



REPORT

Improving government's productivity through better cost information

Cross-government

Summary

1 Understanding the cost of government's services is important for achieving sustainable productivity improvements. By service we mean the people and underlying operations and activities to provide an outcome for a user. Examples include applying for an entitlement or submitting information required by regulations. Information about costs helps organisations to identify poorly performing services and inefficiencies, prioritise resources and assess the opportunities for innovation and digital transformation.

2 Given the financial pressures on public bodies and the importance of achieving productivity improvements, our aim with this report is to help government get the most value out of the money it spends on managing and running departmental services. This report is an initial assessment of the need for better cost information and the practical steps government can take. In this report we bring together recent findings and recommendations, and consider:

- the limitations in government's understanding of service costs and previous attempts to improve cost information; and
- how government can address these limitations drawing on established techniques and good practice.

3 We have not undertaken a systematic review of service cost information held across government in departments and their arm's-length bodies. We emphasise that understanding running costs is not just about knowing the total of the cost base. Rather, it is about having a more granular understanding of where costs arise in individual activities that collectively make up an overall end-to-end service. This may include areas such as handling applications, customer contact centres, in-person services, back-office checks, producing physical outputs, and the systems that support these functions. In Part Two, we describe government's own attempts to acquire such information.

Summary findings

4 **Some government departments have a limited understanding of the costs of individual services.** Government expects to spend £450 billion annually on its operations, and yet some departments do not know the costs of individual services at a more granular level of detail, nor where excess costs arise from people having to work manually around cumbersome, old systems and poor-quality data from fragmented data sources.

5 The lack of cost information is a barrier to achieving government's

productivity aims. The 2025 Spending Review has set ambitious targets for productivity and efficiency across government. However, our previous work has shown that poor data often leaves departments unaware of the underlying cost drivers and hence the opportunities for improvement from better processes, data and technology. Without detailed cost insights, government cannot prioritise intervening in the most expensive or inefficient areas, nor assess the return on investment in digital transformation or service redesign.

6 Previous attempts to improve departmental cost information have suffered from inconsistencies in approach and lack of sustained focus on data infrastructure.

The 'Top 75' programme led by the Central Digital & Data Office (now Government Digital Service) between 2022 and 2025 aimed to identify the costs in the 75 most used government services. A lack of sponsorship to improve data in departments and other public bodies limited its progress and the programme closed with only 29 of the top 75 services being assessed as 'great'. This highlights a recurring challenge: that without sustained effort, government will find it difficult to identify the basic data needed to understand what drives the cost of services and where money is being wasted so as to improve efficiency and productivity.

7 There remain significant opportunities to improve the quality and use of service cost information in departments. Before closing, the 'Top 75' programme identified services with high costs due to poor data, legacy system limitations or inefficient processes. Our own work has identified services where costs are not fully understood, in areas such as some fee-paying services or departmental recruitment processes.

Conclusion

8 Improving productivity is essential if government is to deliver on its growth agenda, address fiscal pressures and improve outcomes for the people who depend on public services. The lack of reliable and usable cost information about government services makes it harder to identify opportunities for improvement, drive efficiency and realise meaningful cost savings. Previous efforts to develop cost estimates have often lacked consistency or momentum, limiting their impact. Yet the potential value of robust cost data is significant. It can inform better decision-making, support productivity gains, and help deliver on the government's growth agenda. Public bodies should act with urgency to build a clearer, more consistent understanding of service costs.

Recommendations

- 9** HM Treasury and the Government Finance Function should agree with Cabinet Office the accountabilities and responsibilities for taking forward the following recommendations.
- 10** HM Treasury and the Government Finance Function should:
 - a** work with leading-practice sponsor departments to produce a new guidance document for departments, setting out how the principles of process and activity costing could and should be applied to government services, including specific, practical examples of what can work, providing a greater level of detail than just high-level principles.
- 11** Permanent secretaries and departmental senior leaders should:
 - b** create incentives for those involved in business processing and service delivery to underpin and ensure compliance with the new guidance, such as new performance objectives.
- 12** Departments should:
 - c** define the scope and boundaries for all major services and designate a senior responsible service owner at a high level of seniority for each, with sufficient accountability for the end-to-end service and understanding, managing and improving service costs at the operational level;
 - d** embed ownership at the service level to help ensure consistent ways to provide evidence-based conclusions that can guide decisions such as where to cut costs, invest more, redesign services or improve efficiency; and
 - e** establish governance arrangements such as oversight boards or assurance processes to monitor progress, validate cost data usage, track system benefit realisation and provide accountability to senior leadership and relevant stakeholders.
- 13** Departmental finance functions should:
 - f** use the techniques suggested in this report to understand the organisation's cost drivers, and where to target cost savings, including where simple 'quick wins' could deliver results and maintain impetus;
 - g** work with service owners and responsible directors to monitor and manage service costs towards relevant and agreed productivity targets; and
 - h** identify where targeted capability building would help ensure that finance teams and service owners are equipped to deliver on these expectations.