



Scrutiny Unit Review

Departmental Reports 2007

Introduction

1. The Scrutiny Unit has performed its third annual cross-cutting review of Departmental Reports, looking at those published in 2007.
2. Our first such report, *Review of Departmental Annual Reports 2005*, from November 2005 (<http://www.parliament.uk/documents/upload/CSUdeptReviewReport.doc>), made a number of recommendations aimed at improving reporting in Departmental Reports. Our second report (<http://www.parliament.uk/documents/upload/070316darpresentation.pdf>), from February 2007, looked at the progress made towards implementing our earlier recommendations.
3. This report looks again at the progress made towards implementing our recommendations from 2005. A selection of good practice examples from Departmental Reports in 2007 have been used to illustrate our recommendation. These can be found at the end of this report.

Role of the Scrutiny Unit in the Departmental Report process

4. Part of the Scrutiny Unit's over-arching function is to assist Select Committees in performing financial scrutiny of government. This includes reviewing Departmental Reports and highlighting areas that Select Committees may like to investigate further with the relevant government department.
5. When reviewing Departmental Reports we check for compliance with Treasury guidance, analyse the financial information presented and review the reported performance against PSA targets. We may assist committee staff in drafting written questions for the departments, briefing MPs for oral evidence sessions or preparing committee reports.

Review of 2005 and 2006 Departmental Reports

6. The Scrutiny Unit analysed 21 Departmental Reports in 2005, producing an over-arching report with recommendations for improvements to reporting formats and examples of good practice.

7. We considered the various 2005 Departmental Reports in the light of the guidelines produced for departments by the Treasury and the general usefulness of the Departmental Reports to the reader, and we discussed techniques which either confused or enlightened.

8. The key recommendations from our 2005 report were that future Departmental Reports should include:

- Notes accompanying core financial tables to explain trends and unusual movements;
- Direct linking of expenditure /resources to targets/outcomes;
- Comprehensive discussion of progress on efficiency programme;
- Consistently expressed assessments which follow logically from the information provided;
- Full information on the quality of data used to assess targets, clearly setting out limitations;
- Full commentary on past performance, with explanations for failures to meet targets and discussions of future initiatives; and
- Reconciliation of current objectives and targets, and of showing performance over time.

9. To follow-up on this work, the Scrutiny Unit analysed 17 Departmental Reports from 2006. We assessed the progress against our 2005 recommendations and found:

- Few departments provided adequate commentary to explain the core tables;
- More departments were linking resources to objectives, which is helpful, but it would be even more useful for the reader if resources were linked to targets or outcomes;
- No Departmental Report fully met the Treasury requirements for reporting efficiencies;
- There were still some examples of assessments of PSA performance that could not be drawn from the evidence presented;
- Reporting of data quality remained patchy and a small amount of data was old or out of date;
- Few departments mapped targets to objectives and tracked targets over time; and

- Reports were not setting out action to be taken where targets were slipping and they were insufficiently forward looking.

Review of 2007 Departmental Reports

10. The Scrutiny Unit reviewed 17 Departmental Reports in 2007, again focussing on the recommendations made in 2005 and looking for progress and examples of best practice. We considered whether the Departmental Reports complied with revised Treasury Guidance and also the timeliness of the report and its accessibility to the layperson. Our detailed findings comprise the remainder of this report, but in summary:

- Many departments improved the commentary provided with their core tables, but for many there still wasn't enough focus on explaining variances and unusual movements;
- Some departments slipped in how well they linked resources to objectives, targets and outcomes;
- Again, no Departmental Report fully met the Treasury requirements for reporting efficiencies;
- In general, departments had improved with regard to drawing their assessments of PSA performance from the evidence presented, although there were still some examples of doubtful or inconsistent assessment of PSA performance ;
- Fewer departments reported on the quality of data systems;
- A large proportion of departments still failed to map targets to objectives, and to track targets over time;
- Reports were more forward looking than in prior years, but there still appeared to be a reluctance to explain poor performance;
- Two departments produced reports for the first time which also included their resource Accounts (former DTI and Treasury), making them more useful documents (see below). A third department (MoD) had been already producing such a combined document for some years.
- All but 5 reports met the Treasury deadline for publication, and for three of these late reports the delay was understandable, as the departments involved had produced a document combined with their Resource Accounts; and
- Some departments made their reports significantly easier to read than in previous years, but there were other departments that still exhibited weaknesses we had previously identified.

Notes accompanying core tables

11. Almost all of the Reports had some explanation of the core tables in footnotes, although, as we also noted in 2006, the explanations varied widely in their depth of analysis. Many still required further information to be sought by the Committees.

12. Some departments had expanded the level of analysis they provided from just basic footnotes to also include some sort of commentary that preceded the tables and explained to the layperson what the tables were intended to show. However, even where this had been done, there was sometimes still a lack of analysis of the actual data shown in the tables.

13. DTI and the Home Office both provided some sort of commentary to set the tables in context and make them more accessible. The DCLG Departmental Report provided a detailed and thorough commentary with definitions and expansion of acronyms.

14. More comprehensive and accessible commentaries were found in the **DWP** and **DEFRA** Departmental Reports, which had an explanation of what the tables were showing, as well as comprehensive notes explaining some of the key movements – **included in the good practice examples**.

Linking resources to objectives/targets/outcomes

15. In 2005 we identified that it was difficult to determine from the Reports how resources were attributed to departmental performance.

16. In 2007, we found that around one third of the reports we looked at had reported expenditure according to objectives, mostly in the core tables themselves. The FCO, HMRC and DfT are all good examples of reporting by objectives in the core tables.

17. In addition to these, there were some departments which analysed expenditure according to outcomes, in that they had used aims, vaguely strategic headings or, as in the case of DWP, groups of clients served by the consumption of resources. MoD also attributed costs to ‘force elements’ providing fighting capability.

18. Disappointingly, some departments appeared to show deterioration in this regard; where in previous years they had provided the recommended analysis, this was no longer given in 2007.

19. There appeared to be just one report, **DCLG’s**, that had gone further than other departments’ documents by also presenting expenditure incurred against each PSA target, along with equivalent expenditure for the year before, in boxes spread through the main body of the report. These provide a useful further breakdown of the core data – **included in the good practice examples**.

Efficiency reporting

20. As was the case in 2006, there was still a general lack of substance and detail when it comes to efficiency reporting in Departmental Reports. Nearly all departments provided a headline figure for progress so far and compared this to the target set in the Efficiency Technical Note, but in most cases there was little discussion of the individual programmes and initiatives that had contributed to progress. There was also limited information on plans and prospects for delivering further efficiencies in the 10 months or so leading up to the deadline for delivery (31 March 2008).

21. In our 2005 report we recommended that departments include a summary table setting out their efficiencies, reconciled to the planned saving set out in the Efficiency Technical Note. The table found in **DfID's** 2007 report was a good example of how this could be set out.

22. In 2007 there was still an almost complete lack of evidence provided to demonstrate that efficiencies had not affected the quality of service delivery. We would re-emphasise that it is not enough to assert that service quality has been maintained, or to simply list ways in which it will be monitored. Without providing evidence, departments risk undermining confidence in claimed achievements and invite further committee probing.

23. Reporting on relocations and headcount reductions was, again, generally sufficient. Some departments provided descriptions of how and where reductions had been achieved and how this differed from initial plans. Committees are interested in hearing about the impact of these changes.

24. No report was an overall example of good practice in efficiency reporting, but different elements from **several departments are picked out in our good practice examples**.

25. We found that there were three aspects of Treasury guidance that most departments had failed to comply with fully:

- Defining how gains claimed in previous years had been audited and outlining the auditor's conclusions;
- Describing the quality of relevant data systems and detailing any significant limitations; and
- Reconciling reported progress on workforce reductions against the workforce reductions as published by the ONS in the 'public sector employment' statistics.

26. We would expect efficiency reporting to be a particular area of focus for Committees in 2008, given that the deadline for achieving targets will have been reached by the time the Departmental Reports are published.

Assessments of progress against PSA targets

27. In general there had been an improvement in the way assessments of PSA performance were credibly drawn from the evidence presented. However, for almost every Departmental Report we examined there was still sufficient uncertainty for us to raise further questions about the progress reported for at least one PSA target. The reasons were similar to those we noted in 2006:

- Insufficiently balanced or unbiased reporting;
- Not using the standard terminology of ‘on course’, ‘met’, ‘slippage’ etc;
- Assessment based on information not relevant to the target;
- Not reporting against all indicators;
- Not clear to what extent each sub-target contributed to overall performance;
- Progress commentaries clearly copied from the previous Autumn Performance Report without updating; and
- Nothing to support trajectories presented of expected future expected performance.

28. There were still a few examples of some PSA targets not even receiving an overall assessment. Readers were left to draw their own conclusion from the assessment of individual sub-targets.

29. Although the majority of Departmental Reports discussed whether or not each target had been met, a lot of departments didn’t say what they had contributed to achieving the target or give evidence to show that their work was assisting them to meet the targets.

30. There was some inconsistency of reporting of joint targets. We noted instances where departments had reported different assessments against a joint target, although this was less common than before.

31. The **Home Office** report gave a clear statement of the baseline, target, annual outturn and latest outturn for the majority of its PSA targets. The assessments drawn seemed reasonable. We have included this on our **good practice examples** as a demonstration of how to report progress against PSA targets.

32. Treasury guidance recommends that where reporting progress against PSA targets is dispersed throughout the report there should be a summary table to give an at-a-glance picture of overall performance. Almost all departments now appear to be presenting such a table, making the Departmental Reports more user-friendly. A good example of this is the DfES report.

Data quality

33. Seven Departmental Reports made no reference to the quality of the data systems used to measure performance against PSA targets. This is a requirement of Treasury guidance and warns the readers to interpret results with care, taking into account any limitations in the underlying data systems. This appears to be deterioration since 2006, when we noted five departments that didn't comply.

34. Again, as we noted in 2006, other departments made only passing reference to their PSA technical notes or the NAO validation work, without giving any indication as to what the reader might find there. There were only five departments that could be considered to have comprehensively covered the quality of data systems.

35. Two departments, DfT and HMT, included comments on data quality throughout their PSA reporting, with a separate heading to ensure that this was specifically highlighted.

36. The **DfES Annual Report was an example of good practice**, using a clear and simple tabular style. It explains where data comes from and discusses data quality. It also gives related links for each target to the technical note, underlying statistics and other involved bodies, and contact details at the Department for each target.

37. The DfID Annual Report contains a detailed Annex on the data quality of PSA targets relating to Africa and Asia. But the best all-round reporting of quality of data systems can be seen in the former DTI's Departmental Report.

Mapping targets to objectives, and tracking targets over time

38. The majority of departments had mapped their PSA targets to their current objectives. Of the 17 Departmental Reports we reviewed, only four had failed to do this adequately.

39. The converse was true when it came to tracking performance against targets over time. There were only three departments that fully reconciled their SR04 targets to their SR02 targets in a manner that was easy to understand. This was a decline on the year before, though to some extent this reflected the fact that many of the SR02 targets received their final assessments in the 2007 Departmental Reports (2005-06 had been the last year of the SR04 regime).

40. Two departments discussed SR02 targets that hadn't been carried into the next set of targets, without explaining how the remainder of the SR02 targets had been subsumed within the SR04 targets. Another department provided a comprehensive report on progress towards the SR02 targets, without actually comparing them to sometimes similar SR04 targets.

41. The most comprehensive comparison of SR02 and SR04 targets was provided by the former **DTI**, which also looked at both outstanding SR00 and SR02 targets in an Annex to the Departmental Report – **included in the good practice examples**.

Explanations for failing to meet targets and discussions of future performance

42. There was little improvement in this area since 2006. Again, the tone and presentation in some Departmental Reports still showed a reluctance to explain inadequate performance against targets.

43. Where performance had slipped, the immediate questions are: 'Why has this happened and what is the department doing about it?' Departments should aim to pre-empt such questions and to provide a balanced view of performance, not just achievements.

44. Several departments included reasons for slippage in their progress reports, but these weren't clearly flagged by headings and they varied in depth. The **DfID** Departmental Report includes a separate Annex detailing progress on off-track PSA targets – **included in good practice examples**.

45. There was a general improvement in the extent to which Departmental Reports were forward looking, with several departments outlining initiatives that were underway to improve performance. The DWP report included a separate section headed 'Looking Ahead' for each PSA target, which explained plans and prospects for future progress.

46. Again, the **Northern Ireland Office** report included a section on 'Looking Back in 2006/07' and 'Looking Forward', which helped provide more balanced reporting.

Compliance with other requirements of Treasury guidance

47. As well as requiring Departmental Reports to cover the themes covered above, Treasury guidance also asks that departments report on PAC recommendations made during the year, along with their response.

48. A new requirement for 2006-07 was that departments include details of their 2006-7 spending on 'consultancy and staff substitution/interim management' in departmental reports, including such expenditure by their executive agencies.

49. A small number of departments failed to comply with either one, or both, of these requirements. We found that these requirements had been dealt with most effectively by departments that included this information in separate Annexes to the report – as seen in the DfT Annual Report.

Timeliness

50. Select Committees often schedule sessions on the Departmental Reports well in advance, based on the publication deadline given in the Treasury guidance, and would ideally send written questions to departments for response ahead of those sessions. Late publication can therefore be inconvenient.

51. Most of the 2007 Departmental Reports were published around the Treasury deadline of 17 May 2007. Very few managed to publish early. Of the five departments that failed to publish on time, two (HMT and DTI) were taking part in a Treasury-led pilot exercise to publish the Departmental Annual Report and Resource Accounts alongside each other in a combined document. And a third (MoD) continued its longstanding practice of producing a combined Report. These three departments nevertheless managed to publish their combined documents in advance of the Parliamentary summer recess, allowing committee scrutiny in the autumn.

52. An aim of the trial to combine the Annual Report and the Resource Accounts was to produce a more useful document overall, with less duplication of material and clearer links between performance and financial reporting. In terms of presenting financial information, the two piloted newly-combined documents did provide some useful features and improvements over previous Departmental Reports, beyond the simple inclusion of the Accounts. For example, they cross-referred performance material to the Accounts and vice versa, they rationalised some otherwise duplicated information, and moved some sections normally produced in the Accounts to sit more informatively in sections of the previous Departmental Reports.

53. The Treasury and BERR Committee have welcomed this innovation in their reports on Departmental Reports, though with some reservations. Any other departments contemplating producing combined documents will need to consult and obtain the approval of their respective select committee.

Accessibility of the report

54. The Scrutiny Unit's 2006 report highlighted a number of considerations on accessibility:

- Length of document;
- Prioritisation of key issues using headings, text boxes, summary tables and colour;

- Inclusion of illustrative examples that people can relate to;
- Structure/cross-referencing/indexing;
- Avoidance of excessive use of jargon and technical terminology (including a glossary);
- ‘Traffic light’ assessments of performance;
- Consistent formatting;
- Avoidance of large blocks of dense/small text;
- Columnar format to avoid difficulty of reading overly long lines of text;
- Use of illustrations/photographs/colour; and
- Using appropriate graphics, especially to show time-series data.

55. Graphics should be easily understood and not open to mis-interpretation by the layperson. Is the title, design and data presentation conveying a clear message? Are you using the best format to present data?

56. Large numbers of figures included in blocks of text would be better brought out in tables, charts or lists.

57. We noted that, in the 2007 Departmental Reports, some departments made improvements in this area, and produced documents that were far more user-friendly. But there were others that still produced large expanses of unbroken, densely packed text.

58. The DWP report was well-laid out and easy to pick up. There were one-pagers on each objective at the beginning of the report that summarised key data and events. The report then went into more detail, and focused on the key requirements of HMT guidance. The report was not overly long, and all of the information appeared relevant and useful.

59. We also found that a number of departments were now reporting on their PSA targets in a separate Annex, rather than dispersing their progress reports throughout the document. Adopting this approach makes it a lot easier for the reader to get an overall picture of performance.

Review of Departmental Reports 2007

Good Practice Examples

Contents

Section	Area of Report	Department
1	Notes accompanying core tables	Department for Environment, Food and Rural Affairs Department for Work and Pensions
2	Linking resources to objectives, targets and outcomes	Department for Communities and Local Government
3	Efficiency reporting	Department of Health former Department for Constitutional Affairs Department for International Development
4	Assessments of progress against PSA targets	Home Office
5	Data quality	former Department for Education and Skills
6	Tracking targets over time	former Department for Trade and Industry
7	Explanations for failing to meet targets and discussion of future performance	Department for International Development

These good practice examples are provided in addition to those already reported in the Scrutiny Unit's earlier reports 'Review of Departmental Annual Reports 2005' (November 2005) and 'Review of Departmental Annual Reports 2006' (February 2007). Readers are therefore encouraged to refer also to the examples set out in those Scrutiny unit reports to glean a fuller picture of good practice.

1. Notes accompanying core tables

The **Department for Environment, Food and Rural Affairs** includes a comprehensive commentary to support the core tables in its Departmental Report.

Table 1 – Total Departmental Spending

Background

Total departmental spending is the sum of the resource budget and capital budget less depreciation (excluded so as to avoid double counting). Both the resource and capital budgets are split into DEL and AME elements for control purposes.

DEL budgets are negotiated with HM Treasury via Spending Reviews (SRs) that cover three years. The most recent, Spending Review 2004, covers 2005-06 to 2007-08. DEL includes the accruals based consumption of the Non-Departmental Public Bodies (NDPBs) that the Department sponsors.

AME budgets are usually demand led and not easily controllable by departments so are set at the beginning of each year via the Parliamentary Main Estimate. They can be updated during the year via the Winter and Spring Supplementary Estimates, subject to approval by Parliament.

Defra has a very small AME budget. It is limited to the impact of the unwinding of the discount rate applied to the provision for the water industry closed pension fund (£56 million per annum) and the consumption of the Levy Funded Bodies (LFBs) that the Department sponsors (£57 million per annum). The levy income of the LFBs is classified as Non-Budget.

As this table is a summary of tables 2 and 3, only commentary on the overall totals is added here.

Comparisons – forward looking

The estimated resource outturn for 2006-07 is very close to the budget made available via the Spring Supplementary Estimate. Since the publication of the Spring Supplementary Estimates, HM Treasury has reduced the Department's DEL budget by £38 million in relation to British Waterways Board's cost of capital.

The estimated capital outturn for 2006-07 is more than the budget made available in the Spring Supplementary Estimate. The transfer of capital grants from resource to capital increased pressure in this area, coupled with uncertainty around a number of programmes.

The plans for 2007-08 agree with the 2007-08 Main Estimate.

Comparing the total resource budget for 2006-07, the estimated outturn is £338 million higher than the plans that were published last year. This is mainly due to:

- £305 million claim on the reserve to cover the potential disallowance which could be levied by the European Commission (EC) on payments accrued up to 31 March 2007 by the Department on the Common Agricultural Policy (CAP) Pillar 1 schemes, mainly the Single Payment Scheme (SPS) 2005 and SPS 2006;
- £50 million End Year Flexibility (EYF) which was drawn down in the Spring Supplementary Estimate to cover various administration costs;

- £56 million increase to AME to cover the annual unwinding of the discount rate applied to the water industry closed pension fund;
- £38 million reclassification of cost of capital charges in respect of the British Waterways Board from Non-Budget to DEL;
- £99 million switch from resource to capital in respect of some of the Environment Agency's capital works.

Comparing the total capital budget for 2006-07, the estimated outturn is £131 million higher than the plans that were published last year. This is mainly due to the switch of £99 million from resource to capital mentioned above and £25 million EYF drawn down in the Winter Supplementary Estimate for the Rural Payments Agency (RPA) computer systems to support payments under the CAP.

The switch from resource to capital for some of the Environment Agency's capital works was also the main reason for the increase in the capital budget for 2007-08. The corresponding decrease to the resource budget for 2007-08 was lower as this adjustment was partially offset by £56 million to cover the annual unwinding of the discount rate applied to the water industry closed pension fund.

Comparisons – backward looking

Since the last Departmental Report, there has been a switch of £9 million from resource to capital for 2001-02 outturn. This is due to a change in the budgeting rules for the profit and loss on disposal of fixed assets. There has also been an increase to all previous years outturn due to the reclassification of the Department's cost of capital charge in respect of the British Waterways Board from Non-Budget to DEL.

The breakdown of the 2004-05 outturn between the business areas has been realigned since the last Departmental Report.

The actual resource outturn for 2005-06 is £193 million lower than the estimated outturn published in last year's report. The actual capital outturn for 2005-06 is £178 million higher than the estimated outturn published in last year's report. This is largely due to the Environment Agency's capital works expenditure moving from resource to capital in-year.

Source: Department for Environment, Food and Rural Affairs Departmental Report 2007 (Cm 7103), page 171, with further examples on the following pages of DEFRA's report.

The **Department for Work and Pensions** Departmental Report includes a brief commentary that precedes its core tables, with further detail on specific movements in the footnotes to the tables.

Annex A – Expenditure tables

The Government's expenditure plans 2007-08

The aim of these published tables is to provide an explanation of what the Department for Work and Pensions spends money on. The tables provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes Voted and non-Voted expenditure and also shows the extent to which funds are provided to support local authority activities.

Tables 1, 2 and 3 have been expanded since Departmental Report 2006 to include a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand-led expenditure incurred on making benefit payments and is agreed as part of the Budget and Pre-Budget Report process. DEL is spending within the Department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration, payments to third parties for example within Employment Programmes, Housing Benefit administration subsidies to Local Authorities, and the European Social Fund. DEL provision is settled with HM Treasury during the Spending Review process. Additionally, the tables identify near-cash expenditure within resource budgets; near-cash being a Treasury control used to assess expenditure which affects the 'Golden Rule'.

Table 1 – Department for Work and Pensions public spending

This table sets out a summary of the expenditure on functions which are now administered by the Department, covering the period from 2001-02 to 2007-08. As the Department was only formed during 2001, past years' figures have been determined on the basis of the expenditure incurred by each of the various business areas brought together by the Machinery of Government changes in June 2001. Current and future year figures reflect the budgeted figures agreed with HM Treasury for the Department as it is now, including responsibility for the Health and Safety Executive and Health and Safety Commission from 24 July 2002 and The Rent Service Executive Agency from 1 April 2004.

The table reflects the extent of the organisational changes that have taken place within the Department and presents the expenditure plans by way of the groups of clients who will be served through the consumption of the resources. The 'Corporate and Shared Services' grouping represents expenditure on corporate contracts, for example with the Post Office, and corporate administration. The line relating to the National Insurance Fund (NIF) represents the costs of the Department in administering contributory benefits on behalf of the NIF. These costs are met by the NIF.

The consumption of resources includes both administration and programme expenditure (including benefits) where appropriate. The capital expenditure plans are shown separately in respect of each area of administration within the Department. Expenditure by local authorities in respect of the welfare programmes is also shown on this table, and the extent to which it is supported by grants from the Department.

Table 2 – Department for Work and Pensions resource budget detail

This table provides similar information to Table 1, though in greater detail for the resource budget. It shows the expenditure for each of the client groups, indicating the activities that the Department spends its money on. The expenditure plans differentiate between the costs of administration and expenditure incurred on the various welfare programmes. The entry concerning the National Insurance Fund relates only to the Department's costs in administering the fund.

Table 3 – Department for Work and Pensions capital budget detail

This table provides details of the capital expenditure plans in the same format as Table 2. Figures in respect of the Social Fund represent the level of net lending of the fund which, under HM Treasury Consolidated Budgeting Guidance, is regarded as a capital expenditure item.

Table 4 – Department for Work and Pensions capital employed

This table shows the capital employed by the Department, in a balance sheet format. It provides a high-level analysis of the value of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made. The net assets of Non-Departmental Public Bodies (NDPBs) and Public Corporations (Remploy Ltd and Pension Protection Fund) are shown separately.

Table 5 – Department for Work and Pensions administration costs

This table presents in more detail information concerning the administration costs of running the Department. These costs form part of the Department's DEL budget. For the current year and past years there is an analysis of administration expenditure showing paybill and other costs.

Table 6 – Staff numbers 2001-02 to 2007-08

This table shows actual and projected staffing in the Department, split between permanent staff, temporary staff and overtime. Figures for all years up to 2004-05 are based on full-time equivalents and are consistent with Cabinet Office definitions at the time. Actual figures from 2005-06 are based on the Office for National Statistics specification which includes all paid staff and has the effect of increasing staff numbers by around 2 per cent. Planned figures to 2007-08 use the same specification and are based on agreed headcount plans as at 31 March 2007.

Table 7 – Total Department for Work and Pensions identifiable expenditure on services, by country and region

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions. The expenditure represents the Department's total expenditure, excluding Housing Benefit and Council Tax Benefit, for each region, with country and United Kingdom totals.

Source: Department for Work and Pensions Departmental Report 2007 (Cm 7105), pages 101-102, with further examples on the following pages of DWP's report. Also see the explanatory footnotes that accompany the core tables.

2. Linking resources to objectives, targets and outcomes

The **Department for Communities and Local Government** Annual Report includes, for each PSA target, a summary table that precedes more detailed narrative reporting of progress. This gives a breakdown of core data for each target, including prior year spend. The chapters of the report are organised according to strategic priorities, making it possible to determine the resources allocated to individual strategic priorities.

PSA Target 2: Regional Economic Performance

Definition:

To make sustainable improvements in the economic performance of all the English regions by 2008, and over the long-term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. (This target is shared with the Department of Trade and Industry and HM Treasury.)

Performance Indicators:

Improving trend rate of GVA growth in all regions: On course

- To make sustainable improvements in economic performance as measured by the trend rate of growth for Gross Value Added (GVA)²⁹ per head for all regions, measured over the period 2003-08, compared with the average growth between 1990 and 2002.

Closing the gap between regions: On course

- To reduce the persistent gap in growth rates between regions as measured by a reduction over the period 2003-12, compared with the baseline (1990-2002) in the absolute gap between the average trend growth rate in the three regions that currently have above average GVA per head (London, the South East and East) and the average trend rate for the other six regions.

2005-06 spend:	2006-07 spend:	Overall progress:	Quality of data systems:
£1,280m*	£1,313m*	On course	Average

*Further information on how these figures are calculated can be found at paragraph 10.3 and Annex E.

Source: Department for Communities and Local Government Annual Report 2007 (Cm 7094), page 42, and throughout report.

3. Efficiency Reporting

The Treasury Committee 2nd Report 2006-07 (The 2006 Pre-Budget Report - HC115) recommended that departments should report the efficiency savings with reference to the Office of Government Commerce (OGC) classification of provisional, interim and final. The **Department of Health** was one of the few departments to implement this recommendation.

Figure 9.23: Reported gains to date and forecast outturn

Work stream	2004-05	2005-06	2006-07 Quarter 3	£ million Cashable gains ⁽³⁾
Productive time ^{(1) (2)}	508	963	1,592	112
Procurement	333	1,319	2,194	2,024
Corporate services	14	38	48	16
Social care	0	179	390	280
Policy funding and regulation ⁽⁴⁾	13	77	225	225
Total⁽⁴⁾	868	2,576	4,449	2,657

Note:

(1) The previously reported 2004-05 gain for productive time was reduced from £671 million to £508 million following a correction to one of the component calculations and a more accurate apportionment of gains between March 2004 and June 2005.

(2) Productive time gains may be further adjusted following resolution of two outstanding areas of measurement difficulty relating to length of stay baseline and adjustment for patient episode case mix. The potential adjustments, dependent on agreed solutions, ranges from a reduction of £225 million to an increase of £150 million on current reported figures.

(3) £30 million of savings attributable to the core Department change programme were achieved in 2003-04. An early baseline was agreed with the OGC and HM Treasury as the programme, which had commenced in 2003, delivered a key Gerison recommendation on reducing central bureaucracy, and was used to calculate the contribution to target and to report actual gains.

(4) Savings from reduced central budgets will not be included due to difficulties in imputing efficiency gains to an acceptable level of robustness.

(5) The calculation of cashable gains does not include the value of productive time service redesign changes. These improvements reduce the cost of patient episodes which each organisation may choose to make cashable (by eliminating the spare capacity) or may use the released capacity for additional activity or services. The split of cashable and non-cashable gains for social care is advised by local authorities in the Annual Efficiency Statements.

Figure 9.24: Classification of reported efficiency gains

Status of gains	Preliminary ⁽¹⁾	Interim ⁽²⁾	Final	£ million Total
	460	313	3,676	4,449
Data assurance	Partial ⁽³⁾	Substantial	Full	Total
	316	1,578	2,555	4,449

Notes:

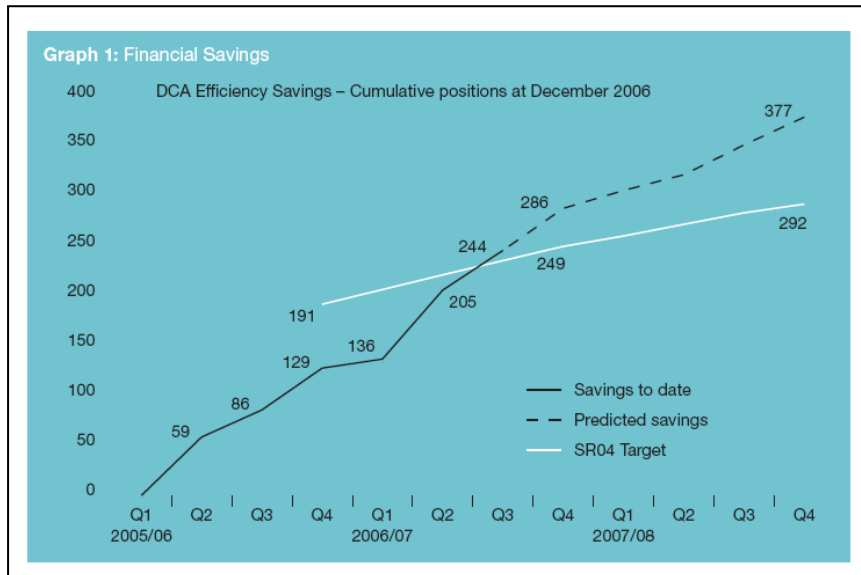
(1) Preliminary gains include £151 million relating to projects where the measurement process has only recently been established and is awaiting formal approval from the OGC. The difference (£225 million) between the current reported gain and the lowest scenario potential outcome of outstanding measurement issues for hospital length of stay is also reported as preliminary.

(2) Calculated gains that are awaiting formal approval of measurement process have been classified as partial assurance but should improve to substantial or full when this has been completed.

(3) For projects where we are still finalising balancing quality measures or are still awaiting data on agreed quality measures, their gains to date totalling £226 million have been classified as interim.

Source: Department of Health Departmental Report 2007 (Cm 7093), page 149.

The former **Department for Constitutional Affairs** Departmental Report used a line graph to show the efficiency gains achieved since the programme commenced, the further progress forecast for the remainder of the programme and how this compared to the SR04 target. This was a simple and clear way of covering several of the requirements of Treasury guidance at once.



Source: Department for Constitutional Affairs Departmental Report 2006/07 (Cm 7097), page 58.

The table from Annex 4 of the **Department for International Development** Annual Report provided:

- Balanced reporting with traffic light assessments of progress;
- Easy reconcilability to efficiency technical note;
- Good breakdown of reporting into sub-targets (equivalent to other departments' workstreams);
- More extensive narrative descriptions than most; and
- Use of baselines.

Sub-target	Progress
<p>5: Increased support to the International Development Association (IDA) by 59% over last three year agreement.</p> <p><i>Revised baseline £322 million per year (IDA 13 replenishment)</i></p>	<p>Broadly on course – minor slippage</p> <p>IDA is the arm of the World Bank that provides concessional loans and grants to the world's poorest countries. The conclusion of negotiations for IDA 14 has resulted in a 59% increase in the basic contribution over IDA 13. Efficiency gains are declared as promissory notes are drawn down. £570 million was deposited in 2006/07, resulting in efficiency gains of £62 million. Savings on this target are not cashable.</p> <p>Current deposits and future forecasts suggest we will be slightly under target for the duration of the programme.</p> <p>IDA expenditure is subject to a range of quality measures. Country allocations are directly linked to performance, funds are specifically channelled to LICs and all expenditure is subject to cross-donor initiatives to monitor and improve public financial management.</p>



Source: Department for International Development Annual Report 2007 (HC 514), page 284.

4. Assessments of progress against PSA targets

The summary tables used in the **Home Office** Departmental Report provided a quick and accessible way of getting an overview of the PSA targets, and evaluating current progress towards achieving them.

2006	LATEST OUTTURN
PSA1: Reduce crime by 15%, and further in high crime areas, by 2007–08.	<p>Overall crime: slippage</p> <p>This is measured by the British Crime Survey (BCS).</p> <ul style="list-style-type: none"> • Baseline (BCS 2002–03): 12,341,000 • Target (BCS 2007–08): a 15% reduction • Annual outturn (BCS 2005–06): 10,912,000 – a 12% reduction • Latest outturn (year to December 2006): 11,087,000 <p>Greater reduction in high crime areas: on course</p> <p>This is assessed by comparing the average crime reduction in the 40 High Crime Areas (HCAs) with the average reduction in the remaining Crime and Disorder Reduction Partnership (CDRP) areas. This is measured using police recorded crime, as the BCS is not available at CDRP level.</p> <ul style="list-style-type: none"> • Baseline: 2003–04 • Target (2007–08): a greater reduction in HCAs than other CDRPs • Annual outturn (2005–06): HCA reduction – 13%; reduction in remaining CDRPs – 7%⁴²

BCS overall crime: Performance against SR2004 PSA1 target
 (to reduce BCS overall crime by 15% between 2002–03 and 2007–08)
 Latest data for year ending December 2006

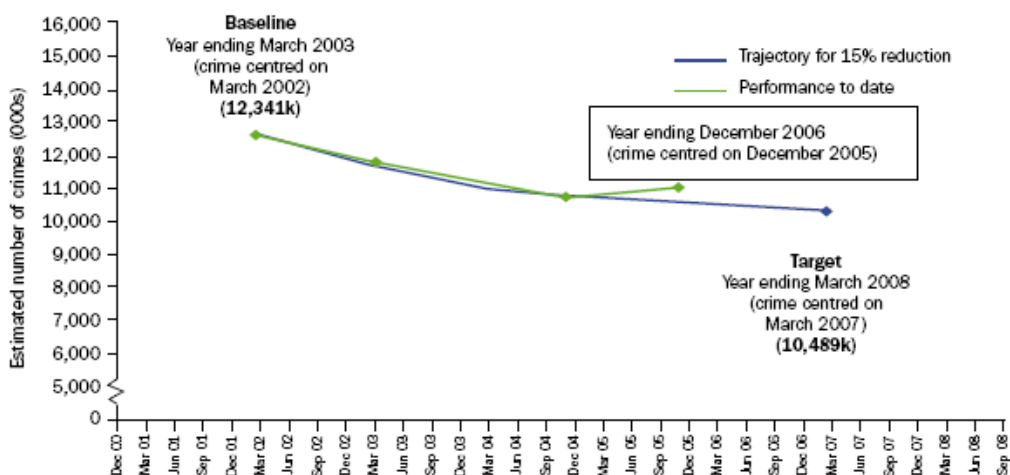


Chart prepared by RDS(CRCSG), Home Office

Source: Home Office Departmental Report 2007 (Cm 7096), page 81, with further examples throughout Chapter 4.

5. Data quality

The former **Department for Education and Skills** Departmental Report details any issues with the data systems used to report progress for each PSA target, using a simple and effective tabular format.

Safeguard children and young people, improve their life outcomes and general well-being, and break cycles of deprivation (see Chapter 3)		Latest assessment
1. Improve children's communication and social and emotional development so that by 2008, 53% of children reach a good level of development at the end of the Foundation Stage. (element 1)		Slippage
Reduce inequalities between the level of development achieved by children in the 30% most disadvantaged Super Output Areas and the rest of England by four percentage points from 16% to 12%. (element 2)		Slippage
<i>(Sure Start target, joint with the Department for Work and Pensions)</i>		
Element 1:	Baseline: 48% in 2005 Latest outturn against trend: 44% (43.6 – 44.5) in 2006	
Element 2:	Baseline: Inequality gap – 16% Latest outturn against trend: Inequality gap – (15.8% – 17.6%)	
Measurement		
Data System:		
Elements 1 & 2 – Measured by data from the Foundation Stage Profile (FSP). There is a statutory requirement on local authorities to collate FSP data and send it to the Department for Education and Skills. The data period is the school year and data refers to all children completing the Foundation Stage in that particular year.		
Method of data collection:		
Elements 1 & 2 – Foundation Stage Profile (FSP). Data are collected annually.		
Issues with data systems:		
Elements 1 & 2 – Final 2005 and 2006 results were published in January 2007. The 2006 FSP data are considered to be the most reliable available yet, but there remain issues about the embedding of consistent practice which are being addressed, for example, through moderation arrangements. The National Assessment Agency is overseeing further work to ensure that observation and assessment-based formative assessment and the FSP are fully integrated into Foundation Stage practice and provision. The published results are based on a 10% sample dataset and are subject to sampling error. Confidence intervals are provided above (in brackets), along with a best estimate. For 2007, a 100% return will be collected and this will enable progress to be monitored more accurately.		
Related Links:		
Technical Note: www.dfes.gov.uk/SR2004/PSA/		
Statistical First Release: 03/2007: www.dfes.gov.uk/rsgateway/DB/SFR/index.shtml		
Sure Start: www.surestart.gov.uk		
DWP: www.dwp.gov.uk		
QCA: www.qca.org.uk		
<i>Contact: Duncan Aitchison</i>		
<i>Tel: 020 7273 4707</i>		
<i>Email: duncan.aitchison@dfes.gsi.gov.uk</i>		

Source: Department for Education and Skills Departmental Report 2007 (Cm 7092), page 16, with further examples throughout Chapter 2.

6. Tracking targets over time

The former **Department for Trade and Industry** Annual Report and Accounts includes a separate Annex, which examines targets from previous spending reviews and either provides a final assessment, reports on progress, or explains how they have been rolled forward into the current spending review period.

Spending Review 2002 (continued)

Spending Review Target	Performance
10. In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (Joint target with DWP)	On course – This PSA is reported on in greater detail below.
11. Deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers; and maintain the UK as the prime location in the EU for foreign direct investment, (Joint target with FCO)	On Course – This PSA was carried forward in similar terms in SR04 PSA 8.
12. Achieve value for money improvements of 2.5% a year across the Department as measured by a basket of indicators.	Met – Final assessment of the target was set out in APR 2006. The current position on the Department's efficiency programme is reported on page 140 of this Report.

For further information on the links between the various spending reviews and PSA targets please see the 2004 Autumn Performance Report.¹

Source: Department of Trade and Industry Annual Report and Accounts 2006-07 (HC 584), page 301 and throughout Annex A.2.

7. Explanations for failing to meet targets and discussion of future performance

The **Department for International Development** Annual Report includes a separate annex that looks at off-track PSA targets, explaining why they are off-track, and outlining what the department is doing to try and address this slippage.

1. This annex provides further information on Public Service Agreement (PSA) targets or sub-targets where progress is off track, or has slipped since the return given in DFID's Autumn Performance Report 2006.

Target 1: Africa

Income poverty

2003-06 and 2005-08

2. The baseline position in 1998 and 2000 has been revised downwards. As a result, the traffic light assessment for both sub-targets has changed from amber to red. Poverty levels in sub-Saharan Africa have remained unchanged since 2001. However, between 2001 and 2005 Africa showed much improved economic growth performance which we would expect to have a positive impact on poverty levels, although with a time lag. A sustained improvement in growth should lead to a sustainable impact on poverty. But it is still too early to be certain, and much will depend on the distributive impact of improved growth and its sustainability in the longer term. The extent of progress should become clearer as we get more information.

What is DFID doing?

3. DFID is working closely with African governments and regional institutions to accelerate poverty-reducing growth by addressing the investment climate, the infrastructure gap, trade and regional integration, and agricultural productivity and livelihoods. DFID has been actively involved in launching initiatives like the Investment Climate Facility, Infrastructure Consortium for Africa, Aid for Trade and the Comprehensive Africa Agricultural Development Programme in order to unleash Africa's growth potential. DFID, along with other donors, is also helping countries develop strategies to ensure that the poorest people can participate in and benefit from economic growth.

Source: Department for International Development Annual Report 2007 (HC 514), page 323 and throughout Annex 5.