

SR2004 Value for Money Target for the Home Office

By the end of 2007-08, the Home Office will realise Value for Money (VfM) improvements equivalent to £1,970m, of which £1,240m will be cashable, including through:

- achieving improvements in the police service which are equivalent to £1,060m p.a., of which half will be cashable;
- improving VfM in the correctional services equivalent to £450m p.a.;
- reducing the costs of asylum support by £450m p.a.;
- reducing the size of the Home Office headquarters by 2,700 FTE posts;
- reducing administration costs by £61m p.a. in cash terms by 2007-08 compared with 2005-06.

Value for Money

- 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).

Scope and definition of terms

- This target applies to the whole of the Home Office Group resource expenditure (RDEL) and net revenue expenditure (NRE) by the 43 local police authorities in England and Wales.
- The target will be met if, compared with in 2003-04, the Home Office has made VfM gains which are equivalent to £1,970m. These improvements will include cashable gains of £1,240m in 2007-08.
- The target (£1,970m, of which £1,240m cashable) is expressed net of a margin for contingency that the Department has built into its plans.
- 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, cashable savings will be recycled to pay for activity normally supported by Other Current Expenditure (OCE), as opposed to administration expenditure.

Measuring and reporting gains

- Progress will be measured by calculating the cash-equivalent value of improvements that are made.
- Progress against the target will be reported in the Home Office Annual Report. Final outturn will be reported in the Home Office Annual Report.

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 2007-08, the police service will achieve annual improvements equivalent to £1,060m, of which half will be cashable. In addition to VfM improvement, police force performance will be monitored by HM Inspectorate of Constabulary (HMIC) and via the Policing Performance Assessment Framework (PPAF) to ensure that adequate service levels are maintained.
- Improvements achieved by the police service, other than Frontline Policing (see below), will be monitored and assessed by Her Majesty's Inspectorate of Constabulary, building on the framework employed during the 2000 and 2002 Spending Review periods.
- Police VfM gains will be achieved through a combination of increases in front line policing and through increased VfM in other areas of expenditure (such as procurement or provision of corporate services).
- Front line policing will be assessed using the Frontline Policing Measure^{1,2}, for each police force. The assessment is based on the proportion of police officer Full Time Equivalents (FTEs) undertaking front line police duties (which include visible work on patrol and responding to the public, as well as key activities such as the preparation of case files for effective prosecution). The measure also takes account of the impact of sickness absence on reducing front line policing.
- The cash-equivalent value of the increase in front line policing will be determined as follows:
 - the percentage difference between the baseline and the 2007-08 level in the Frontline Policing measure, multiplied by the cash cost of an officer in 2007-08, multiplied by the total number of FTE police officers at the end of 2007-08.
- VfM improvements will lead to the replacement of warranted officers, by non-warranted staff, in some non-frontline roles. The cost of these extra police staff will be taken into account in the statements of cashable gains for each force.
- Police forces' annual *Efficiency Plans* set out the approach that each force will follow. The Chief Officer of the police force and the Treasurer of the police authority will certify the accuracy of reported outturn; these reports will be scrutinised by HMIC.

VfM Improvements in the Correctional Services

- The correctional services are the Prison Service, the Probation Service and the Youth Justice Board³ in England & Wales, including the headquarters of the Prison and Probation Services. The approach to delivering and measuring increased VfM will be reviewed as the National Offender Management Service becomes fully operational.
- The correctional services will contribute to achieving the Department's target by pursuing VfM programmes which, taken together, will deliver at least £450m p.a. improvements by end 2007-08. Approaches include making procurement gains, reducing the unit cost of electronic monitoring, and using increasingly effective community-based alternatives to custody.
- In the correctional services, each year's anticipated cashable gains will be built into operational budgets. This will ensure that, provided service quality is maintained, this element of the target is delivered. Non-cashable improvements will be delivered through the same VfM programmes.

¹ <http://www.policereform.gov.uk/psu/performance monitors.html>

² <http://www.policereform.gov.uk/docs/ppm04-8d.html>

³ the Youth Justice Board, an executive Non-Departmental Public Body, will pursue its own VfM programme in consultation with the Department

- Prison Service key performance indicators will allow the management board to ensure that acceptable levels of service delivery are maintained⁴; HM Inspectorate of Probation will undertake the same function in maintaining quality standards in the 42 local Probation Boards.
- The work to reduce the size and cost of the correctional services headquarters, which contributes to gains of £450m in correctional services, is included in the Department's overall work on headquarters VfM (see below).

VfM Improvements in the Immigration & Nationality Directorate

- The Immigration and Nationality Directorate (IND) includes the UK network of offices, staff at port locations, headquarters offices based in Croydon, Sheffield and Liverpool, and a small number of posts based overseas.
- Compared with during 2003-04, IND will reduce the cost of asylum support by £450m.
- Progress, in reducing the cost of asylum support, will be published in each year's Annual Report.
- The National Audit Office audits National Asylum Support Service payments annually as part of the wider audit processes. This will allow the quantification of savings to be assessed against an externally audited expenditure figure.

Reducing the Size and Cost of the Headquarters

- The Department has planned to reduce the size and cost of its headquarters as part of its work to improve VfM. This will contribute to gains in headquarters VfM and is reflected in the Administration Costs Limit⁵, which will reduce by £61m p.a. in cash terms by 2007-08 compared with 2005-06.
- The Department's headquarters includes headquarters activities undertaken in the correctional services and in the Immigration & Nationality Directorate.
- The Department will reduce the size of its headquarters by 2,700 full time equivalent posts, from a baseline, for headquarters functions, of 9,900 FTE in March 2004. Reductions in the size of the headquarters will be reported in each year's Annual Report.

Technical Issues

- The Department's target is expressed in terms of the gains that will be made in 2007-08 by comparison with in 2003-04. Thus success, in achieving the target, will mean that the Department will make gains of £1,970m per annum by the end of 2007-08.
- The Department's target is expressed in the money of the year in which it falls due (i.e. in 2007-08 money). Annual reports of outturn will be expressed in current prices (e.g. for 2006-07 they are in 2006-07 £s and for 2007-08 they are in 2007-08 £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 will be used to express the value of these improvements in current prices.

⁴ Prison Service performance ratings provide a public indication of levels of service in each establishment, see: <http://www.hmprisonservice.gov.uk/abouttheservice/performance/performanceratings/>

⁵ Administration Costs Limits were published in *2004 Spending Review: New Public Spending Plans 2005 to 2008* (CM 6237, p.21). Limits for the Home Office included elements concerning the Asset Recovery Agency and the Charities Commission, which are non-Ministerial departments reporting to the Home Secretary.