



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Cabinet Office**

# The 2013-14 savings reported by the Efficiency and Reform Group

# Summary

## Introduction

1 The Efficiency and Reform Group (ERG) is part of the Cabinet Office and works to help government departments make savings. Since 2010, ERG has reported annually on government savings, in the areas where it aims to influence spending in departments, and, increasingly, the wider public sector. In doing so, it has raised the profile of and injected a sense of pace into, the efficiency agenda.

2 As in 2012-13, we have reviewed ERG's performance as it collated and announced the savings in 2013-14. This report shows our findings on ERG's methods for calculating the savings it claimed this year, and how ERG has presented them to the public.

## Our remit

3 We reviewed ERG's methods, and how it used them to calculate savings for the 14 categories of savings that they claimed for government during 2013-14.

4 We reviewed the individual savings categories and assessed the evidence to support ERG's savings' claim against criteria to examine if:

- its methods are adequate, to support the savings they claimed;
- it used the methods consistently; and
- its assertion accurately describes the savings.

5 Our review has focused on ERG's methods and processes to calculate its 2013-14 savings claim. We also considered the Cabinet Office internal auditor's work to assure those processes.

6 We have not:

- tested departments' data or their processes (or their suppliers' processes) to produce this data; or
- assessed the accuracy of the claimed savings figures – we only comment on how ERG calculates the savings.

## Key findings

7 **Figure 1** sets out a summary of our findings.

**Figure 1**

## Summary of each savings line

Saving category	Amount claimed (£m)	Does the method provide adequate basis for saving?	Is the method applied consistently?	Does the assertion accurately describe saving?	Internal audit rating
<b>Operational savings</b>					
Advertising and marketing	378	Yes	Yes	Yes	Reasonable
Centralising procurement	1,490	Yes	Variation between categories of procurement makes consistent application difficult	Yes, although they may be understated as supplier data may be incomplete	Reasonable
Commercial relationships	1,809	Yes	There are variations in the evidence provided	Yes	Reasonable
Consulting and contingent labour	1,615	Yes	Yes	Yes, although inflation of baseline is new this year	Reasonable
Common infrastructure programme	116	Yes	Yes	Yes	Reasonable
Workforce reductions	2,392	Yes	Yes	Yes	Reasonable
Pensions	2,340	Yes	Yes	Yes. However, the saving is different in nature to other operational savings	Moderate
Property portfolio optimisation	461	Yes	Savings data is taken from multiple sources	Yes	Reasonable
<b>Projects and construction</b>					
Major projects	2,749	Yes, but does not capture full work of Major Projects Authority	Inherent complexity has led to variable methods for different types of saving and evidence bases are not uniformly strong	Yes, subject to comments on method basis and application	Moderate
Construction	840	Yes	Inherent complexity has led to variations between departments in what the exact method is	Yes, subject to comments on method basis and application	Moderate
Government Digital Service controls savings and Government Digital Service wider savings	91	Yes, the saving is based on forecast spend but this is made clear	Variations in the evidence available. Internal audit identified several errors in the calculation of savings which were removed from the final saving	Yes, subject to comments on method basis and application	Moderate
Government Digital Service transformation	119	Yes	Yes	Yes	Reasonable

**Figure 1** *continued*

## Summary of each savings line

Saving category	Amount claimed (£m)	Does the method provide adequate basis for saving?	Is the method applied consistently?	Does the assertion accurately describe saving?	Internal audit rating
<b>Receipts from asset sales and new commercial models</b>					
Asset sales	163	Yes	Yes	Yes	Reasonable
Commercial models	10	Yes	Yes – there is only a single project included this year	Yes	Reasonable

**Notes**

- 1 Figures from ERG's published technical note, available at [www.gov.uk/government/publications/government-savings-in-2013-to-2014](http://www.gov.uk/government/publications/government-savings-in-2013-to-2014).
- 2 We have not examined departmental records and do not comment on departments' processes for producing information.
- 3 In ERG's published summary all savings have been rounded to the nearest £100 million.
- 4 Internal audit defines their ratings as set out below. For more detail see Appendix Five.
- 5 Reasonable assurance: a sound evidence base supporting the claimed savings and assertions reported by ERG.
- 6 Moderate assurance: The evidence base supports claimed savings and assertions with some weaknesses.

Source: Efficiency and Reform Group published savings and National Audit Office conclusions

**8 Of the 14 savings lines, nine have strong methods and evidence.** The savings lines where evidence (and the ERG process) is strongest are those where the evidence comes from operational data and its production and review is embedded into ERG's way of working.

**9 In the remaining five savings lines, the methods are less strong but significant savings are still likely to have been achieved.** Commercial models is a new category this year. While the current method is adequate to support the one saving reported in 2014-15, ERG will need to develop this process as more savings are claimed in future. In both commercial relationships and construction, although there was a formal process in place, we found some inconsistencies in the level of evidence provided. In major projects and Government Digital Service (GDS) controls savings, the internal processes were less strong overall. Some poorly-evidenced savings were identified and removed from the savings claim before publication. ERG should embed information gathering for each of these lines into standard business-as-usual processes, to strengthen the quality of evidence. This will also ensure that the data is gathered throughout the year and not as a one-off year-end exercise, and allow more time for review by ERG, the internal auditor and the NAO.

**10 ERG has improved its calculations and reporting in 2013-14.** ERG has responded to our, and internal audit's, recommendations in 2012-13. ERG set up a formal audit improvement process, to act on our recommendations. ERG has improved the savings lines we identified as weaker in 2012-13. For example, it has standardised how it calculates pensions contributions and improved how it collates construction evidence. ERG has also improved how it discloses the savings figures to the public, issuing the technical note with the savings announcement.

**11 There are some areas where we identified issues in 2012-13 and they remain of concern.** We identified savings lines that needed improvement in 2012-13: GDS controls; construction; and major projects. Although some improvements have been made in 2013-14, these areas continue to have weaker methods. ERG has not acted on our recommendation that they gain additional assurance by reconciling estimated figures used in some lines with outturn, except for pensions. ERG has also not tried to reconcile departments' information on some key lines, for example workforce savings, with their audited annual accounts when these are available. This would give ERG extra assurance over future savings claims.

**12 ERG is acting prudently to remove double counting.** Where there is potential overlap between different savings lines, it takes a prudent approach to removing double counting wherever the risk is identified. However, given the range of activity it is not possible to check this exhaustively and some risk remains.

**13 The savings announced are now much wider than originally reported in 2010-11 as ERG's engagement has broadened.** The first announced savings focused on those areas where ERG had worked directly with central government. However, some savings areas, particularly centralising procurement and pensions, now also include ERG's less direct influence on the wider public sector. ERG should explain more clearly the impact of the change in scope, of some savings areas but not others, on the savings over time.

**14 ERG's public reporting now clarifies the range of savings it includes.** The calculation uses many separate savings methods. These differ in what they set out to measure, and how; what baselines they use; what sort of evidence they expect; and where the data comes from. The savings are therefore different in nature, and care needs to be taken not to aggregate them inappropriately. In its reporting for 2013-14, ERG has improved how it shows the savings, splitting the types clearly.

## **Recommendations**

**15** Appendix Three shows our recommendations from 2012-13 and how far ERG has acted on them. ERG has worked to strengthen its own processes. It has acted on most, but not all of our recommendations which were designed to increase assurance throughout the year, including after the announcement has been made.

**16** During our 2013-14 review, we have also made several new recommendations. We set these out against the specific savings lines in the main body of this report. Our recommendations are in three categories:

- **Process improvements**

Particularly gathering more evidence throughout the year, or allowing additional time at year-end to review evidence in depth.

- **Detailed review**

More detailed review within ERG, and working with departments to understand what assurance they have over their data.

- **Everyday information-gathering**

Putting information-gathering into ERG's day-to-day work, to link government activities clearly to the savings they are claiming.

**17** These recommendations come from our observations of where savings are strongest. Our recommendations aim to show how ERG can apply that good practice into areas where evidence is weaker.