

Reporting Actuals: recommended methodology

HMT Reporting Guidance paragraph 13 states the following on reporting actuals:

Include the actual delivered efficiency gain against the target/forecast for the quarter being reported. Any gains from the previous quarter that are sustainable will persist, building cumulatively towards achieving the overall target of £21.5bn gains to be delivered within 2007/08. A technical note with examples can be made available.

This is the technical note with our recommended option for reporting actual figures each quarter. As the HMT SR04 Efficiency Guidance makes clear, you should only report gains that are expected to be sustainable.

We recommend that departments use a rolling 4 quarters as the basis for reporting their gains to HMT. In reaching this decision we wanted to ensure that:

- The principle of sustainability is maintained
- The method is practical for departments of all sizes and service types
- The method provides quarterly reported figures through the programme that are compatible with the final figures for March 2008, which will be reported against the Gershon SR04 targets.

An example follows. For specific advice or for further guidance on how to apply this methodology to your programme, please contact your account manager.

An example of using rolling 4 quarters

An efficiency initiative has the following quarterly gains profile:

Year 1: Q1 £5m, Q2 £10m, Q3 £15m, Q4 £20m

Year 2: Q1 £25m Q2 £30m, Q3 £40m, Q4 £40m

Year 3: Final gains position is £40m per Q = £160m pa.

NB: These are the gains accruing in each three month period against the original baseline.

To report on a rolling 4 quarters basis, the gains profile above is reported in the following way. **Figure 1** shows the resulting series of actuals reported each quarter (all figures are in £m).

Year 1:

- Q1 £5
- Q2 £15 (£5 in first 3 months, £10 in next 3 months)
- Q3 £30 (£5 in first 3 months, £10 in next 3 months, £15 in 3rd Q)
- Q4 £50 - a full year of gains for year 1.

Year 2:

- Q1 £70 (Q2y1 £10 + Q3y1 £15 + Q4y1 £20 + Q1y2 £25)
- Q2 £90 (15+20+25+30)
- Q3 £115 (20+25+30+40)
- Q4 £135 (25+30+40+40)

Year 3:

- Q1 £150 (Q2y2 £30 + Q3y2 £40 + Q4y2 £40 + Q1y3 £40)
- Q2 £160 (40+40+40+40)
- Q3 £160 (40+40+40+40)
- Q4 £160 (40+40+40+40)

There is no dip in the gains profile, which gradually builds up to the ongoing sustainable annual gain of £160m, and which counts towards the SR04 Gershon target.

Figure 1

