



CSR 07 Home Office Value for Money Delivery Agreement

Delivering improved value for money (VfM) is an integral part of our responsibility to provide efficient and effective services to the public.

Achievement of VfM objectives is also a key enabler for the Department's reform programme and there is close working, within the Department and the police service, to ensure that the initiatives within the VfM Programme are consistent with the Department's public service aims.

The Department's public service aims are captured by their Public Service Agreements (PSAs):

- Make communities safer.
- Reduce the risk to the UK and its interests overseas from international terrorism.
- Reduce the harms caused by alcohol and drugs.
- Ensure controlled, fair migration that protects the public and contributes to economic growth.
- Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public (led jointly with the Attorney General and the Secretary of State for Justice).

The Departmental Strategic Objectives (DSOs) will underpin achievement of our PSAs:

- Help people feel secure in their homes and local communities
- Cut crime, especially violent crime, and crime related to drugs and alcohol
- Lead visible, responsive and accountable policing
- Protect the public from terrorism
- Safeguard people's identity and the privileges of citizenship
- Support the efficient and effective delivery of justice

VISION

The focus of the strategy is on **stimulating and driving genuine and sustainable operational and organisational improvements** that free up resources to support further delivery of our strategic objectives. We are committed to focusing on the **prioritisation of resources** towards higher value activity, including through reducing overhead costs.

TARGET

This document sets out the basis and ambit of the target, how it will be achieved including the key delivery themes and the measurement methodology.

By the end of 2010-11, the Home Office will realise net cashable Value for Money (VfM) improvements worth £1,414m per annum.

We have developed indicative targets to help us meet the overall target; these reflect the allocation of funding across the Home Office group. It should be noted that any breakdowns of the £1,414m target contained in this document are estimates and will be subject to change:

- Around 80% of this target will depend on the police service making cash-releasing improvements worth at least 3% per annum or 9.3% by 2010-11.
- Around 20% of this target will depend on the Department, including its executive agencies and non-departmental public bodies (NDPBs), achieving a higher than 3% per annum level of gains.
- The Department's savings will ensure a 5% reduction in administrative costs, like staff and overheads.

DELIVERY

The target will be delivered through a variety of different programmes and projects as agreed at a local level to ensure business areas and police forces can tailor improvement work according to where they perceive the most scope. Reporting to Ministers, delivery of the target will be overseen by the Department's VfM Board. In addition to locally specific work, relating to the activity of the police service and core business areas, the VfM Board anticipates continuing to focus on some thematic workstreams:

1. The **'Frontrunner strategy'** will deliver enhanced performance and increased staff capability around improving basic processes. Processes across the Home Office group cover everything from issuing a visa to dealing with an emergency call. The smooth running of these processes is at the heart of ensuring a good user experience.

Successful pilots over the last year have shown that, by using limited external expertise and harnessing the knowledge of staff on the ground, business areas and police forces can deliver substantial improvements through a specific focus on their key processes. Over the course of 2008-09 and beyond we will continue to roll out successful projects in key operational areas focusing in particular on teaching business areas and police forces the skills they need to carry out this type of work for themselves without external input. This includes for example, Operation QUEST, in the police service that is already delivering significant improvements to public satisfaction and crime detections. This work centres on supporting local officers and staff to identify and put in place solutions to day-to-day operational distractions and barriers. Forces will be able to volunteer to take part in this programme.

2. The **Police Efficiency and Productivity Strategy** is intended to drive a step change in the management of resources; it sets out a variety of key workstreams where we believe there is evidence of scope for further improvement work across the police service. A proportion of the improvement work captured in the strategy is already underway but it will be for individual forces and authorities to decide which, if any of these workstreams, they will undertake to meet their individual improvement targets and ambitions. The workstreams include a workforce modernisation programme which looks at ensuring people are carrying out the tasks and roles most appropriate to their level of training, skills and experience. Another workstream is further collaboration in service provision, procurement and commercial practice. The strategy also maps out work areas which will better enable the police service to identify and release productivity gains and will aim to remove barriers to increasing productivity for example by improving the quality of benchmarking data. It is expected that recommendations from the independent review by Sir Ronnie Flanagan which relate to improving productivity and use of resources will be incorporated in this strategy. The strategy is intended to be published in due course.
3. We will push forward our work on transactional **shared services** for finance, HR, IT, estates, and procurement, but also looking for opportunities to deliver directly operational support more cost-effectively on a shared service basis. This will include workstreams to help make it easier for the police to collaborate (we have seen good early examples in the East Midlands and between Kent and Essex) but also where we can encourage functions such as caseworking, control or enforcement to be done in a collegiate fashion across our operational business.
4. We will continue to maximise value from our procurement activity and reduce the cost our estates consumption. We have launched the Supplier Value Awards programme which is a partnership between the Department and our suppliers to engage them in identifying

opportunities for reduced price and improve outputs. We will also focus keenly on managing the demand and supply for external support and assistance to significantly reduce expenditure.

5. We will maximise VfM benefit from IT projects, with a particular emphasis on business re-engineering to maximise ICT benefit. A key element of the programme will be to draw on the implementation of the Governments Service Transformation programme plan (http://www.hm-treasury.gov.uk/media/B/9/pbr_csr07_service.pdf). This will include workstreams such as closer cooperation between the police, the Border & Immigration Agency (BIA) and other government departments so that users have less contact points to negotiate in receiving public services from us. The department's commitment to consulting and involving the public will enable services to be measured more accurately and improved more quickly to meet individual needs and deliver better value service.

GOVERNANCE

The **delivery model** will remain unchanged from the successful approach in the 2004 Spending Review. Planning and delivery are the responsibility of each member of the Home Office Board, or of those other senior officials who receive resources delegated directly by the Permanent Secretary. Individual Chief Constables and Police Authority Chairs are responsible for delivering improvement and meeting VfM targets for their individual forces.

The VfM Board brings together all senior resource managers from across the Department, including the Permanent Secretary. The VfM Board will ensure that robust programme management arrangements are in place. The Board will also provide scrutiny and challenge to business area governance arrangements, including the Police Efficiency and Productivity Programme Board and the Border and Immigration Agency sub-committee on VfM.

MEASUREMENT AND REPORTING

The Home Office methodology for measuring and reporting gains will be built around 9 core principles. These are:

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| (i) | The baseline should be clearly quantified; |
| (ii) | Cashable gains should be identified in budget forecasts and auditable; |
| (iii) | Cashable gains should be net of cost; |
| (iv) | Milestones and profiles should underpin delivery of £m gains; |

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| (v) | Gains should be re-invested in accordance with an agreed budget, business plan and investment strategy; |
| (vi) | The VfM Board will continue to receive updates quarterly covering (i) performance against agreed trajectories (incl. budget evidence), (ii) comparative data, (iii) performance against milestones, (iv) risk management; |
| (vii) | On-going management of resources will be underpinned by a robust comparative measurement system that captures (i) HQ costs, (ii) output / outcomes measures, and (iii) unit costs; |
| (viii) | Performance should be underpinned by a dynamic risk management strategy that discounts on the basis of deliverability. |
| (ix) | Performance should be public and rewarded. |

The **baseline** will be 3% per annum of £15,246m which is worth **£1,414m** by 2010-11. Income from fees and charges will not be off-set against the target (baseline). It follows that the target applies to the whole of the Home Office Group resource expenditure (RDEL) and gross revenue expenditure (GRE) by the 43 local police authorities in England and Wales.

The target will be met if, compared with in 2007-08, the Home Office has made **cashable** VfM gains which are equivalent to £1,414m. The target will be measured on same basis as wider "cash-releasing" Government VfM targets. The estimate of the GRE in the police for 2007-08 is around £12.6 billion, of which 3% per annum will be delivered by the police over the CSR.

Favourable change in the ratio of the costs of producing public benefits, to the extent of those benefits, will be considered to be an improvement in VfM; it will be counted towards achievement of the target. Thus the Department will seek to deliver a combination of the same level of benefit for reduced cost (**economy** improvements), increased benefit for the same cost (**efficiency** improvements), and increased impact of its activities (**effectiveness** improvements).

Gains will be reported **net of up front investment** and costs to achieving that improvement.

All gains that make up the target will be cashable but our measurement regime will encourage the business to think about non-cashable gains that flow from service improvements. A **cashable** gain is where resources,

equivalent in magnitude to the level of the improvement, could be extracted and redeployed elsewhere. Non-cashable improvements are those where it would be more difficult to extract resources but where improved efficiency and effectiveness can be measured in terms of their cash equivalent cost.

In general, these savings will be **recycled** to pay for activity normally supported by Other Current Expenditure (OCE).

The Department's target is expressed in the money of the year in which it falls due (i.e. in 2010-11 money). Annual reports of outturn will be **expressed in current prices** (e.g. for 2008-09 they are in 2008-09 £s and for 2008-09 they are in 2008-09 £s).

Where an element of the target is delivered through holding expenditure constant in cash terms (i.e. by making VfM improvements sufficient to offset the impact of inflation), suitable **deflators** (generally the Treasury's GDP deflator) will be used to express the value of these improvements in current prices.

The Home Office's Departmental Strategic Objectives, underpinning the Government's Public Service Agreements (PSA) targets, for which performance is reported each year in the Annual Report and the Autumn Performance Report ensure that work to increase VfM is aligned with a strong **focus on service delivery**.

Delivery of the target will be underpinned by a robust and dynamic **risk management strategy** that places responsibility on the business to manage the deliverability of gains.

Performance against the VfM target will be **reported each year** in the Annual Report and the Autumn Performance Report. It will be subjected to an appropriate level of **scrutiny** internally and by external bodies such as the National Audit Office.

Delivering VfM improvements in the police service

For the purposes of the Home Office target, the police service comprises the 43 local police forces and police authorities in England and Wales.

By the end of 2010 -11, the police service will achieve annual improvements equivalent to 3% per annum. In addition to VfM improvement, police force performance will be monitored by HM Inspectorate of Constabulary (HMIC) and via the Assessment of Policing and Community Safety (APACS) to ensure that adequate service levels are maintained.

Home Office Value for Money and Productivity Unit
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