



Cabinet Office

# **FY 2015/16 Technical Note**



## Savings delivered in FY 2015/16 in Government Departments

### Summary

This report sets out the Government's assessment of the impact of actions taken by Government departments, supported by the Cabinet Office, to; release operational savings from property, managing third-party spending through contract assurance and collaborating on the procurement of common goods and services; reduce spending on or cancel IT projects; realise receipts from asset sales and new commercial models; and tackle fraud, error and uncollected debt in FY 2015/16.

### Context to this work

#### Previous Parliament

In 2010 the Cabinet Office sought to address the Government's programme of spending cuts aimed at reducing the UK's fiscal deficit. Over the course of the 2010 to 2015 Parliament the Cabinet Office put in place programmes to; centralise procurement of common goods and services and renegotiate contracts with major suppliers; establish a Major Projects Authority to assure delivery of major government projects; to support digital transformation in government and the services it provides; and put in place moratoria governing non-essential recruitment including consultants and temporary agency staff, new ICT projects, and marketing and advertising spending.

#### Current Parliament

Investment is currently taking place in major transformational projects across government. The Government is investing in the future through programmes that will transform the way government delivers services. The Government Digital Service, for example, will invest £450m over 4 years in strategies that will digitise more services and increase digital capability in government.

This is a sustained programme of long term investment across both the frontline where services are delivered, and in simplifying and streamlining back office functions. The benefits of this, both financially and in terms of services delivered will be transformative. These will however, rightly, be delivered over time. They will build over the course of the spending review and beyond.

While we work towards delivering this the Government remains committed to delivering value for money for the taxpayer and is doubling-down on the approaches to controlling government spending it established in the previous Parliament. Through its expert Functions and agencies the Cabinet Office is continuing to facilitate Government Departments realisation of cashable savings and value for money for the taxpayer. Savings include:

- Rationalising the government's property estate by selling unnecessary buildings and ending property leases early.
- Achieving the most challenging commercial objectives, such as better value procurements and contracts with external suppliers.
- Negotiating better value ICT supplier contracts



- Reducing fraud and error in welfare provision and the administration of government grants

## What do these figures represent?

These figures represent our best assessment of the Government's progress against meeting the above objectives during FY 2015-16.

The Government has worked hard to put in place robust savings assertions using detailed savings methodologies that provide as accurate an estimate as possible of the impact of our work. Following the General Election in May 2015 we have updated our baseline year to reflect the new Parliament and wherever possible are using FY 2014/15 as the baseline against which savings are measured. In some cases it would not be informative to use FY 2014-15 as a baseline, where this is the case it is indicated in the detailed breakdown below. For this reason, savings made during the last parliament, including the huge progress in areas such as pensions and workforce, are no longer included in these figures.

## Technical presentation

### Methodologies

- The methodologies used to calculate these savings and the figures themselves have been audited by the Government Internal Audit Agency.

### Audit

- The Government Internal Audit Agency has audited each of the methodologies provided by the savings areas. GIAA have given a level of assurance that the figures asserted by each savings area are backed up by evidence. Details of those assertions and evidence bases are found in the Detailed Breakout by Area table below.



What are the figures?

Savings Area	FY 2015-16 realised savings (£m)
Government Property Unit	95
Complex Transactions	879
Common goods and services procurement	225
<b>Operational savings total</b>	<b>1199</b>
Government Digital Service Standards Assurance	339
<b>Savings through identification of low priority spend on projects, leading to project cancellation, funding re-prioritisation, or cost reduction</b>	<b>339</b>
Department for Work and Pensions Fraud	632
National Fraud Initiative	99
Debt Market Integrator	69
Grant Administration	3
Student Loans	1
Spend Recovery	1
<b>Benefits from tackling fraud, error and debt total</b>	<b>805</b>
<b>Savings Total</b>	<b>2343</b>
Property asset sales	973
Income from new Commercial Models	23
<b>Asset Sales Total</b>	<b>996</b>
<b>Total Savings and Asset Sales</b>	<b>£3339m</b>



Detailed breakout by area

Area	Activity Description	Exact amount	Evidence base/calculation/caveats	Savings assertion
Operational Savings				
Government Property Unit Property Portfolio Optimisation	<p>We have put in place national property controls such that signature of new property leases or lease extensions were approved centrally.</p> <p>Government departments have been working to consolidate and reduce the size of its estate.</p>	£95m	<p>Calculations by property are based on the amount departments have reported saved, through the Government's property database by non-renewal of property leases at lease breaks or upon lease expiry or exit from freehold property. Savings counted are from exits during 2014-15 and 2015-16 each measured against a baseline of the last full year of occupation.</p>	<p>We reduced the in-year cost of our property estate by over £95m for 2015-16.</p>
Complex Transactions	<p>We've improved commercial outcomes to deliver savings on contracts.</p>	£879m	<p>The savings methodology details the principles, categories sources and considerations for calculating savings. Among the methodology principles, activities in order to be eligible to be counted as a saving, must release cash net of dis-benefits, relate to activities that have already happened and costs may not be reallocated or deferred to other periods. Baselines are calculated on a contract by contract basis. There are a variety of baselines, i.e. a consistent 2014-15 baseline cannot be applied. PFI savings are against a 2012 baseline.</p> <p>Data on savings gathered from Departments throughout the year and this information was recorded on the Savings Tracker. For the year ended 31 March 2016 the total value of the savings originally presented for audit was £554.5m, which was subsequently revised to £879.3m mainly due to increased PFI (Private</p>	<p>By providing specialist commercial expertise within Procurements, Negotiations and Disputes to teams across Government we have helped Departments to realise £879.3m savings.</p>



			<p>Finance Initiative) savings.</p> <p>The cash earned from the additional HMT share of premiums on Pool Re-insurance will not be released to HMT for three years.</p> <p>Some savings earned have been re-invested resulting in no overall reduction in spend.</p>	
Common goods and services procurement	The Commercial Accelerator Programme, run by the Crown Commercial Service (CCS), is designed to increase the proportion of public sector procurement spending that is centrally managed by CCS. Doing so enables central government departments and the wider public sector to obtain better prices on goods and services they all use by purchasing from CCS frameworks negotiated with suppliers to provide best value from bulk buying as one public sector customer.	£225m	<p>CCS provided details of the Commercial Accelerator Programme (CAP), including savings type, definitions and methodologies. The technical note outlining the activity description that led to the saving. Data from the IT system used to record the savings initiatives, from which an audit sample was selected. Savings documentation relating to each savings initiative tested.</p> <p>Savings are calculated against a mix of baselines including; 2015/16 budget; what would have been spent for the volume purchased in 2015/16 without price intervention; pool price.</p> <p>The inclusion of both cost reduction and cost avoidance savings is a change from prior years which included only cost reduction savings.</p>	<p>The implementation of agreed savings initiatives delivered £172m of procurement benefits to central government departments. The benefits included a mix of cost reduction and cost avoidance savings.</p> <p>The implementation of agreed savings initiatives delivered £53m of procurement benefits to NHS customers. The benefits included a mix of cost reduction and cost avoidance savings realised.</p>
Savings through identification of low priority spend on projects, leading to project cancellation, funding reprioritisation, or cost reduction				
Government Digital Service Standards Assurance	Savings made through intervention in departmental digital and technology projects.	£339m	Copies of the original and revised Business Cases and stopped spend requests are given as evidence, with the variation claimed as the saving. Where available, actuals for 15/16 have been provided as evidence for further savings.	Savings of £339m have been identified through controls, cancelled projects and ICT Strategy savings.



Benefits from tackling fraud, error and debt				
FED	Government runs programmes to tackle fraud, error and debt in the welfare system and in the allocation of government grants.	£632m	<b>Department for Work and Pensions Savings</b> DWP FED summary of savings by project. DWP senior signoff evidence. Technical note outlining each of the three savings categories. Monthly performance report March 2016 confirming the savings made per the management accounts. Some of the figures are based on estimates of how long overpayments would have continued. The baseline year remains 2010/11 due to programme administration requirements	£632m realised by DWP from a range of initiatives as part of FED programme to collect debt, administer penalties and prevent future overpayments.
		£99.2m	<b>National Fraud Initiative</b> Breakdown of savings made by area. Backup for assertions, via review of estimated outcomes methodology and responses to queries. Savings are based on the date that a saving was logged, not when the saving was actually recovered and so the cash effect in 2015-16 is unknown. Savings include a forward forecast of how long a benefit fraud may have continued, part of this forecast may relate to 2016-17. In addition savings include historic identified fraud, which may not be recovered until future years or may never be recovered.	£99.2m of savings has been achieved by improving the fraud and error prevention and detection controls of selected services across Government, and the wider public sector.
		£69m	<b>Debt Market Integrator</b> HMRC confirmation of additional yield via DMI compared to not using Debt Collection Agencies. HMRC Monthly spreadsheet returns for September to March and 2015-16 Summary for HMRC showing the breakdown of gross recoveries by month. The yield is not all additional to that achieved with debt recovery agencies before introduction	£69m of additional yield from using the Debt Market Integrator service to collect debts owed to government departments.



			of the DMI. The additional yield is shown gross. Costs of £7.1m have not been netted off.	
		£3m	<b>Grant Administration</b> Confirmation that the savings were built into budgets and budgets have not been exceeded. This category of savings was disclosed with Commercial savings in 2014-15.	£3m has been saved through reducing the cost of administration of intermediary-delivered grants schemes.
		£1.3m	<b>Student Loans</b> Assurance statement for current year provided. Cumulative savings to date are £15.7m. When deducted from the prior year, this gives an additional saving compared to the 2014-15 saving.	£1.3m of ineligible claims have been stopped by the Student Loan Company Counter Fraud Service performing checks on student loan applications before they are paid out.
		£1m	<b>Spend Recovery Audit</b> Confirmation of sign-off from MoJ confirming identification of overpayments for 2015-16 and amount not recovered at year-end. Confirmation of sign-off from Home Office.	£1m of recoveries of either duplicate or overpayments to suppliers have resulted from Spend Recovery Audits undertaken by Departments on their accounts payable ledgers.
<b>Asset Sales</b>				
Property asset sales	Government departments have been working to consolidate and reduce the size of its estate.	£973m	Quarterly submission from departments, and reviewed by GPU Asset Efficiency team. Capital receipts are recognised when sales contracts become unconditional, and are reported as gross receipts not adjusted for disposal costs. This is a change in basis from prior years, when sales were reported net of disposal costs and were not recognised at contractual commitment, but actual events advised by Departments, or at expected events estimated by the National Property Controls Team.	By selling land and buildings, we have generated over £973m in capital receipts for the taxpayer in 2015-16.





<p>Commercial models</p>	<p>We have delivered asset sales and received dividends on joint venture arrangements.</p>	<p>£22.8m</p>	<p>Breakdown showing transactions from the sale of IP addresses. Evidence from sales contracts and confirmation that the proceeds were received by the home department were obtained. These reconciled to the amounts tested. The gross savings amount did not deduct commission payments that were paid to EY. A list of commissions paid was therefore obtained and deducted from the sales price to calculate the net receipt.</p> <p>Screenshots of Oracle showing the amounts of dividends received and the date of receipt. These were all received during the 2015-16 year.</p>	<p>Proceeds of £16.8m have been made from the sale of IP addresses. We also received £6m in dividend payments.</p>
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