

Seventeenth Report of Session 2023-24

Cabinet Office, HM Treasury

Cabinet Office functional savings

Introduction from the Committee

The first government functions were formally established in 2013. They are groups of professionals who work across government to provide expert skills in areas such as procurement, major project delivery and finance. Through their work, functions seek to increase the efficiency of the work undertaken by government. By October 2023, there were 14 functions across government. In the 2021 Spending Review, HM Treasury set multi-year budgets for departments, encouraging them to achieve savings of approximately 5% on their “day-to-day” budgets by 2024–25. The Cabinet Office is responsible for ensuring that the functions provide data on their efficiency savings, for verifying the data provided, and reporting on the overall annual efficiency savings made across government. The Government Internal Audit Agency (GIAA) is responsible for assuring the claimed savings before publication, by assessing the methodologies used. The Cabinet Office started measuring and reporting on the financial efficiency savings and wider benefits made by the functions in 2021. So far, it has reported that functions, departments and other central bodies achieved £3.4 billion of cash-releasing savings in 2020–21, and £3.4 billion of cash-releasing savings and £1.0 billion of non-cash-releasing savings in 2021–22.

Based on a report by the National Audit Office, the Committee took evidence on Wednesday, 10 January 2024 from the Cabinet Office and HM Treasury. The Committee published its report on 1 March 2024. This is the government’s response to the Committee’s report.

Relevant reports

- NAO report: [Cabinet Office functional savings](#) – Session 2022-23 (HC 1865)
- PAC report: [Cabinet Office functional savings](#) – Session 2023-24 (HC 423)

Government response to the Committee

1. PAC conclusion: Reporting on efficiency across government is essential to enable government to make effective decisions about where to spend public money.

1a. PAC recommendation: HM Treasury should use its new efficiency framework to monitor, collate, record and report savings across departments.

1.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

1.2 In July 2023, HM Treasury (HMT) published the [Government Efficiency Framework](#) (GEF). The framework sets common standards for the defining, collecting, and reporting of data on efficiency savings.

1.3 The GEF reporting is currently being rolled out across government, and HMT will look to learn lessons from the first round of pilot reporting requirements, including the scope of reporting, and will look to iterate these requirements with departments. Efficiencies, as defined within the framework, will be the focus of reporting as opposed to non-efficiency savings.

1b. PAC recommendation: After reviewing the first sets of departmental reporting using the new Efficiency Framework, HM Treasury should set a timetable for when departments will report these savings in their annual report and accounts, including determining, in consultation with the National Audit Office, what assurance arrangements these figures will be subject to.

1.4 The government agrees with the Committee's recommendation.

Target implementation date: end April of 2025

1.5 GEF efficiency reporting by government departments will take time to fully bed in, for inconsistencies to be ironed out, and for lessons to be learned. There will also be varying degrees of maturity, between both government departments and across the different functions, in how they identify, hold and report efficiencies.

1.6 HMT therefore sees the continued adoption of the GEF across government, and reporting against it, as a long-term objective. As reporting becomes standardised, HMT will consult with key parties on how best to deliver the Committee's recommendation.

1.7 HMT will update the Committee by April of 2025 setting out the outcome of that consultation and the key next steps.

2. PAC conclusion: Different functions are still at different levels of development, and different levels of maturity in their approaches to calculating and reporting savings.

2a. PAC recommendation: Cabinet Office should, within six months, take stock of the different functions to understand their respective progress, and outline how it will support those who need remedial action to improve.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: end October 2024

2.2 The functions' current respective methodologies for measuring and reporting efficiency savings reflect the diversity of functional activity undertaken in their respective areas. The Cabinet Office will review the different methodologies and set out a plan to support improvements, with functions capturing new or additional efficiencies as appropriate. The Cabinet Office will follow up with the outcome to the Committee in Autumn 2024.

2.3 Beyond Autumn 2024, the Cabinet Office will be working closely with HMT to ensure that Functions' current respective methodologies transition to the GEF which was published in July 2023. This sets out a government-wide standard framework for tracking, monitoring, and oversight of efficiency savings.

2b. PAC recommendation: By the end of 2024, the Cabinet Office should publish a balanced scorecard for each function which includes savings of all types made by the functions.

2.3 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

2.4 The Cabinet Office will publish further details, for each function, showing the range of savings, benefits, and other performance measures as appropriate. Publication of this

information is expected to be in Spring 2025, aligning with the annual function efficiency savings.

3. PAC conclusion: Cabinet Office and HM Treasury do not have a full picture of the performance of functions.

3. PAC recommendation: As part of the Treasury Minute response, the Cabinet Office should set out how it will work with functions to develop consistent methodologies that report the totality of the costs, benefits and savings delivered by functions, using metrics that can be compared across time and different areas of government.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: by December 2025

3.2 The functions' respective methodologies for measuring and reporting efficiency savings reflect the diversity of functional activity undertaken in their respective areas. These methods range from release of cash (commercial), efficiencies baselined against projected scenarios (communications), fraud prevention, detection and recovery (counter fraud) to cash collected over business as usual (debt).

3.3 The GEF will drive consistency in the way that government departments measure and report efficiencies. The GEF sets out what efficiency is, how it should be categorised, and best practice in gathering high quality information to measure and report efficiencies.

3.4 The Cabinet Office and HMT are working closely together as the GEF is adopted by departments and functions.

3.5 Through the adoption of the GEF, all efficiencies will be required to be reconcilable to departmental budgets and as such will avoid double counting of efficiencies by requiring common and comparable baselines.

4. PAC conclusion: Cabinet Office and HM Treasury have not ensured that functions have fully reported the efficiencies they achieve.

4a. PAC recommendation: The Cabinet Office and HM Treasury should set out what the targets are that functions are working towards in the next functions' savings exercise.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: end October 2024

4.2 The Cabinet Office will work with HMT to set savings targets (cash releasing and non-cash releasing savings) across the functions to work towards for the 2023-24 savings exercise due to be published in Spring 2025. The Cabinet Office will report back to the Committee on these targets in October 2024.

4b. PAC recommendation: Once the new targets have been set, the Cabinet Office and HM Treasury should work with all the functions to more robustly test the amount and scale of savings they report, and challenge functions to report wider savings where necessary.

4.3 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

4.4 The Cabinet Office will ensure functions report savings that are commensurate with the savings target set, publishing this in the Spring 2025 efficiency and savings publication after they have been audited by the Government Internal Audit Agency (GIAF).

4.5 The Cabinet Office will use the new targets to encourage Functions to identify robust savings that are able to meet rigorous GIAF standards.

5. PAC conclusion: Cabinet Office and HM Treasury have not finalised how they will manage the risks of double-counting and cost-shunting.

5a. PAC recommendation: HM Treasury and the Cabinet Office should incorporate into the 2023–24 efficiencies exercise:

- **Examples of best practice on calculating, recording and reporting of savings with departments and functions;**
- **Clearer guidance on how to avoid cost-shunting and double-counting, as well as any other adverse effects.**

5.1 The government agrees with the Committee's recommendation.

Target implementation date: end June 2025

5.2 The Cabinet Office will include case study examples of best practice for the 2023-24 efficiency and savings return guidance, showing how savings were calculated, recorded and reported.

5.3 The Cabinet Office will also provide guidance to functions on how to avoid cost-shunting and double-counting, with examples. The Cabinet Office will report back to the Committee in Spring 2025.

5b. PAC recommendation: By the end of 2024, the Cabinet Office and HM Treasury should report back to the Committee on what assurance they have received from departments that the savings claimed have not led to costs elsewhere in government.

5.4 The government agrees with the Committee's recommendation.

Target implementation date: by end December 2024

5.5 Cabinet Office and HMT will provide an update to the Committee on assurances received from functions and departments that cost shunting and double counting have not led to costs elsewhere.

5.6 The Committee should be aware that the implementation of the GEF provides additional checks and balances against cost shunting and double counting.

5.7 The GEF takes a systematic approach to efficiency, stating that an efficiency saving should not push costs elsewhere in the public sector and should not have adverse impacts to outputs and outcomes.

5.8 The GEF also standardises the holding and reporting of efficiency data, including for joint efficiencies, which further strengthens scrutiny not just within departments but also across departments so that cost shunting and double counting does not occur.