that has been going for a long time. Procurement has saved many billions, if not tens of billions, over that time.

Some of the other functions are younger. Security came together as a function only five years ago; property is younger; communications is a long-standing activity for Government, but had not been organised on a functional basis until quite recently. Those are younger functions, if you like—less mature, but obviously very good in their way.

It is also right to recognise, as the NAO and the PAC have done, that digital, which was going very strongly about 15 years ago across Government, had lost some of that excellence. You were kind enough to say that you think it has got its mojo back over the last two or three years, but it is a recovering function. It has not been as strong as we would like to see.

The other thing to recognise is that HR—which is obviously an incredibly important function in all organisations, not least civil service ones—does a great job, but more is expected from it than used to be the case. When we have looked at our survey evidence and other things, we have seen opportunities to improve that. In fact, we published a cross-Government people plan just this morning, which speaks to all the improvements we want to make there. We would not have published that if we thought it was perfect. That is also worth recognising.

Q5 **Olivia Blake:** Sir Alex, would you mind explaining where there are good examples of standards and guidance that have helped secure savings right across Government?

Sir Alex Chisholm: I am happy to, and colleagues may want to come in. One good example is the reviews that are done by the digital experts at the Central Digital and Data Office. They have their performance and assurance team, and when people are looking to do a big new digital project, it normally gets assessed according to a common set of criteria and your conformance with good standards around cyber-security, around moving to the cloud and around the cost of ownership—all of that. Oftentimes, either they come back with an interim rejection—“This isn’t good at the moment: come back with a better version”—or they say, “Yes, do this, but with the following conditions.” That is one of the sources of savings that we have identified and set out in this report.

Q6 **Olivia Blake:** Given that some of the functions are quite well established and some are not as well established, where are the functions that are making the most efficiencies at the moment?

Sir Alex Chisholm: I can tell from Richard opening his mouth that he wants to add to this as well—please do, Richard.

As I was trying to say to Mr Grant, I think the functions give a lot of value, but some of that can best be described by savings. I do not want to say, for example, that the security function is worth less because we have identified fewer savings against it. All of us would understand that



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security—physical security, personnel security, cyber security—is worth a great deal and is absolutely vital, but we have not been able to say, “Look at the millions of savings associated with that.”

With that very important caveat, when we look at these particular savings, the biggest savings have come from counter-fraud activity, but that is partly because we have been able to apply a methodology to be very robust, for example about the savings within DWP, which have been the single biggest numbers in the last two years. They got to do that work because they had built a business case saying, “Look, we’ve done some testing. If we do the following examination of historic universal credit claims, we can identify this number of incorrect claims and the value on average per batch of remediating that is the following,” and so on.

That was then used to make the case to colleagues in the Treasury, who funded that to the tune of about £800 million. We can measure the return we are getting for every thousand cases that are looked at and how many tens of millions are coming from that. That was seen by the audit standard as being substantial; the level of confidence we have within that is very precise and lends itself to our methodology, as you can see. If we had not done it, we would not have got that money, but there are lots of other benefits coming from functional activity.

Q7 Olivia Blake: You have mentioned some numbers for the savings that there have been, but how accurately and how well do you know what efficiencies you will achieve this year, or the year after, through this way of working?

Sir Alex Chisholm: It has changed a bit over time. The two years we have done covered covid years. In the first year of that in particular, there was quite a lot of expenditure that was directly linked to covid; some of our savings, for example, were claiming back money that had been incorrectly claimed on furlough and things like that. We are not doing that now—happily, furlough payments are no longer being made—so there will be a change from that.

Also, you will have got a sense from the NAO Report that whereas we have the methodology working well in relation to things like counter-fraud, debt management and commercial transactions, we are just developing it in some other areas. I think that we will find in future years a good methodology that meets the audit standard in areas like shared services, in property management, which we don’t give ourselves any credit for here, and in some other areas, which I think will change the composition as hopefully they grow.

We want to increase savings. On the other hand, savings are obviously also indications that you could possibly have done it at a lower cost in the first place, so we do not necessarily regard more and more of them every year as a goal. But we certainly want to make sure, with the NAO’s advice, that we are comprehensively capturing, in a consistent way, the savings picture.



Q8 Olivia Blake: Fair enough on covid—I understand that. I am sure we will get on to questions about the future of the functions and so on, but how confident are you here and now that what you are expecting is going to be what is reported at the end of the year?

Sir Alex Chisholm: I am really confident, having seen two years running that we have had a figure of, for the first year, £3.4 billion, increasing to £4.4 billion last year with the extra £1 billion of savings in relation to grant management. I expect that we will probably have that kind of a ballpark figure; the composition will change within it.

Also, my confidence level is greatly assisted by the fact that we put this internal audit standard to it. We only recognise ones that are either substantial or moderate—one of the two higher standards rather than the two lower standards for audit. Armed with this excellent advice and guidance from the NAO, I think we will do an even better job next year. I think that we will do at least as well; that would be my level of confidence.

Richard Hornby: I think that is right, particularly as we continue to expand the remit of functions that are able to provide savings that have met this very high standard.

On measuring the efficiency of Government and the work overall, it is important to remember—Cat might want to come in on this as well—the investment that is going into the Government’s efficiency framework. This methodology only captures the teams in the centre. The more the net is thrown to look at auditable standards of efficiencies to the commonly agreed definitions of teams working across Government, the better. That will also allow us to pull together the savings where more than one function has come together to solve a tricky problem.

Sir Geoffrey has quizzed us on the benefits of the hubs programmes, which are in both commercial project delivery and the property function, and capturing those savings in departmental rent savings. Throwing the net more widely, without diluting the auditing standards, will allow us to continue to be confident that we are demonstrating material efficiency returns each financial year.

Q9 Olivia Blake: My final question is about your view on the scope to accelerate the identification of savings.

Richard Hornby: There is continuing to maintain the standards, and the NAO recommendations on how to be more directive, almost, on the calculation, are only going to help. This is a transition year for introducing the efficiency framework, so the net will be thrown more widely. Just expanding this to all the Departments, not just the Treasury and Cabinet Office teams, will make the most enormous difference to the value of savings that we capture, and will enable reporting to a really good standard. That really is the multiplier. Was your question more along the lines of, “How could you do more of that?”

Olivia Blake: Both, to be honest. If you have a particular example that you want to talk us through, that might be helpful, but you have answered



my question already.

Richard Hornby: Okay.

- Q10 **Chair:** Perhaps I can pick up on that. You have talked a lot about, and the report focuses on, what is happening in the Cabinet Office. You mentioned, Mr Hornby, and I think Sir Alex did as well, that it ripples through. If you have a good finance function, you would expect things to be running better in Departments, and similarly with property. Do you do any work, or can you use any approximation, to calculate whether, if you have discovered that something is working well in the centre, you should therefore expect an efficiency saving from the Departments—in, say, property, finance or commercial? Can you see whether that Department is not throwing that up as much?

Putting it very bluntly, some of us—I think all of us in this room—have been around Whitehall for a long time. Some Departments, over the years, get a reputation for not delivering very well on something. I will not name any—it is not fair, because those are very often snapshots in time—but you can sometimes see an outlier very clearly, and that was before the functions were in place. Now, with functions in place, you have an opportunity and that lever to get those outliers to up their game. Can you give any approximation of what potential efficiencies you see if Departments are firing on all cylinders?

Sir Alex Chisholm: I really agree with you, Chair, about the opportunity to benchmark between Departments. Probably the best example to use relates to fraud. You will remember that last year, for the first time, we did a comprehensive survey of not only the fraud targets that Departments and arms-length bodies had, but the amount of people—the resources—they devoted to that. From memory, I think we had a 5:1 or 6:1 return on investment as a kind of threshold that we were challenging them to try to achieve. In year two, we would go back and say, “Right, those of you whose teams seemed a little bit on the small side: have you added to them? Those of you who weren’t getting that type of return on your effort: why not?”. That really illustrates your point that we can use this benchmark data to raise the bar right across the—

- Q11 **Chair:** Obviously the Treasury has a big role in this as well, Ms Little. What levers do you have to pull? The Treasury has pretty big levers, because I suppose you can withhold money ultimately, but between the Cabinet Office and the Treasury, how do you get that pincer movement working to get Departments to up their game?

Cat Little: As you say, it is absolutely critical, and that is the holy grail that we are trying to achieve. I would add two things to what Sir Alex has said. First, for the last two fiscal events, we have integrated the functions into the way we test the deliverability of efficiencies. One of the big lessons that we have learned is that there is no point in the Treasury doing top-down assessments if we do not think that they are deliverable and sustainable and that there are plans in place.

- Q12 **Chair:** So basically you have them do a sort of sense check on everything



and run through the numbers?

Cat Little: Yes. In spending review '21, we pre-ran the efficiency review, which started in the June before the autumn spending review process, and it meant that we had a period running up to the SR where all the functions were involved in us stress-testing whether efficiency could be delivered. Sir Alex and the functional heads kindly ran roundtables to get different Departments together with us to say, "Well, hold on, how come the DWP can deliver this level of efficiency from a call centre or from automation of a programme? How does that play out in in your Department?".

I like to think we have made some big steps when it comes to the preparations for SRs. Rich mentioned the Government efficiency framework; one of the main reasons for us producing it is that we don't have good, consistent, comparable bottom-up information for every single Department. Think of the way in which we drive efficiencies as a big matrix—you've got siloed departmental efficiency, and you've got the functions working horizontally. We really want to stress-test and benchmark between Departments and between functions across the whole of what we deliver. I really believe that the Government efficiency framework will, in time, allow us to do that.

Sir Alex Chisholm: There is also a big emphasis on driving continuous improvement. There can be a process in Government of so-called annularity, where people focus each year on bidding for what resources they need next year to do the job that they are asked to do, which does not particularly give you that year-on-year continuous improvement mindset. That has got a lot better, and in the way we run programmes, we really focus on that. When you ask DWP, "What are your costs per operator for universal credit claims?", they will be able to show how those have fallen dramatically over time. That is the type of relentless drive on cost efficiency that we need year in, year out. This functional approach and the new Government efficiency framework from the Treasury will really help with that.

Q13 **Chair:** You touched a bit on sharing good practice, with the roundtables and so on, but day to day, when it is not a spending review, are you, Ms Little, as the head of the finance function, sharing the methods that you have put in place to develop the savings with other functions?

Cat Little: Absolutely. In fact, Rich is the chair of the Government finance function's efficiency and performance group, which is all about sharing best practice and making sure that as a function, across every single Department, we're pushing forwards together—

Q14 **Chair:** So you're sharing within the function, cross-Department, and with other functions.

Cat Little: And with other functions, yes. Alex chairs the functional committee, where all the heads of functions get together regularly, and we talk about efficiency and productivity.

Q15 **Chair:** How do you do that? I mean, we have lots of Whitehall meetings,



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and if we had £1,000 for everyone who told us that they had a meeting to solve a problem, we would not be sitting here today—we'd probably be sunning ourselves somewhere. When you have those meetings, does someone present an example of what they have achieved, and then you all go away and try to do the same thing?

Cat Little: It is a combination of things. That has definitely happened at the cross-functional meeting. More often than not, we all attend each other's leadership groups, and quite often we are doing things in a multidisciplinary way. Alex alluded to some of the programmes in which a real combined effort is needed between digital, commercial, project management and finance.

Q16 **Chair:** Can you give us an example?

Cat Little: Shared services is a great example. For the last eight years, I have run the functional convergence programme, which takes HR, commercial and finance operations across Government; we are simplifying, standardising and automating everything that we do. That will underpin the approach to shared services on a cluster level. The savings behind that are obviously significant, and we invested in it at the last SR21. That is a really good example of sustained, tenacious, multidisciplinary efficiency work.

Q17 **Chair:** But shared services has had its rocky moments; some Departments were not very keen to come to the table. Do you find that the functions help you to overcome that, or is it just another barrier to progress?

Cat Little: It has to be both. Accounting officers, the heads of the clusters and the functions working together all have to be on a collective mission to deliver shared services. A lot of it comes down to trust. It is a big thing for an accounting officer to ask someone to provide a critical service for them. I think we have been able to demonstrate the benefits, through a lot of hard work and collaboration. Of course, things have evolved a lot since the early days of shared services. I think we have learned a lot from the private sector, which has been much further ahead than us in the way that this works.

Sir Alex Chisholm: If you want a few more examples of how we have been able to share good practice, an important area is private finance initiatives, where we approached expiry. We formed a cross-Government group and saw that a number of bodies had just one PFI, so it is very hard to learn from that. We got together all the different people who had responsibility for PFI contracts, and gave them a run-through of best practice as they got towards asking what the types of issues are, and gave them access to a pool of central experts employed by the IPA, recognising that you can't get learning benefits if you are doing only one or two of them. That has really helped to improve people's readiness for approaching expiry.

Let me give another example. I have heard positive things from Departments. They have said, "Have you used the Cabinet Office complex



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transactions team? They are a great group of people if you have a very difficult negotiation with someone—if you are trying to terminate a contract, for example, or you are trying to insource something that was previously outsourced.” Those are two examples where there is a very expert group of people whose skillset is more like what you would get in corporate finance, but who are available to try to help you negotiate those things. That can save tens of millions of pounds. We are not selling those services; people hear about this and say, “Can we access that team?”

Q18 Chair: That brings me back to the point I was making a bit earlier: there was recalcitrance at one point. The siloed nature of Whitehall means that often the permanent secretary and accounting officer will want to hold control of their Department. Sometimes barriers go up, but you are saying—I think you have said it in previous hearings—that people are now coming to you proactively. Is that you being over-optimistic? Can you give us examples of where that has happened?

Sir Alex Chisholm: I hope not, no. It really is the case. One of the key things is that the Treasury, before Cat, would sometimes say, “It’s great you’ve saved that money. We’ll take that back into a central pot.” Now, Departments get to keep the money they save through their initiatives to improve their efficiency, so that they can put it into other activities that are important.

Chair: A simple sweetener.

Sir Alex Chisholm: You might say that is perfectly straightforward, but it does seem to improve the incentive for people to go hard after things that can be quite difficult. Again, shared services are a great example, because adjusting yourself to the needs of other Departments comes with a cost. They might want to go faster than you, they might be going slower than you, and they might have slightly different needs, so you need to make accommodations, but if that helps you to save tens of millions of pounds that you can then spend on something that is more valuable to you, or use to meet the budget pressures and inflation pressures we are all experiencing, that does reinforce the need for it. I think that has really helped drive good behaviours.

Chair: Anything to add, Ms Little?

Cat Little: Incentives are a massive part of the culture around efficiency. Efficiency has got a bad name in Government. People hear the word “efficiency” and think, “That means cuts. It means pain, and means I’m going to lose my job.” A lot of the work that we have done collaboratively with the Cabinet Office has been about seeing efficiency and productivity as a good thing, first because it is the responsible and right thing to do for the taxpayer, but also because it can lead to better outcomes, better services, and a better experience for our staff and our people. Constantly coming back to the incentives and the benefits is a really important part of our work.

Q19 Chair: Before we move on to Mr Djanogly, one of the challenges can be



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about recruitment. Generally, we see a challenge in certain skillsets. First, where are the gaps, and how are you filling them? Secondly, years ago, when we were looking at procurement, we were told that there would be an attempt to work with particular universities or training providers and try to encourage a pipeline of civil servants coming through, rather than through the traditional fast-stream routes. Has that bedded in? Is that happening? Can you give examples of that?

Sir Alex Chisholm: Yes, I am happy to have a go that. First of all, we recognise that people with a high level of professional skill are very employable in the wider economy. There is a basic money question there, and we have had to improve the terms of pay—for example, for people working in commercial digital areas and project delivery. Secondly, we have tried to structure that in a way that better fits the nature of the work and where people are in their careers. In the Government Commercial Organisation—so-called GCO terms—you do not get a pension, because many of the people who came into that already had quite a lot of pension arrangements, but you do get slightly better performance-related pay, so it is a different kind of adjustment to suit the profile of the people we are trying to attract. Other non-traditional routes, such as secondments, have been very important for us, particularly in digital areas recently. Apprenticeships have been really, really good for us. Sometimes people come in as interns and then take on apprenticeships, and a high percentage of people convert from apprenticeships into long-term jobs.

Q20 **Chair:** Do you know what the retention rate is for those apprentices? Is it too early to say?

Sir Alex Chisholm: I think apprenticeship into permanent employment would be over 80%.

Q21 **Chair:** And do those permanent employees tend to stay longer, shorter or the same length of time as others?

Sir Alex Chisholm: I don't think I have the data to show that, but I know that they apply to, for example, digital, finance, HR and lots of areas like that. We have apprenticeships in those areas. You mentioned university sponsorships. We do not do that as a general thing, but where we see some shortages that we can help with, we have done that. For example, the Government, through the Office for National Statistics, is a big consumer of statisticians, so, rightly, the ONS sponsored a course, I think at Cardiff University, and about 100 people a year get trained. Some of them roll off and go work for the ONS, but others go into the wider economy.

Q22 **Chair:** When you say "sponsor", are you sponsoring individual students or—

Sir Alex Chisholm: Yes, 100 places, I think, and you are guaranteed a job at the ONS when you finish, if you want one.

Q23 **Chair:** So you are guaranteed a job, but you are paid to go through that. It is a paid bursary.



Sir Alex Chisholm: A paid bursary is the structure of it, yes.

Q24 **Chair:** So that is at one end of the scale. What about developing relationships? You have got the normal milk round, if it is still called that, that people go through.

Sir Alex Chisholm: We have definitely looked at areas where there are particular skills. For example, the University of Glasgow—I did not mean to pick a particular university, but I have now done so, so I had better carry on—has great expertise in cyber skills, so we have been trying to build a relationship with it, because those are skills that are particularly valuable in the wider economy. We choose other universities where we think there is a particular type of professional skill, and they provide a good feeder system for us. I forget which institutions specialise in tax policy and training, but the Inland Revenue has historically supported, and HMRC continues today to support, those universities' special relationships. So that has all been good.

What is important to the overall profile of people with skills that make them very employable is: what will the experience be like of working in Government? Can you get things done? Will you get credit for what you try to do? Is it an achievable goal? Is it something that will have a successful end? A lot of the wider work that we have been doing around expert project delivery and trying to reduce the admin costs of doing work make this a more attractive environment. We have hired about 15,000 people in the last two years with digital skills, because people say, "Government is mainly about digital delivery now, and the scale of what we can do and its value is so high. It is a very exciting place to work."

Q25 **Chair:** It is interesting: I went to Silicon Milkroundabout in Brick Lane, just outside my constituency, and there were a lot of people in pink T-shirts saying, "This is what a civil servant looks like." The Department for Business and Trade had a separate stand, but everyone else managed with one, so that is a saving for you. I don't quite know why that was, but it was interesting to see that they were talking a completely different language from that of traditional recruitment to the civil service. It was a very different atmosphere.

Sir Alex Chisholm: Yes, I think that is true. I should have mentioned that, in terms of where you get recruited. The Places for Growth programme, and thriving Government hubs across the country where people can be employed, have made a huge difference. The perception that to get a job in the civil service you need to work in London, where we are today, is very off-putting to people. In my travels to those offices, I have often met groups of people who say, "Thank you for doing this. I would never have worked for the Government if you had not set up here." I really understand and respect that people care about their localities and communities, and it is great that we can now access their skills as well.

Q26 **Chair:** It is still early days, relatively. These are young people you are recruiting; it will be a while before they are in your jobs. It will be interesting to see. Were you planning to keep retention information?



Sir Alex Chisholm: Yes, we will. It is very important. It is a strategic decision by Government to say that we cannot rely on buying in digital skills from contractors or consultants. We have to grow our own, and therefore we need to make this a brilliant place for people to build a successful digital career. That is true for the other functions as well.

Q27 **Mr Djanogly:** Sir Alex, I have listened to the conversation so far. Would it be fair to say that you think the function system is a success?

Sir Alex Chisholm: Yes.

Q28 **Mr Djanogly:** I am just reconciling that with paragraph 1.4 of the NAO Report, which refers to Lord Maude's review of July 2021. "The report found that functions' ability to provide central oversight had weakened over time. It recommended that functions be given a renewed mandate and that the functions should publish performance data to demonstrate their benefit." Could you explain to the Committee what has happened over the last year and a half that leads you to think that the function system is a success and has a good future, which I think Lord Maude was questioning?

Sir Alex Chisholm: Francis Maude, to be fair, was the inventor and chief champion of the functions, going back in time. When he did his review, he felt that some areas had got even better and kicked on but that in others he would have done things a bit differently.

I think he would be the first to say that he has been a strong champion of central control. One of the relatively small areas of slight difference between us is that, for me, success is a Department doing it very well rather than us necessarily doing it for them or their doing it on our instructions. There may be a bit of difference in taste there, but overall, the things that he started on functions have been very successful and have strengthened. Some of the functions we have now were started after his time but follow the same model—the basic rubric about what the role of a function is. We still follow the template created by Francis Maude.

In his time, the Government issued a number of public statements about the savings achieved. Francis Maude would have reported particularly on those. After the end of the so-called austerity period, that had stopped, and—very fairly, I think—he said that if you don't report regularly on the savings you are achieving, people will not value them over time and will feel that there isn't somebody fighting hard to save money across the public sector, and that, over time, reporting will become a bit neglected or underfunded. That was an absolutely fair comment, and we accepted that report. Indeed, it was the prompt for us to publish the two years of reports that we have now published on savings.

Q29 **Mr Djanogly:** You mentioned the difference of style and the austerity Government. I was a junior Minister in that Government, and for my sins I was given the job of looking after cross-governmental savings for our Department. I remember being called in to the Cabinet Office and being told to bring a list of Justice properties. I went out having promised to have many fewer of them, and that happened—off the top of my head, I



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think the number went from 12 to 10. I mention that now because there was a sense of direction and leadership that I have not heard so far today. As you say, those things were then publicised. There seemed to be a momentum for saving taxpayers' money that I am not getting at the moment. It all seems a bit more nebulous now.

Sir Alex Chisholm: I will make this as specific as possible. You gave the example of the use of property. We publish the "State of the Estate" report each year. In December, the target was to have savings of £500 million from land disposals. We achieved £1.1 billion, and that was because of a process very similar to the one you remember experiencing, where each Department and public body is asked, "What have you got? Why is that land not being used? Here is your target." We have been getting terrific value from that.

You also mentioned making less use of office space. The consolidation of Government offices in London—which even four years ago numbered over 80, is now about 40 and is on the way to being about 20—far from being nebulous, is very specific and is saving more money than ever. It requires that same combination of persuasion and sometimes coercion to get people to play with their overall programme, because to vacate properties, people have to give up their existing ones and cancel leases—the point Sir Geoffrey raised at the beginning of the session—and so on. That is progressing well.

To go back to Sir Geoffrey's point, although some hubs may look at the data to see whether they are perfect value for money now, the overall consolidation of HMRC properties, which consolidated 100 properties down to 12, has been a massively valuable project. It started in Francis Maude's time and has not stopped. It has continued; we may make less noise about it, but it has been a very successful programme.

Q30 **Mr Djanogly:** Why do you make less noise about it?

Sir Alex Chisholm: I would probably answer that by saying that in the austerity period, because it was very much an essential aspect of the coalition Government—indeed, part of the programme for Government was based around that and the acceptance of that was one of the conditions of the Liberal Democrat-Conservative coalition being formed—it was a very high-profile activity. In the Administration recently, EU exit, the response to covid and the support for Ukraine have been more high-profile activities, rather than the very important work of achieving efficiency and savings. But it has not stopped—that is the point I am trying to make. It has continued.

Richard Hornby: Just on the theme of property, since that time, we have set up the Government Property Agency, which you would see as the delivery arm of the property function. Many of the properties that you would have recognised in the MOJ are now being managed professionally through the GPA.

Q31 **Mr Djanogly:** I did see that. There is the Office of Government Property, the Government Property Agency, and each Government Department has



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its own organisation. I will be honest, though: after reading all that, it did not make me think that this was any less nebulous. It just seems to be lots of things talking about things, rather than people being told what to do, which is part of management.

Chair: You have hit a bit of a sore nerve for us on property, because we have put this rather a lot. We get a lot of new—LocatED was set up to buy sites for free schools and some of those have been very expensive, actually. They have been bought over the odds and have sometimes not been usable for schools. We have examples of that. Mr Djanogly just highlighted that there is the Government Property Agency and the Office of Government Property. Okay, they have slightly different roles, but each Department often has its own property element as well, partly through the functions. Mr Djanogly has just thrown out a challenge that there was a focus on this. You are saying that there still is a focus, but there are also an awful lot of new organisations. How do you keep an eye on the fact that you are not setting up all of this bureaucratic infrastructure to deliver on the savings?

Sir Alex Chisholm: I do not have a brief to speak particularly to LocatED, which comes under the Department for Education. But I can say that the Government Property Agency, which came after Francis Maude's time, is now responsible for 50% of the use of Government offices. We would like to build on from that, to do the rest of it. I don't think it is a kind of a strategic activity for individual Departments and public bodies to have control over their buildings, to look after those well, to do good deals with developers—and efficient building management services, environmental standards and all the other things you try and do. We think it is a classic area where that is an activity that should be done well for you by a single agency, and that is the mission of the Government Property Agency. Fifty per cent tells its own story. We are not there at 100%, but since it was formed in 2018, that has begun to be successful.

Chair: I call Sir Geoffrey Clifton-Brown, the deputy Chair.

Q32 **Sir Geoffrey Clifton-Brown:** Perhaps on this property aspect, I should record for the Committee that I worked for an organisation called the Property Services Agency, which was the precursor of the Government's property office some 50 years ago, and it was pretty inefficient then. So I hope that the new Government property office will be a lot more efficient than that—one of its predecessors. I only lasted in it for a year, and I was then poached by the private sector, for a lower-paid job in those days. Anyway, how much has your budget grown, Sir Alex, in the last year compared with the year before?

Sir Alex Chisholm: Our budget is—well, as I happily have my finance director right next to me, I will stop answering and immediately hand over to Richard, because he will know the figures off the top of his head.

Richard Hornby: It is always difficult to compare the Cabinet Office budget from year to year, certainly in the last two to three years. The reason for that, without wanting to be evasive, is the number of one-off



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programmes that will be added to the Cabinet Office's budget. For example, two years ago, there was an awful lot of funding for Brexit; in the previous year, there was an awful lot of funding for covid; and this year, Cabinet Office group has been given one-off funding for the One Login programme and for the GPA hubs programme.

The core amount that we spend on the Cabinet Office has remained pretty static, recognising the efficiency savings over the last two to three years. Were you to look at the headline figures, it has dropped slightly, but that is more to do with the level of one-off funding that is no longer applied.

As for the gross position that we spend, we would spend just over £1 billion on professional services from the Cabinet Office. A great deal of that is then recharged out through to Departments that use the vetting service or the recruitment service, or have fast streamers or pay for some of the digital services. Although the net spending on the functions is closer to £400 million to £500 million, which is what you would see if you look at the bottom of our budget, our gross spend will flex according to the demand from our customers.

Q33 Sir Geoffrey Clifton-Brown: I get that. You have sort of anticipated where I was going. Ms Little, surely the growth in a Department ought to be reflected in the amount of savings it has to make.

Cat Little: That is absolutely right. Every Department has both an efficiency target and an efficiency assumption baked in at the spending review. On average, across all operational spend, we baked in 5% efficiency across all Departments, and the assumption was that that could be recycled in order to pay for other things.

Q34 Sir Geoffrey Clifton-Brown: I know this afternoon's hearing is about Cabinet Office efficiency savings, but let's just dwell on efficiency savings across Government for a minute. Departments all have their own individual ways of doing it—their own methodologies. Why doesn't the Cabinet Office, which seems to be in the lead in this area, produce a set of criteria, advised by GIAA, for how efficiency savings ought to be measured?

Cat Little: That is exactly why we published the Government efficiency framework. Top down, from a macroeconomic perspective, the Treasury is responsible for the overall efficiency and productivity strategy, and then we work very closely with functions and the Cabinet Office to deliver it in practice. Of course, some of those functions are housed in the Treasury, but the vast majority are in the Cabinet Office. That framework was published in July last year. It is a comprehensive set of definitions, guidance and best practice, and it sets out how you should go about reporting the considerations for impact on risk, service performance and outcomes across the whole of Government. The Treasury has asked that every single main Department adopt it in 2023-24, and every single public body next year will also be required to adopt it. We will start asking every Department to report to us using a new reporting framework on efficiencies next year.



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Q35 **Chair:** When you say every public body, do you mean local government, or is it just Whitehall?

Cat Little: No, it is central Government public bodies—non-departmental agencies and NDPBs.

Q36 **Sir Geoffrey Clifton-Brown:** Can I just be clear about your answer? It isn't a 5% overall Government target for efficiencies; each Department is set its own efficiency target. Obviously, the faster the budget grows, the more efficiency savings they ought to be able to make.

Cat Little: Indeed. At the SR, we stress test what we think is a deliverable and taut efficiency target for each Department. When we consolidate that, it comes to about 5% of the overall expenditure of day-to-day operations for Government as a whole. Different Departments have slightly different targets, depending on what we think is deliverable. In the past, the Treasury has set blanket targets and said, "You must all deliver 5%." I think I have given evidence to this Committee in the past to show that, in some ways, that is overly optimistic. Unless Departments have bought into the reality of achieving that and you have invested in making sure they have the skills and resources to do it, it is just hope. Sadly, as a finance director, I have seen this fall apart far too many times.

Chair: It is refreshing, Ms Little, that you tell us that.

Q37 **Sir Geoffrey Clifton-Brown:** There used to be an aspiration in Government to spend to save. What consideration do you give to Governments who say, "I want to invest this much, and I will save so much over a period of years"?

Cat Little: It is a really critical part of the way we approach capital allocation at spending reviews. One of the hardest things is having to say no to very good investment propositions. Sadly, when we are allocating capital resources, it is my job to make sure we present the trade-offs and choices to Ministers where we have invest-to-save, early intervention policies, where we need to just maintain our estate and assets, where we think there are risks that need to be bought out, and where we think new infrastructure or new capability needs to be produced. That manifests itself in a big suite of decisions and trade-offs that we present to Ministers at the time of a fiscal event.

Sir Alex Chisholm: I can illustrate that with reference to the digital spend. In SR21, £8 billion was allocated in the SR period over three years for total digital and data spend. That was against bids of about £11 billion.

Teams working jointly to Cat and myself went through all of those bids and chose, if you like, the best and most worthy ones. I will just bring out a point about that, which is that not all of those showed a transformation in the cost to serve; the ones we like the best did, but some were also remediating dangerous legacy assets, and other cases were activities such as digitising records that had been physical, which would be good for future savings but would, in themselves, be an expense item at that time.

Q38 **Sir Geoffrey Clifton-Brown:** This Committee has trawled over that



ground and found that some Departments, such as DEFRA, did not spend their allocated amounts and that they are therefore behind in legacy updates and so on and so forth.

Sir Alex Chisholm: Nevertheless, I am just using that to say that, overall, I think that invest-to-save is the right mentality, particularly for digital transformation. I know that this Committee looks back, because you look at previous expenditure, but in your outlook you are always trying to anticipate future opportunities for efficiency. Looking forward, broadly speaking, you will find that that will be the case in two areas: one is in trying to reduce overheads through efficient corporate services and good functional services—the cost of being in business, if you like. The second is in doing programmatic, year-on-year activities—like case management and customer service type things—and those being transformed for investments in technology and upskilling the people involved in that are doing them at much lower cost to serve. Those are the two big motors of improving efficiency across the Government.

Q39 **Sir Geoffrey Clifton-Brown:** The Chair will cut me off if I go on much longer, but the real core of that I wanted to get to was your own efficiency savings. Your efficiency savings—on the cash savings—come from two sources, really: counter-fraud at £1.4 billion and commercial function at £1.4 billion. That is £2.8 billion out of £3.6 billion—or out of £3.4 billion, depending how it is expressed. That is a very large amount of savings from just two pots. Have you really looked at the rest of your Department to see whether savings could be achieved from elsewhere?

Sir Alex Chisholm: Yes, but not using that methodology, and I suppose that that is an important point. The legal department, for example, is a separate department—it is not a Cabinet Office one. When we looked to see what level of savings we get from the activities, their first-up approach was to say, “What is the cost of having people working for the Government legal department compared with the private sector?” You will not be surprised to hear that the costs are much lower within Government than if they were to be done externally. They suggested that, but we do not count that in our methodology. It is a saving, but it is not what we would call a saving, because it does not reflect an initiative or a particular activity; it is a business-as-usual saving.

Next year, if we look to take the NAO’s advice and extend this across all the functions—I think we should—we shall look and say, “How about activities? How about a new approach to commercial litigation?” If you take a new approach, you can see the benefits of that. That is something that we might be able to compute within this way of looking at savings.

That supports your general point that, at the moment, we are depending quite heavily on commercial, counter-fraud and debt management. I actually think that there is a lot of savings potential out there in the wider functional areas. We need to try to put our arms around that, calculate it, satisfy ourselves that it meets the audit standards and put it into the public record.



Q40 Sir Geoffrey Clifton-Brown: My final question is: when is a saving not a saving? Figure 6 deals with the non-cash releasing savings. There is some doubt in there. I think it is probably true that the savings have been reported including costs, but it surely ought to be crystal clear, every time a saving is reported, that it includes all costs and all effects on savings elsewhere.

Sir Alex Chisholm: Yes. I am not a super-expert on this, but I think what happened there is that, as a general principle, you take the gross amount of saving and deduct the cost of achieving it. In relation to debt management, the way in which we deal with the hard-to-get-hold-of debt—that is the very hard-to-recover and typically older debts, or the relatively low-value debts—is that it builds up on the ledger and we see this long tail of things. So, we did a kind of initiative, through the Government debt function, to say, “We’ll take care of those. We’ll take them off you”—that is that we would take them from the different Departments or public bodies that haven’t got the resources to do that. Through the debt market integrator, we then access a range of services to be able to go after those. That is in a carefully controlled and high-standards way, and that is achieving a terrific yield. Because it goes to the debt market integrator and lots of different players are involved in that, we do not actually have the net cost of some of the people involved in debt-collection activities, so there is a cost.

We can certainly illustrate that the debt market integrator saves a lot of money and is a very efficient mechanism for doing that, but we can also demonstrate that it meets a high standard and that there are net savings from it. The precise cost per transaction and the cost for individual operators in the debt market integrator, we cannot break out, which is why that is an exception. We note it in the technical note.

Chair: Yes, we saw that in the technical note.

Cat Little: I want to add briefly that, having just taken over the debt function from the Cabinet Office, it is important that we should do net savings, as long as we are able to do it accurately. The real challenge here is that we could not accurately accrue the profile of the cost within the financial period so, as an accountant, I would sit there and say, “That is not an appropriate thing to try to adjust a net off.” I think what we have done is agreed with the National Audit Office a way of explaining this, providing the best comparative information we can, so that we make it very clear that there is a cost. It is probably not possible to net it off accurately, but you should be aware that these costs exist.

Q41 Sir Geoffrey Clifton-Brown: I have a final question in this section. From reading this Report, I am getting that you need to have a tighter definition of what a saving really is. It needs to be consistent and to have the same methodology, the same baseline, and the same method of calculating costs and other costs elsewhere, so that we are seeing what a saving really is—not just what we think it is or someone saying, “My programme’s saved £1 million”, but without working out that it has actually cost £999 million to get it—and that we can see right across



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Government where a saving really is a saving.

Sir Alex Chisholm: I think consistent, but not identical, because the ways in which we actually achieve the saving across the different functions are genuinely different. I think the NAO Report said that there are different sizes and shapes of how to go about that, and I do not want to ignore a load of savings that don't fit into a too tightly-drawn methodology.

Just to interest you in this issue and see if you agree with me, if we were saying that we are only interested in cashable savings—where we found examples of where we saved net money—then, in the fraud activity, we would be saying that, if we found fraud in something, that had already been spent. So if we got it back, that counts, but then all the activity to avert fraud is not worth anything and, if we say it is not worth anything, then over time we might find that people do not do enough of that. So, in our methodology we want to try to do justice to the true savings picture, but—to your point—in a consistent, auditable and relatively comprehensible way.

Q42 **Sir Geoffrey Clifton-Brown:** The Report makes the difference between cashable and non-cashable savings very clear.

Sir Alex Chisholm: It does.

Cat Little: The Government efficiency framework sets out three types of non-cashable saving: the definitions, the examples and the way in which we would expect the non-cashable savings to be reported. Again, every Department will be asked to report on that basis, so that there is consistency. I hope that over time, we will be able to audit and improve the way in which we are consistently thinking about non-cashable as well as cashable efficiency.

Q43 **Olivia Blake:** To take a step back, it would be interesting to have your answer to the question of what the purpose of this reporting is.

Sir Alex Chisholm: I think that the NAO does that nicely in its very opening paragraph. I was reading it again this morning: "It is important that government has good data on efficiencies so that it can make effective decisions about where to spend public money." That is important and a good example.

I won't go through it all again, but I spoke earlier about the approach taken to dealing with fraud and error in benefits. Because we were able to see exactly the benefits we got from previous programmes, it was not as difficult as it can be to make a really strong case for a very substantial investment of £800 million and a new cycle after that. That is a very good example of where evidence about savings achieved then drives allocation of resources in future.

The additional two reasons I would pick out would be the gains that come through a little bit from the discussion we have been having about the sharing of best practice. This draws attention to the things that work. For example, on the value of data analysis and the way in which you can look for anomalies, you could say, "Hang on a second, there are loads of



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different applications all from the same address. We had better take another look at that.” Or it could be the same people with different addresses and different local authorities making claims like that. Those are the types of things that come up as flags for us. When people read that and they see the amounts of money concerned, they think, “Gosh, that is a technique we should be using. Which firm did you use to do that or which tool did you use to do that?”

That has been very much the case in the grants management area, where it has long been a condition that you need to get your grants management approved by the Cabinet Office as a kind of, “Oh gosh, we have to go to the big bad Cabinet Office and get our thing approved.” But I think that people now say that they don’t want to launch a grant scheme that exposes them to huge amounts of fraudulent claims without using this tool that we use for due diligence called Spotlight. I think it has been really useful for sharing good practice.

I suppose the third and final thing for me—this is obviously very much a point for the NAO and PAC as well—is that a lot of people out there who are taxpayers or citizens are saying, “Are people getting away with stuff in this area?” The sense in which there is a public record, not just of efficiencies, but particularly of fraud and things being chased down, is very important to reassure the wider public.

Q44 Olivia Blake: Those are useful examples. I will zoom back into the Report. The end of paragraph 2.7 says of cost fronting that “the Cabinet Office does not ask functions to assess whether their savings might add costs in other areas, because it considers that this is not...possible or proportionate.” Given that, how confident are you that the things that you believe to be actual cash savings are in fact cash savings?

Sir Alex Chisholm: I think that is a fair comment. We ask the heads of function to answer that question themselves, but we do not seek secondary independent verification of that. I think it is probably not an area that is particularly susceptible to so-called cost shunting. I know the risks that can come. For example, we could make the Cabinet Office costs look a lot less if we said it was £400 million for the functions, but would halving those mean that we had improved efficiency by 50%? No, it would not. You can see that these people are saving 10 times their salaries, so that would actually be driving cost elsewhere. We are quite wary about that cost shunting-type activity.

Also, we do not generally go in to try and affect the quality of the service, because again, if you are saying, “We can make it cheaper by making it less good”, you could be kidding yourself. We generally take the service deliverables as a given or increase the KPIs we expect there, rather than lower them, and then try and do that at a lower cost. That is typically the interventions we make.

Q45 Olivia Blake: Do you think that there are any—for want of a better word—controls that you could bring into this process to just triple lock that and make sure that there is not any chance for this to happen?



Richard Hornby: Certainly, one of the recommendations that we are taking up—it is a very good recommendation—is about being a bit more prescriptive in the guidance. We can be far more prescriptive in the guidance to say, exactly as you said, “Can you make sure that none of these savings you are putting forward is net of cost shunting in other places?” What the Report drives out is that there is not that extra loop where me and my team go back to the individual communications plans put forward to the communications control and say, “When you made that communications package cheaper, were there any other knock-on effects?”

What we can do is include in the guidance, “Can you check yourselves that your commercial savings or your debt savings have not had a tertiary impact?” However, we are not proposing to change the methodology of what the central team does or the GIAA report does to go and get an independent verification as to whether, out of the billion pounds’ worth of fraud that was avoided, there were any other service implications. We will do that through the fraud function’s own internal mechanisms to check that that has taken place.

Q46 **Olivia Blake:** And the same question, but in relation to double counting.

Richard Hornby: Double counting is checked. As part of the GIAA review, it is looking at the methodology to ensure that there is not a count in other places. With the implementation of the Government’s efficiency framework, there is perhaps more risk that a commercial saving is counted by the Cabinet Office central team and in the departmental team, because the departmental team is doing more rigorous reporting of efficiency. That is a risk that we have highlighted, and that is something that we are managing as part of the implementation and the cross-checking from one to the other. But I think that that is a small price to pay for the overall increase in focus and reporting on efficiency.

Sir Alex Chisholm: Just to add to that, it will mean that there will need to be an agreement on an allocation: “We saved £50 million; how much because of the Cabinet Office, and how much by the efforts of the particular Department?” That will probably become a bit tighter as a part of the Government efficiency framework. I am still keen that we would track the overall picture across functions, because that is so important to the benchmarking activity. If you just do it Department by Department, it will sum to the total amount of savings, but you might have lost some of that comparability across the piece. So we should track them, but that is not the same as claiming them twice.

Q47 **Olivia Blake:** That is helpful. Finally, how well is the implementation of the “Efficiency in government” Report going?

Cat Little: In terms of the Government efficiency framework?

Olivia Blake: Yes, in terms of the implementation of the 2021 Report.

Cat Little: We launched it in July, and we have said, “You must all be complying with it.” I think the real test will be when we actually start



asking for reporting, which will commence in quarter 1 next year. There will be the usual Treasury standard templates for people to populate. I think these things take time, because you have to just start them. We recognise, as Rich and Alex have pointed out, that there will be a potential for overlap and inconsistency, but that is part of the work that we have to do with our auditors to make sure that we are doing everything that we can to clean the data and get consistency over time.

- Q48 **Peter Grant:** Paragraph 1.7 of the NAO Report describes the Cabinet Office as having said that “all these savings had been assured for accuracy and robustness by the Government Internal Audit Agency”. That is not actually quite correct, is it? The figures themselves have not been assured; the process that was used to get the figures has been assured. There is an important difference, isn’t there?

Sir Alex Chisholm: Yes. Rich, would you be happy to speak to the approach taken?

Richard Hornby: Absolutely. In the first year, the audit approach was to go over our sums again, and the vast majority—24 out of 25—of the recommendations in the first year were on calculating and correcting our calculations. In the second year, far closer to internal auditing standards, the approach has been to look at the system and the adequacy of controls in the system that generated the savings. That took a sample of the individual calculations and made some suggestions on improving those calculations, all of which were taken at the time. But you can still take the same level of reliance that the systems are robust, proportionate and reflect accurately the financial impact that this work has had on the public purse.

- Q49 **Peter Grant:** When the GIAA gives a moderate assurance as its overall opinion, what does that mean in terms of margin of error? If, say, roughly speaking you are declaring about £4 billion a year of functional savings, does moderate assurance mean within 1%, within 5% or within 20%?

Sir Alex Chisholm: I would not like to quantify the difference, but moderate assurance would be entirely acceptable for us to publish.

- Q50 **Peter Grant:** Yes, but the point I am making is that, if it was the reported number that was being assured, that would come with some kind of criteria for relevance or materiality. For example, when the NAO goes over your departmental final accounts, it will say, “Materiality means x.”

Richard Hornby: While I would not like to say that one is 2.5% and one is 5%, if we are not able to give a moderate level of assurance, then the margin for error is too great, we would not count and we would not publish. I am sorry I can’t give you the 1% or 2% answer that you’re looking for, but between our professional judgment and the view of internal audit, we felt that “moderate” would allow that number to stand. It was something that the National Audit Office reviewed and broadly agrees with.



- Q51 Peter Grant:** Thank you. Sir Alex, a few minutes ago when you were answering a question from Olivia Blake, you gave an example of a data matching exercise, essentially. Why is that being reported as a functional saving? If you are matching data against other data that you hold within your own organisation, that should be business as usual. If you are matching against data elsewhere, then is it not covered by the national fraud initiative that we are all supposed to be doing anyway?

Sir Alex Chisholm: The national fraud initiative team is part of the Public Sector Fraud Authority, and most of the work it does is for local authorities. It gets data from lots of different places, matches it up and looks for those anomalies. Because we try to focus on savings that we can directly attribute to our activity, we can be very confident that if that team wasn't doing that work—it is about 15 people—those savings wouldn't be resulting. I know that local authorities really rely on the service that they get from that group of people.

- Q52 Peter Grant:** But the national fraud initiative isn't just about local authorities; it's supposed to cover the whole public sector. Does the Cabinet Office submit data to be matched as well?

Sir Alex Chisholm: I am sorry. It is mainly the local authorities, but it is not exclusive; you are right.

- Q53 Peter Grant:** That is odd, because when I was involved in doing that on behalf of a local authority, we were data matching against public bodies elsewhere, particularly against health authorities. Maybe it has changed since then.

We know that the introduction of the functions in the UK was a bit behind some other Governments who started doing it. I think it was when people realised how successful some of them were that the UK started looking at it. Do you record and report your results in a way that is consistent with other EU and OECD countries so that we can make a comparison?

Sir Alex Chisholm: I don't think that comparison is easily done in the reporting of efficiency savings. I don't think other countries do it, as a matter of fact, so we may be hopefully starting a trend there. That said, we certainly look at the models and techniques that are used. For example, I have seen recently that the German Government set up an operation very closely modelled on the approach taken by the Central Digital and Data Office. They came to talk to us about it, so we have seen examples of people learning. Equally, we pay a lot of attention to what other Governments have done and we learn from them.

A good example would be some of the approaches taken by the Singaporean Government in relation to delivering digital services, as well as the Governments in Denmark and Estonia. That is choosing just three where we have been looking at what they do in providing citizen-facing services for all the standard things that people need, and there are things that we could do better learning from them.

There is a lot of benchmarking, both bilateral through the Global Government Forum and through the OECD. That is important, but in my



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view it doesn't allow for robust comparison between the numbers generated from savings, because other people don't choose to report them. Not every country has a national audit office or a public accounts committee, which has been an important part of the UK system for forensically checking the value of different activities.

So yes and no, in short, would be my answer. Yes, we try to learn from the examples and activities of others, but we can't compare the savings because they don't publish them.

Q54 Peter Grant: Thank you. The NAO Report has said that out of the recommendations from the GIAA, about half of them are in progress and most of the others are completed, but there were two that the Cabinet Office had deemed to be out of scope. Could you explain what they were and why they were out of scope?

Sir Alex Chisholm: I think it is because they related to the Government Legal Department, and we decided not to include Government legal services within the scope of Cabinet Office functional savings because it is a separate department. There was a recommendation saying, "If you want to include legal services, we don't think the way you are computing it is quite right"—that relates the point I was describing earlier about what is business as usual as opposed to intervention based—but it became out of scope because we decided we weren't going to include legal services at all as it was another department. Now we have had this excellent Report from the NAO saying, "Look, actually, there probably is a way to do this well across all functions, including non-Cabinet Office functions," we will have another go at that, but that is the reason why it was out of scope.

Q55 Peter Grant: Can these recommendations be implemented by the Government Legal Department on its own, or does it only work if they are done jointly with the Cabinet Office?

Sir Alex Chisholm: As was expressed well by Sir Geoffrey earlier, our aim should be having a consistent approach across Government. Whether we are organised for efficiency reasons within this or that boundary should not make a difference. Right across the piece, we would like to see all the functions held to a single common account, even if they are under different Departments.

Q56 Peter Grant: Thank you. I know that you explained earlier that we have a number of functions each with, as I understand it, a designated head of function, in addition to the roles they have within their own Departments. What is the Ministerial equivalent of that? Who is the Minister responsible for keeping an eye on all these Government functions across different Departments?

Sir Alex Chisholm: The lead Minister has tended to be the Minister for the Cabinet Office, which is the case at the moment with John Glen MP. He was recently Chief Secretary to the Treasury, so he has a strong background in looking at considerations of value for money. He is very much engaged with this agenda and has been through all those efficiency roundtables and other processes that we have been involved in.



Q57 **Peter Grant:** How often does the work of the functions explicitly feature on Cabinet agendas?

Sir Alex Chisholm: I can't say for sure, in relation to Cabinet agendas. I do know that efficiency and delivery are very constant items at Cabinet, and a constant preoccupation of Cabinet is a desire to make sure that the Government delivers on all its promises, improves the services to citizens and does so at affordable cost. I can also say that among the things I am directly responsible for—for example, the civil service board and the civil service operations board, both of which I chair—every single agenda has been about functional savings, among other things.

Cat Little: I should add, just from a wider macroeconomic perspective, that efficiency and productivity feature as part of our wider economic discussions at Cabinet. Whenever we are briefing for a fiscal event, spending review or Budget, efficiency and productivity would be part of their conversation.

Q58 **Peter Grant:** What I am getting at is, I can see that within the civil service right up to very high levels there is a recognition of the need to move away from the departmental silos. It may be unfair to ask you how effectively it has been done, but what is it that needs to be done to make sure that a team of Ministers, almost all of whom have got their own Department, are also looking at joint working to achieve savings?

Sir Alex Chisholm: I think of some of the more successful cross-cutting initiatives, such as Places for Growth. That has had an enormous amount of ministerial support. You can see why, in a way, because it is not only about saving money. Indeed, that is not really its main purpose; that is almost a secondary purpose. It is mainly about improving the experience of the way Government happens in different communities across the country, and so, not surprisingly, Ministers and MPs generally very strongly support that. That is an example where there has been no need to try and interest Ministers. They see that as a very important and key deliverable for Government, and we are delivering for them as civil servants.

An area that has historically not always had the same level of attention from Ministers is digital technology and systems. In recent years, that has changed almost beyond recognition, where Ministers are seeing that correct use of data and safe management of digital systems is absolutely key to delivery. For example, I was in meetings when we were setting up OneLogin, which replaced the previous digital identity system called Verify, now happily retired. OneLogin is now being used by about 4 million people across the country, across—I think—26 different implementations and different Government Departments. When we had consultative meetings with Ministers about OneLogin, to say they were wildly enthusiastic almost understates it. They really said that, of course, the idea that citizens have to re-identify themselves to use different services between different Departments and different points in time is clearly very frustrating. They were also very enthusiastic about whether we can identify misuse of Government services. I use those two examples of Places of Growth and



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OneLogin as ones where ministerial sponsorship, directing and steering has been particularly apparent.

Q59 Chair: One of the things we have looked at a lot is digital reform, and one of the things that comes out in the Report, as always, is about how you get data, and crucially for this area how you can identify the data you need to identify the savings. Sir Geoffrey touched on the debt management aspect of it. What are you doing to make sure that in all the digital reform that we talk about a lot, which you are leading on in the Cabinet Office in many respects, you are actually getting all those systems as they are redesigned to be able to throw up the data that you need to monitor savings more effectively?

Sir Alex Chisholm: There a couple of things there. I don't want to go down too much of a cul-de-sac, but we have different data sets. There is data that I would call operational data, to support the delivery of public services. Then there is data that is more analytical, to inform future policy. Those have slightly different solutions. For the operational data, the critical thing oftentimes is to be able to make combinations between different data sets. Say, for example, I am considering giving a person a benefit because in their claim they said they have no property. I would have an automatic look-up, which now exists, to see whether, according to our property records—the Valuation Office—that person actually does have any property, and it's correct: they don't. That would also go for the number of children you have got and other things like that. The benefit is achieved by combining data sets between different data systems. There is an ongoing effort to do that well across Government, which the Committee has supported. It is going well but obviously has further to go.

In contrast, the data that we need for research and analytical purposes is held for a new system that has just been built over the last year and a half called interactive data services, for which the ONS, the UK's statistics authority, is the lead body. That is capturing data from lots of different places, looking at things like more longitudinal data sets on education or social interventions, homelessness and all kinds of things, in order to say, "Can we see patterns there of policy implemented here?" That is the long-term effect.

Q60 Chair: They will only see the patterns if the systems are designed to throw up the right numbers.

Sir Alex Chisholm: Yes, but we often capture that data locally. The crucial thing is being able to put it into a single hopper, where the combinations and long-term patterns are apparent. If you remember, there was a programme that used to be called Troubled Families. It was a seven-year effort by the social scientists working on it to be able to put together all the different data from health sources, social security, tax returns and employment returns and say what actually was the overall experience of people when they completed that. It was fascinating. As a result, it led to not only a continuation but an expansion of that programme, because we could see what worked.



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Q61 **Chair:** But the key thing here is that that was seven years for a small cohort of people, admittedly dealing with probably up to 20 different agencies across the piece. If you design that into every new system—

Sir Alex Chisholm: Yes, it is how much we want designed in. One of the things that the Central Digital and Data Office and the chief data officer within that have been championing very successfully is a data exchange-type process, where when you want to access other people's data or have data yourself, that is now entered into a kind of registry. The sharing terms are according to pre-agreed, standardised MOUs and templates. If it needs to be real-time data and needs to be available on that basis too, the methodologies for doing that according to a common standard of technical definitions have been prescribed. That is not to say that it is all solved, but the cost of sharing data has become much easier than it used to be as a result of that.

Q62 **Chair:** DEFRA has over 700 different digital systems that need updating. We have looked at that. There are loads of systems. If you add them up across Government, there are an awful lot. They are all going through different stages of modernisation. Is this framework that you have just described now a requirement, so that when they are procuring new digital systems they will system engineer it to throw up the data that will be necessary to do that cross-Government working?

Sir Alex Chisholm: Yes, in the sense of being shareable. Obviously, data protection is very important. I have to recognise that before the Committee. Operational data is very different from policy data. The policy data all gets anonymised—so you can see the effects, but you do not know who it applies to—whereas if you are trying to give somebody a service, such as a benefit, you actually need to know who they are. Those are very different.

Q63 **Chair:** The framework you just described will be something that all those digital systems will have to adhere to, with certain requirements to get off the ground, for Ms Little's Department to give them the money.

Sir Alex Chisholm: Absolutely. That is one of the reasons why the Cabinet Office digital controls apply at a low level—I think £1 million is the threshold—because even things that are quite inexpensive might be very valuable data for us and other people. The reason that we must assure it is to say, "Do they need those common standards for data sharing?"

Q64 **Chair:** We are digging back into our histories today, but I remember the Magee review of data in the criminal justice system when I was a Home Office Minister. It was a mind-boggling organogram; it was impossible to understand. For just the data use, for example, of if a prisoner had left prison, it did not record across to see whether they were a foreign national and therefore might need to be deported. The data was collected differently to the way in which probation was. Even within the same Department it was sometimes collected differently, which meant that it was very difficult to engineer these system changes in Government that were making efficiencies. You are saying that we are on a path.



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Sir Alex Chisholm: We are on the path, yes.

Q65 **Chair:** How long is the journey, Sir Alex?

Sir Alex Chisholm: It never stops. I actually think that efficient, safe and secure sharing of data is the secret source of Government services, so it will never stop.

Chair: You and I are on the same page on that. Maybe my point of view is getting popular again—I do not think it was ever popular at the time. Thank you for that.

Q66 **Peter Grant:** By having the whole process of identifying and reporting functional savings and a different process for identifying and reporting departmental savings, is there a danger that you end up with two bureaucracies both working towards the same aim? How do you avoid that? I see that Ms Little is nodding her head. Do you want to go first?

Cat Little: We will do a double act, I suspect. As I mentioned earlier, we are asking all Departments, including the Cabinet Office, to set out their compliance with the Government efficiency framework. One of the things that the efficiency framework asks Departments to do is look at the drivers of efficiency, which would include the functions. Our hope is that over a transitional period we would basically be able to house the functional efficiency information in the wider Government efficiency data available. The Government efficiency framework run by the Treasury will initially start with cashable savings, mainly because that is the bit that we are the most interested in, can deduct off budgets and is the main incentive. For a period, there will need to be non-cashable data provided by the functions so that we can capture everything, but in the very long term we would expect absolutely everything to be captured by the Government efficiency framework. It could lead to us not having to do two processes.

Sir Alex Chisholm: As a small addition, the Government efficiency framework is based on budgets. You are given a budget to achieve something at a particular point in time, and we say, "Could you do that for 5% less over the next three years?" Some of the savings that we track are not budget-based—for example, in the property area, if you lower the cost of occupying property that will go into your budget, and you can see the saving. If you sell a piece of land, that does not necessarily show up as a saving in the same way, or at least only a part of it would show up as a saving, because you might have been paying rent on that before. That is just a small aside to recognise that it is not 100% budget-based, so there will be some other savings to record, plus the point, which I was making before, that we often want to track things for benchmarking purposes as long as we do not double-report.

Q67 **Peter Grant:** Thanks. Ms Little, you mentioned earlier that to begin with you are focusing on the cash-releasing savings—the ones that will have a direct impact on a budget. That is certainly understandable from a Treasury point of view, and in a way it is understandable generally. However, that must then carry a real risk of demotivating the areas where the improvements that they are most able to achieve do not



necessarily reduce the budget, but they could significantly improve the quality of the service to the public or provide better support to other Government Departments. How do you ensure that the Departments where it is just not realistic to expect to see them identifying budget savings of £100, £200 or £300 million a year stay on board and understand that the efficiencies they are delivering are every bit as important as the ones that show up on the bottom line?

Cat Little: Absolutely. That is why the Government efficiency framework pays a huge amount of attention to how we define and consistently look at non-cashable savings as well, and it gives really good examples of how we expect Departments to report on that. Starting with cashable is purely practical. We want this to be a good, robust process. I would imagine we will very quickly move on to non-cashable savings, and we are asking Departments to record that information. Obviously, in our business case investment approval process, we capture all benefits—economic as well as financial. So there are very, very big approval and spending incentives for why Departments need to capture that information.

Peter Grant: Thank you.

Q68 **Mr Djanogly:** This may have been covered, but I just want to check. The NAO Report, at paragraph 3.14, says: "HM Treasury expect that the relationship with functions will be even more mature by the 2024 Spending Review." I just want to check what that actually means.

Cat Little: Yes, I can give you a few examples.

Mr Djanogly: You have probably covered most of it.

Cat Little: Well, there are a couple of aspects to it. First, we work in partnership. We both are responsible for functions, and it's our joint endeavour to make sure that the functions continue to mature and that we raise the standards overall. That is good and healthy for the system overall. Secondly, when it comes to the Treasury's responsibility for financial control, for spending and for the overall delivery of efficiency and productivity, we have done so much more to integrate the functions into our work, both day to day and in big fiscal events. I talked about the SR. Sir Alex gave a really good example of how the CDDO was integrated into the assessment of digital bids at the last spending review. We now expect every function to have an integrated role in the spending review next time round.

We also are working on day-to-day spending controls. When a Government Department comes to us and says, "Look, we need to invest in this programme" or "We have this policy idea," it is the job of my spending teams to work with Cabinet Office functions to make sure that we have multidisciplinary assurance and input into the way in which we are constructively challenging on value for money and whether the policy outcomes are things that we would endorse. That has been on a journey, and we are learning lots about how we can make it better, more efficient and more joined-up. I expect that journey to continue and to improve.



Q69 Mr Djanogly: Sir Alex, how does all that interact with what Departments report in their outcome delivery plans?

Sir Alex Chisholm: On outcome delivery plans, it has, again, been a joint undertaking between the Cabinet Office and Treasury to support that; I know that this Committee has been very encouraging on the whole process of producing outcome delivery plans. There are a couple of ways in which that is very important, the functional agenda. One is something that we spoke about, actually, in our last appearance before the Committee; we were talking about cross-cutting work. We try to be clear that for Departments whose main activity is reporting within the things that they are exclusively responsible for but for which quite a big part of their work involves, say, four or five different Departments needing to come together, the outcome delivery plans are a way of trying to report on that. Also, we try to capture things—if people have a shared obligation to deliver a Government programme, such as Places for Growth, we report on that within the structure of outcome delivery plans.

Cat Little: Perhaps I can add one thing, Chair. The other thing that we ask Government Departments to do is every year, as part of their annual report and accounts, produce an assessment of their performance against their outcome delivery plans and their strategic priorities. The functions have a role to play in sense-checking the performance. We give guidance to Departments on how accounting officers should seek the counsel of functions in providing that assessment.

Mr Djanogly: Thank you.

Chair: I call Sir Geoffrey Clifton-Brown, the deputy Chair.

Q70 Sir Geoffrey Clifton-Brown: Mr Hornby, at paragraph 2.12—you don't need to look it up, because it's a very simple thing—one of the problems noted in relation to the evidence base is "an improperly used worst-case scenario as a baseline". How carefully do you check baselines, particularly to ensure that a saving is attributed to the year in which it is actually made rather than to the previous year?

Richard Hornby: Very carefully. I think adherence, as Cat described it earlier, to that matching, to only scoring once to the year, is at times restricting the amount of savings that we are reporting. For example, when we are looking at the savings that have accrued from the contract negotiations, those are not just the savings for the contract; they are the savings for that contract that were discussed in that year and that year only. It really is tightly managed. With the recommendations for changing the calculations that the GIAA have asked for, we have accepted them all, and that has all been a downward pressure. These are very prudent descriptions of what the saving was.

Sometimes the discussion has also been about the attribution. When we have something like the commercial function, there is a mixture—there is the departmental commercial lead who will have brought this to the central team in the first place. We are really scrupulous in only counting the benefit from the involvement of the team in the Cabinet Office, not the



wider team within the Department as well. It is quite a scrupulous approach.

Naturally, when we have some of the more non-cashable savings, for example in the savings in 2021-22 from the grants function, some of those are savings in time from civil servants now being able to process grants in a more efficient fashion. Again, we are looking not over the lifetime of the grant, but just over the work that that civil servant has now notionally not had to do just in that immediate financial year.

Q71 Sir Geoffrey Clifton-Brown: What is the relationship between you and the GIAA? It is auditing figures, and you are looking at figures. If you have a difference, who has the final say?

Richard Hornby: We accept all of the GIAA recommendations. We thought that they were pretty good to have included it in the first place. If the GIAA comes along saying, "Well, we would have used the middle case rather than the worst case," we just accept it. All of these have gone through the GIAA filter.

Q72 Sir Geoffrey Clifton-Brown: That is helpful. Sir Alex, given that answer, why was it that when you came to look at the guidance, two of the GIAA recommendations were not accepted?

Chair: Those are the ones we covered earlier.

Sir Alex Chisholm: Yes. There were two—those legal ones—that were out of scope. There was one that was not accepted, which I think was because it was within the digital data and technology area. The GIAA recommendation was about the particular method to double-check the level of the savings. It thought it was going to be disproportionate in cost. It has not rejected it; it has said, "Can we find a different way to do that?" There is ongoing discussion about trying to find a definition that is mutually acceptable. That is the only one where we have not just said, "We'll do exactly what you said."

Q73 Sir Geoffrey Clifton-Brown: I have a technical question for you or Mr Hornby about cherry-picking. I am going back to my property example, because that is an area I know well.

It will be very easy to get a saving on the rent of an office that was rented immediately after covid, compared to now, because the level of demand is much less now than it was even after covid. You could calculate that as a saving.

As opposed to that, when we get your table for the information that I have requested, I think we will find that the rents on those offices that were taken out on 25-year leases with unbreakable clauses pre-covid will be much higher than the rent today. They are actually not a saving; they are a cost. When you are calculating a saving, are you also considering offsetting that against a similar policy, but as an increase rather than a saving?



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Richard Hornby: With the example that you give, Sir Geoffrey, I will go back to the question that you asked us right at the beginning. If I have got it right, you asked us to compare against market rate.

Sir Geoffrey Clifton-Brown: Correct.

Richard Hornby: Following your excellent example, that instance of just coming out of covid will affect all market rents. I can see I'm on to something! So what we are testing is this: in the example of property, what cashable or monetisable advantage has the professionalisation of property services and the aggregation of Government's buying power allowed it to take better deals against the market than it would have if it were that (a) or (b), and then that part of the Department?

Sir Geoffrey Clifton-Brown: Mr Hornby, you have just walked into my question.

Richard Hornby: Oh, well, I have walked into a trap, then!

Q74 **Sir Geoffrey Clifton-Brown:** Because those leases that were taken out prior to covid, on long leases with unbreakable rent-reviewable clauses for 20 years, will undoubtedly be higher. The rent that they were agreed at than will undoubtedly be higher than the market rent you would get today. That is why I asked Sir Alex for the information. Your property department might well claim that it has negotiated a rent after covid and say that demand, and therefore the market rent, has dropped, and count that as a saving. On the other hand, it will not calculate the increased rent from the bad decisions that it took prior to covid.

Sir Alex Chisholm: It is going to go both ways, isn't it?

Sir Geoffrey Clifton-Brown: It could go both ways, indeed.

Sir Alex Chisholm: I was just thinking that if you were to redo every year's savings every year—for all the historic years according to all the movements of the market since—you would be creating quite a high cost contraction for something relatively low-value, because you will have pluses and minuses there.

Richard Hornby: Market fluctuation prices would never count as an efficiency saving in our current methodology or the methodology in the GEF. What we are looking at is how the actions of arranging things differently have allowed better deals, better aggregation of buying power, better use of property, and better occupancy rates. That counts as an efficiency saving that we really do need.

In commercial savings, what we do not count is that things are cheaper than they used to be in that particular category. We do not count that as a saving. What we count as a saving is the complex transactions team taking a complicated contract and a recalcitrant contractor, constructing a deal, strengthening negotiations, and lowering the demands that the contractor had placed on the Government. We do not cherry-pick what has gone well on a basket of prices and claim that as an efficiency saving. That



has never been done; that is not in our mind; that is not in any of the savings we have had.

- Q75 **Sir Geoffrey Clifton-Brown:** Fair enough. Sir Alex, could I take you to figure 7 on page 26? Does the Department accept all those previously recommended efficiency saving measures?

Sir Alex Chisholm: Yes, I think so. I think we have had a couple of points in the discussion already saying that. On net of costs, the answer is yes, in principle, but not if we cannot extract them to an accounting standard, which is the case for debt management. On cash releasing, the answer is yes, but let's not totally ignore things which are not cash releasing, because otherwise people will ignore them and not fund them. So it is largely yes.

- Q76 **Sir Geoffrey Clifton-Brown:** There are two other categories. What about short term against long term? If somebody is claiming or making a saving deliberately so that they can make their particular area look good in the short term, but we know very well that it will not actually be a beneficial saving in the long term, what do you do about that?

Sir Alex Chisholm: That is a really important area. When we look at some of the investor savings we were talking about earlier, whether they have saved ex post is a very important point. One thing that Cat and I have both been very keen on is improving what we call benefits—realisation of the tracking of that. The IPA now does that, too. It looks at the original business case: "This is how much to spend; this is what you will get from us; this is how long it will take." Every time someone tries to move that, there now has to be a change in the control process. Rather than just quietly moving it, it is actually tracked as part of the overall project delivery, so you can see whether the net present value has increased or decreased overall. What you do not want is to say, "You delivered within budget and on time, but you may have destroyed the business case because the benefits have been shrunk." That is what we are guarding against.

Cat Little: Could I add to that? With great thanks to the work of the NAO, we incorporated the principles within the Government efficiency framework. It is almost identically replicated within section 3.5 of the framework. We also set out the requirements for sustainability. It gives the example of not just cost shunting into future years—that is not acceptable, and it would not be permitted within the Government efficiency framework.

- Q77 **Sir Geoffrey Clifton-Brown:** A final question for you, Ms Little. I cannot remember whether this is right, but if not, I would be interested in your comments. Do the annual accounting reports of each Department always, as a matter of course, now contain a paragraph on what efficiency savings the Department has made in the year?

Cat Little: They don't as standard, and that is something that we are currently looking at.



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Q78 **Chair:** Some do, though, don't they?

Cat Little: Some do, and they choose to. For example, the Ministry of Defence does—one I know well—and that is audited and reviewed annually, as you know, by this Committee. It is inconsistent.

One of the things that we had in mind while developing this new efficiency framework was the end state of being able to provide publicly audited information. That is something that we hope to achieve, but my expectation is that it will take several years to be done properly, thoroughly and well.

Q79 **Chair:** That brings me to the very final question about how long all this will take. We recognise and you recognise that this methodology is not yet perfect. Mr Hornby, you have laid out quite clearly all the recommendations you are taking on to improve it, but when will this be at a steady state so that a Chancellor of the Exchequer or a head of the Treasury can say, "Well, this is what we can do. This is the money we're going to make next year or in the next five years, and this is what we're going to do with it"? In the end, the savings will fuel policy decisions, won't they, as much as policy decisions will fuel savings, potentially?

Richard Hornby: On your first question, Chair, next year's reporting of efficiency savings is going to be so much better, but then it will become part of the overall Government efficiency framework savings. What I anticipate is that, very quickly, there will only be one efficiency framework. Following the steer from the NAO, however, there may be methodology reasons, for example, on the cost of fraud avoided where we would want to make additional reporting to say, "Well, actually, for these reasons, we think we've also had this additional benefit."

Now, in terms of forward planning to that level of detail, I am genuinely not able to say when I think that we will have a forward SR long look over what efficiency frameworks to this level of audited standards are going to come in. The Committee has already asked about the degree to which this is integrated with the outcome delivery plan. Of course, the outcome delivery plan is really when the Department nails down what it is going to do over this year and next year with the money it has been voted.

Q80 **Chair:** Do you think you will ever be able to get to that point?

Sir Alex Chisholm: I would say—

Chair: There will be a tolerance. There will be a variance.

Sir Alex Chisholm: Year 3 of doing functional efficiency savings reporting should be very good and pretty stable, but that is going to be year 1 of the new Government efficiency framework, which is looking to try and apply somewhat similar approaches across the whole of Government. To get that to a standard where you can actually put it into an annual report and accounts is a multi-year commitment. That is realistic.

Q81 **Chair:** Multi-year. Will any of us be here? Are we talking a decade? It has taken a decade to get this far with the functions, and some of them are



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still quite young. Are we looking at another decade?

Cat Little: As I said earlier, I think we will only really get a test of how well Departments are complying with the framework when we actually start getting the data. I will be able to better answer your question, I hope, in a year's time when we have had a chance to go through our full reporting cycle. We are doing this as quickly as we can. It took the Government finance function about eight weeks to produce the framework. We published it almost immediately, and we asked for compliance immediately, so we are doing it quickly and expediently.

Q82 **Chair:** Very good.

Thank you very much indeed for your time. It is critical and bread and butter for this Committee that we keep looking at how efficiencies can be made in Government. We haven't even got on to the NHS, but I think we can leave it there. Actually, will the framework apply to public bodies?

Cat Little: It will from next year. And we work very, very closely, as you might imagine, with the NHS on their delivery of efficiency.

Chair: Given the amount of DEL spending that will go into health, that is critical, of course.

Thank you very much indeed for your time. The transcript, as ever, will be up on the website uncorrected in the next couple of days; thank you to our colleagues at *Hansard* for that. We will produce a Report on this in the next couple of months.