

# HM Treasury Efficiency Technical Note

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December 2005



HM TREASURY





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# HM TREASURY - EFFICIENCY TECHNICAL NOTE

## Introduction

**1.1** As part of Spending Review 2004, the Treasury Group agreed a target to achieve annual efficiency savings of £17.7 million by 2007-08. This followed the recommendations of the Independent Review of Public Sector Efficiency, led by Sir Peter Gershon. This target level has subsequently been raised to £18.7 million following OGCbuying.solutions commitment to increase their efficiency target from £0.8 million to £1.8 million by 2007-08.<sup>1</sup>

**1.2** This is the second Efficiency Technical Note (ETN) published by the Treasury, and it sets out the measures and methodologies that the Treasury will use to assess efficiency gains. The Chancellor of the Exchequer and other Treasury ministers are responsible for delivering this target.

**1.3** HM Treasury comprises the Core Treasury and its Executive Agencies and Offices: the Office of Government Commerce (OGC), OGCbuying.solutions and the Debt Management Office (DMO).

**1.4** The Treasury Group has committed to achieving efficiencies of £18.7 million by 2007-08. Table 1 below sets out the efficiencies that each member of the Treasury group is planning to achieve by 2007-08. Although the Treasury group expects to deliver the overall target of £18.7 million of efficiency gains by 2007-08, the eventual composition of the total may vary from the figures set out in this note, as detailed plans are developed for different areas of activity. Any figures within this document showing breakdowns of the target by organisational area or workstream are purely indicative.

**1.5** In addition, to support the delivery of its efficiency plans, the Treasury group has agreed a target reduction in headcount of 150 full time equivalent staff over the SR2004 period. This reduction will be met by core Treasury.

**1.6** This technical note also includes our relocation plans in response to the Lyons review. The Treasury group has a target to relocate 26.5 Full Time Equivalents (FTEs) outside of London and the South-East by 2007-08.

**Table 1: HM Treasury projected efficiencies by 2007-08**

	£m
Core Treasury	11.9
OGC	4.0
DMO	1.0
OGCbuying.solutions	1.8
<b>HM Treasury total</b>	<b>18.7</b>

<sup>1</sup> As announced in the 2005 HM Treasury Departmental Report cm6540

## Programme Organisation & Governance

**1.7** The Treasury has appointed Mary Keegan, Managing Director, Government Financial Management as Senior Responsible Owner (SRO) for the efficiency programme. She sits on the Treasury Board and takes overall responsibility for co-ordinating and delivering the Treasury Group's efficiency targets. The core Treasury's efficiency plans are managed and monitored by the Treasury's Finance Committee, which is chaired by Mary Keegan. The DMO, OGC and OGCBuying.solutions have governance structures which link to the overall HM Treasury governance structure, to oversee the implementation of their respective efficiency delivery plans. Quarterly meetings are held of the Finance Directors of each member of the Treasury Group at which progress against the group's target as a whole is discussed.

**1.8** Chapters 2 – 5 comprise the technical notes for each member of the HM Treasury group, showing how each organisation plans to deliver its share of the Group's efficiency gains, how the gains will be measured and the baseline against which progress towards the target will be assessed.

## Introduction

**2.1** The Treasury<sup>2</sup> is the United Kingdom's economics and finance ministry. It is responsible for formulating and implementing the Government's financial and economic policy. Its aim is to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life with economic and employment opportunities for all.

**2.2** The Treasury is heavily dependent for its success on a high quality, well motivated workforce who can work effectively with and through others.

**2.3** We aim for continuous improvement in everything we do. Our plans to achieve efficiencies focus on four areas:

- Policy resources which are better focussed on delivering our PSA targets effectively and efficiently;
- A policy resource that is able to respond more flexibly to new priorities;
- High quality, value for money corporate services aligned with the front-line directorates within the organisation; and
- A best practice procurement strategy that delivers value for money.

## Target definition

**2.4** To meet the requirements of the Efficiency Review the Treasury has committed to achieving efficiencies of £11.9 million per annum by 2007-08.

**2.5** The baseline against which these efficiencies are then measured is the DEL resource budget for the Treasury for 2003-04, which was £212 million.

**2.6** Treasury efficiencies will be achieved through reduced inputs generating the same or greater output and/or increased outputs for the same level of input. The level of efficiencies in terms of reduced inputs is calculated in each year as the difference between the 2003-04 cost base inflated by the GDP deflator and the actual level of inputs. Where increased corporate services inputs are required to respond to changes in circumstances since the baseline year, for example new security measures, those costs will be separately identified within the total for 2007-08. Efficiencies in terms of increased outputs are calculated as the level of inputs that are redirected to strategic priorities through the budget allocation system in the Policy, Funding & Regulation workstream.

**2.7** We plan to reduce the Treasury group staff numbers by 150 FTEs by 2007-08 compared to 2003-04. This reduction will be achieved by core Treasury. The baseline against which the reduction in FTE headcount is measured is the number of FTEs core Treasury had in post on 1<sup>st</sup> April 2004 which, adjusted for the effect of the transfer of responsibility for tax policy as part of the implementation of the O'Donnell review, was 1243 FTEs.

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<sup>2</sup> Treasury in this chapter refers to the Core Treasury located at 1 Horse Guards Road.

**2.8** We do not anticipate reducing the Treasury's policy output that currently makes up the Treasury's day-to-day business. To achieve the reduction in headcount whilst maintaining the same level of policy outputs we plan to review and redesign where appropriate our working practices and workflow processes. We monitor the level of policy outputs through our progress against our PSA targets which is published in the Departmental Report in the Spring and in the Autumn Performance Report. The quality of the data systems underpinning these PSAs are independently validated by the National Audit Office (NAO).

**2.9** Reflecting the areas of the Core Treasury's activity, this technical note is divided into three workstreams:

- Workstream 1: Policy, Funding & Regulation (PFR) – Directorate Budgets & Corporate Services;
- Workstream 2: Policy, Funding & Regulation – Strategic Reserve
- Workstream 3: Programme.

**2.10** Table 2 sets out our current estimates of the level of efficiencies that we anticipate securing from each workstream by 2007-08.

**Table 2: Treasury projected annual efficiencies by workstream £m 2007-08**

Workstream	£m
Policy, Funding & Regulation - Directorate Budgets & Corporate Services	5.0
Policy, Funding & Regulation – Strategic Reserve	4.0
Programme	2.9
<b>Total</b>	<b>11.9</b>

Workstream I	Policy, Funding & Regulation – Directorate Budgets & Corporate Services
Activity	HR Change programme.
Approach	<p>The restructuring programme for the Treasury's HR function is already underway. During Phase 1 of the programme all posts have been redesigned and upskilled to focus on high value added or strategic activity and the number of posts in the function reduced.</p> <p>Phase 2 consists of a programme of process simplification and automation of transactions, which is scheduled to generate further savings by the end of 2005.</p>
Measures	<p>The Human Resources change programme anticipates the following benefits:</p> <ul style="list-style-type: none"> <li>• Decrease in the current HR to staff ratio;</li> <li>• Reduction in HR headcount as above; and</li> <li>• Savings (£m) in overall costs.</li> </ul> <p>We will monitor the continuing quality of our services, to ensure consistently high service levels, through mechanisms such as our annual staff survey, customer satisfaction surveys and management information reports.</p>
Monitoring	Regular update provided by the Project SRO.
Data Sources	HR monthly staff in post reports, monthly financial management information.
Quality & Validation	<p>Monthly staff in post information is provided for the Treasury Operations Committee by the HR team. Monthly financial management information including cost of staff is provided at a summary level to the Treasury Finance Committee by the Finance Team. Detailed data on HR team costs is available to managers from the accounting system.</p> <p>Staff in-post figures and financial management information are reported to the Treasury Board on a quarterly basis.</p> <p>Summary level staff in-post figures are reported in our annual departmental report.</p>
Baselines	1st April 2004 HR staff in post figures. 2003-04 Cost of HR function provided by financial management information.
Timeframe	Phase 1 of the change programme is already underway. Phase 2 consists of a programme of process simplification and automation of transactions which will be completed by the end of 2006.

Workstream I	Policy, Funding & Regulation – Directorate Budgets & Corporate Services
Activity	Finance
Approach	<p>The DMO, OGC and Treasury are working together to secure the provision of a shared accounting system, and efficiencies in the group’s accounting function. This will include:</p> <ul style="list-style-type: none"> <li>• Adoption of a single IT solution;</li> <li>• Automation of processes; and</li> <li>• Sharing some financial services.</li> </ul>
Measures	<ul style="list-style-type: none"> <li>• Savings (£m) in salary costs;</li> </ul> <p>Output quality measures include:</p> <ul style="list-style-type: none"> <li>• Timeliness of management information;</li> <li>• Timeliness of year end resource accounts;</li> <li>• Accuracy of Estimates; and</li> <li>• Payment performance.</li> </ul>
Monitoring	Monthly reporting to Project SRO.
Data sources	HR monthly staff in post reports, monthly financial management information.
Quality & Validation	<p>Monthly staff in post information is provided for the Treasury Operations Committee by the HR team. Monthly financial management information including cost of staff is provided at a summary level to the Treasury Finance Committee by the Finance Team. Detailed data on Finance team costs is available to managers from the accounting system.</p> <p>Staff in post figures and financial management information are reported to the Treasury Board on a quarterly basis.</p> <p>Summary level staff in post figures are reported in our annual departmental report.</p>
Baselines	1st April 2004 Finance staff in post figures. 2003-04 Cost of Finance function and processes provided by financial management information.
Timeframe	September 2004 – March 2007.

Workstream I	Policy, Funding & Regulation – Directorate Budgets & Corporate Services
Activity	Information Services.
Approach	<p>Reorganise the IT helpdesk with broader skilled staff, improved processes and new support tools.</p> <p>Create plan for improvements in IS Infrastructure and Applications branches.</p> <p>Explore options for further efficiency savings through a variety of shared services opportunities with other Government Departments.</p>
Measures	<p>Savings (£m) in staff costs.</p> <p>We will monitor the continuing quality of our services, to ensure consistently high service levels, through mechanisms such as our annual staff survey, customer satisfaction surveys and management information reports.</p>
Monitoring	<p>Review of helpdesk services by IT team reported to the Director of Operations. Progress on sharing services with other Government Departments reported to the Director of Operations.</p>
Data sources	<p>Monthly Financial management information.</p> <p>IS cost benchmarking data.</p>
Quality & Validation	<p>Monthly staff in post information is provided for the Treasury Operations Committee by the HR team. Monthly financial management information including cost of staff is provided at a summary level to the Treasury Finance Committee by the Finance Team. Detailed data on IS team costs is available to managers from the accounting system.</p> <p>Staff in post figures and financial management information are reported to the Treasury Board on a quarterly basis.</p> <p>Summary level staff in post figures are reported in our annual departmental report.</p>
Baselines	<p>1st April 2004 IT staff in post figures. 2003-04 Cost of IT services and processes provided by financial management information.</p>
Timeframe	<p>Helpdesk review implementation, September 2004 - December 2005.</p> <p>Completion of other IS reviews, December 2004 (a decision on implementation will be taken by the Treasury Operations Committee following the completion of the reviews).</p> <p>Implementation of Sharing options, 2005 – 2008.</p>

<b>Workstream I</b>	<b>Policy, Funding and Regulation – Directorate Budgets &amp; Corporate Services</b>
Activity	Securing better value for money & improving resource utilisation.
Approach	<p>Information Services - Review options to reduce costs associated with procurement of software and IT consultancy &amp; equipment.</p> <p>Accommodation - Secure economies of scale through sharing of services with partners (e.g. Post Room and Goods Inward with HMRC) and maximising income opportunities associated with the building.</p>
Measures	<p>Savings (£m) in procurement costs.</p> <p>Income (£m) increased through use of building for revenue generating activities (e.g. conferences and sub-letting of office space).</p> <p>We will monitor the continuing quality of our services, to ensure consistently high service levels, through mechanisms such as our annual staff survey, customer satisfaction surveys and management information reports.</p>
Monitoring	Monthly reporting to Director of Operations.
Data sources	Monthly Financial Management Information. Benchmarking data.
Quality & Validation	<p>Monthly financial management information including procurement costs is provided at a summary level to the Treasury Finance Committee by the Finance Team. Detailed data on IS procurement costs and accommodation costs and income is available to managers from the accounting system.</p> <p>Quarterly financial management information is provided to the Treasury Board.</p> <p>High level financial information is reported in our annual accounts and the Treasury Departmental Report.</p>
Baselines	<p>2003-04 procurement cost of software, IT consultancy &amp; equipment.</p> <p>2003-04 costs of services associated with the building and income generated through use of the building.</p>
Timeframe	<p>Review and development of a revised IS strategy, September 2004 – September 2005. Implementation of approach, October 2005 – 2006.</p> <p>Accommodation efficiencies, 2005-2008.</p>

<b>Workstream 1 &amp; 2</b>	<b>Policy, Funding &amp; Regulation – Directorate Budgets &amp; Corporate Services</b> <b>Policy, Funding &amp; Regulation – Strategic Reserve</b>
Activity	Efficient use of staff
Approach	<p>This focuses on how we can deliver our policy objectives more effectively. Activities to support the delivery of both these workstreams include:</p> <ul style="list-style-type: none"> <li>• Reviewing current activities, working practices and workflow processes and redesigning them where appropriate;</li> <li>• Reviewing team and management structures within directorates;</li> <li>• Enhancing current project management techniques to improve resource utilisation across the department.</li> </ul>
Measures	<p>Savings (£m) in the salary and associated support costs required to deliver the baseline policy outputs, to the same or better standards of quality.</p> <p>Inputs (£m) redistributed to new policy priorities.</p> <p>Quality measure: performance against PSA targets as reported in the Treasury's (Spring) Departmental Report and Autumn Performance Report.</p>
Monitoring	Progress compiled monthly by workstream leader.
Data Sources	HR monthly staff in post reports, monthly financial management information. Resource allocation decisions minuted in Treasury Board and Committee papers.
Quality & Validation	<p>Monthly staff in post information is provided for the Treasury Operations and Finance Committees by the HR team. Monthly financial management information including cost of staff is provided to budget managers by the Finance Team.</p> <p>Staff in post figures and financial management information are reported to the Treasury Board on a quarterly basis and on a monthly basis to the Finance Committee.</p> <p>Summary level staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.</p>
Baselines	1st April 2004 staff in post figures. 2003-04 cost of staff provided by financial management information.
Timeframe	2004-2008

Workstream 1 & 2	<b>Policy, Funding &amp; Regulation – Directorate Budgets &amp; Corporate Services</b> <b>Policy, Funding &amp; Regulation – Strategic Reserve</b>
Activity	Reductions in non-staff costs for the same or better outputs.
Approach	<p>Improve the percentage of directorate purchases made through all non-pay contracts.</p> <p>Explore further opportunities to improve all non-pay contracts, in terms of quality of service, and/or performance, and/or price.</p> <p>Improve management information to Treasury teams on procurement.</p> <p>Work with key stakeholders such as business service owners and OGDs, as well as directorate management teams to review non-staff costs and procurement activities.</p> <p>Develop modern e-procurement solutions including how information is communicated and access to on-line booking tools.</p>
Measures	<p>Savings (£) in overall non-staff administration costs.</p> <p>Inputs (£) redistributed to new policy priorities.</p> <p>Quality measure: performance against PSA targets as reported in the Treasury's (Spring) Departmental Report and Autumn Performance Report.</p>
Monitoring	<p>Monthly reporting by Directorate Management units to workstream leader.</p> <p>Monthly reporting by Directorate Management units to staff.</p>
Data sources	Monthly financial management information. Resource allocation decisions minuted in Treasury Board and Committee papers. Procurement policy action plan approved by Operations Committee.
Quality & Validation	<p>Monthly reports on procurement policy action plan to Operations Committee.</p> <p>Monthly financial management information including detail on non-staff costs is available to budget managers from the accounting system.</p> <p>Financial management information is reported to the Treasury Board on a quarterly basis and on a monthly basis to the Finance Committee.</p> <p>High level financial information is provided in the annual accounts.</p>
Baselines	2003-04 core Treasury non-staff admin costs.
Timeframe	2004 – 2008

Workstream 3	Programme
Activity	Procurement and funding of services & bodies.
Approach	<p>Outsource gilts registration contract to the private sector.</p> <p>Review agreements with the Royal Mint, who supply UK coinage under with the Treasury, and other service providers to identify and achieve efficiency gains.</p> <p>Review grant in aid to the Statistics Commission to identify and achieve efficiency gains.</p> <p>Review other programme expenditure to identify and achieve efficiency gains.</p>
Measures	<p>Unit cost of services (£m) (where applicable and measurable).</p> <p>Cost of associated services (£m).</p> <p>Savings (£m) in service/funding costs.</p>
Monitoring	<p>New specification and contractual arrangements.</p> <p>Quarterly reporting on cost of services.</p>
Data Sources	Financial Management Information.
Quality & Validation	<p>Monthly financial management information is provided to the Treasury Finance Committee by the Finance Team.</p> <p>Quarterly financial management information is provided to the Treasury Board.</p> <p>Programme costs (gilts registration, Statistics Commission, etc) are reported in our annual accounts and our annual departmental report.</p>
Baselines	2003-04 overall cost of programme services, and 2003-04 unit costs, where applicable and measurable.
Timeframe	<p>2004 – 2008. The gilts registration contract was outsourced with effect from December 2004, and is expected to produce savings.</p> <p>The Statistics Commission has agreed to budget within “flat cash” grant funding through to 2007-08.</p> <p>The Treasury secured from the Royal Mint a freeze in the unit cost of manufacturing coinage in 2005-06. The Treasury is currently negotiating new commercial arrangements with the Mint. This work will be looking to maximise the commercial effectiveness of the Treasury’s relationship with the Mint, for example, by strengthening incentives to minimise financing and stockholding costs, manage fluctuations in metal prices and achieve savings in carriage costs.</p>



## Introduction

**3.1** The Office of Government Commerce (OGC) was created in April 2000 to lead a wide ranging programme to modernise procurement in central civil Government and deliver substantial value for money improvements. Its mission is to work with the public sector as a catalyst to achieve efficiency, value for money in commercial activities, and improved success in the delivery of programmes and projects.

**3.2** The OGC has created a programme board which meets regularly to oversee the efficiency programme and monitor progress against targets and milestones through an agreed reporting approach. The SRO of the OGC internal efficiency programme reports to the Treasury SRO on a regular basis. A dedicated programme manager manages the day-to-day activity within the programme. 11 projects have been identified to deliver the efficiencies and are being managed formally within a programme structure. Each project has a senior owner to ensure plans are implemented. These projects affect all OGC Directorates and so buy in and commitment throughout the programme lifecycle is key to its success.

## Target definition

**3.3** To meet the requirements of the Efficiency Review the OGC has committed to delivering £4 million of efficiencies per annum by 2007-08. The baseline against which these efficiencies are then measured is the spend for the OGC for 2003-04 (where very early gains have been secured or sustained) or 2004-05.

**3.4** To ensure that efficiencies are not simply a reduction of budget with a corresponding reduction in quality or services, measures of service continuity are in place. OGC has wide reaching PSA targets to work with departments to help them meet their efficiency targets amounting to £20 billion a year by 2007-08 and to deliver a further £3 billion saving by 2007-08 in central government civil procurement, through improvements in the success rate of programmes and projects and through other commercial initiatives. Achievement of these targets depends on the continued commitment of resources. Any efficiency gained from within OGC over the SR04 period should not be at the expense of helping departments meet their efficiency savings of £20 billion and delivering the further £3 billion procurement savings. It is proposed that the achievement of the PSA targets will lead to the conclusion that OGC service continuity and effectiveness has not diminished.

## Financial monitoring process

**3.5** The efficiency savings identified cover all service areas of OGC. Consequently, OGC has developed a new performance monitoring and management system, which highlights the critical aspects of our business and involves regular reporting to our Board. The Finance Team, in conjunction with the Programme Manager and Project Teams, is responsible for monitoring, recording and ensuring that claimed savings are soundly based in the period and beyond as appropriate.

**3.6** A main driver for delivering these efficiencies is the ability to redirect resources to our frontline activity. The Finance team will ensure that, where appropriate, freed up resources are made available for re-deployment through the Budgeting System. Where budgetary savings are identified the resources will be moved from the existing budget to Departmental Unallocated Provision (DUP). An Investment and Implementation Board (IIB) has been established to consider bids against resource in the DUP and fund future initiatives with the priority on frontline services. The Deputy Chief Executive chairs the Board, with a membership made up of Executive Directors and a senior external stakeholder.

**3.7** The OGC technical note is divided into 3 work streams:

- Workstream 1: Corporate services;
- Workstream 2: Procurement; and
- Workstream 3: Productive Time.

**3.8** Table 3 sets out our current estimates of the level of efficiency gains that we anticipate securing from each workstream by 2007-08.

**Table 3: OGC projected annual efficiencies by workstream £m 2007-08**

Workstream	£m
Corporate Services	1.5
Procurement	0.4
Productive Time	2.2
<b>Total*</b>	<b>4.0</b>

\* Total may not sum due to rounding

Workstream I	Corporate Services
Activity	Restructuring Corporate Services.
Approach	<p>Combine programme offices into 1 OGC integrated Programme Office.</p> <p>Generate Travel and Subsistence (T&amp;S) efficiency through greater use of Video Conferencing facilities.</p> <p>Centralise management of printing, design and publications and centralise communications team.</p> <p>Rationalise provision of IT support and improve efficiency of Single Service desk.</p> <p>Rationalise admin support across OGC and share admin support across divisions.</p> <p>Improve efficiency of delivery of HR services – through use of e-enabled techniques and outsourcing of development and recruitment.</p> <p>Unify OGC, HMT and DMO accounting services and consider sharing other back office support services.</p>
Measures	<ul style="list-style-type: none"> <li>• Reduction in staff numbers;</li> <li>• Savings (£) on salary and administration costs v baseline;</li> <li>• Number of events held and event spend; and</li> <li>• Improvement in HR to staff ratio.</li> </ul> <p>Quality measure: Staff attitude survey to indicate maintenance of service levels.</p>
Monitoring	<ul style="list-style-type: none"> <li>• Monthly reporting by HR to the IIB on staff numbers including reallocated and temp staff by contract type;</li> <li>• Monthly financial management information reports; and</li> <li>• Regular updates by project owners.</li> </ul>
Data Sources	<ul style="list-style-type: none"> <li>• HR information system;</li> <li>• Financial management information system; and</li> <li>• Highlight reports to project board.</li> </ul>
Quality & Validation	<p>Monthly figures are collated and reported to the IIB on staff numbers including unallocated, temp staff, secondees and permanent headcount.</p> <p>Financial measures are reported by project owners and, where appropriate, efficiency savings are reflected in the Departmental Unallocated Provision. Resources from this are authorised by the Investment and Implementation Board.</p> <p>Validation by Finance of savings claimed by project owners.</p>
Baselines	2003-04/2004-05 spend and staffing figures
Timeframe	2004-2008

Workstream 2	Productive Time
Activity	Improving resource utilisation.
Approach	<p>Reduce spending on consultants by bringing on own talent and encouraging use of consultants on short-term contracts, secondments and other forms of non-permanent contracts.</p> <p>Use modern workspace management techniques to use less space more efficiently and make greater use of alternative working patterns.</p> <p>Improve and simplify contractual and client management for facilities management and security services.</p> <p>Implement investment projects to make essential improvements to ICT and Information management.</p>
Measures	<ul style="list-style-type: none"> <li>• Reduction in costs (physical storage and accommodation);</li> <li>• Increased staff workspace ratio;</li> <li>• Reduction in spend on consultants;</li> <li>• Number of secondees in organisation; and</li> <li>• Increased usage of electronic data storage.</li> </ul> <p>Quality measure: Staff attitude survey to indicate maintenance of service levels.</p>
Monitoring	<ul style="list-style-type: none"> <li>• Monthly financial management information reports;</li> <li>• Monthly HR report;</li> <li>• Regular updates by project owners;</li> <li>• Workspace project reports and workspace metrics; and</li> <li>• Information management project reports.</li> </ul>
Data Sources	<ul style="list-style-type: none"> <li>• Financial management information system;</li> <li>• HR information system;</li> <li>• Workspace/ICT project reports and metrics; and</li> <li>• Benchmarking.</li> </ul>
Quality & Validation	<p>Financial measures are reported by project owners and, where appropriate, efficiency savings are reflected in the Departmental Unallocated Provision. Resources from this are authorised by the Investment and Implementation Board.</p> <p>Validation by Finance of savings claimed by project owners</p>
Baselines	2003-04/2004-05 spend and staffing figures
Timeframe	2004-2008

<b>Workstream 3</b>	<b>Procurement</b>
Activity	Securing better value for money.
Approach	<p>Secure efficiency gains through shared contracts including sharing current contracts across central civil government and exploring opportunities as contracts come up for renewal.</p> <p>Secure better discounts/services on catalogue/framework purchases through aggregation of family spend.</p> <p>Negotiate better deals with specific suppliers.</p> <p>Automate internal processes – purchase orders and e-invoicing.</p> <p>Apply OGC best practices on implementing e-commerce, e-catalogues, corporate card use and e-auctions.</p> <p>Participate in Zanzibar to deliver better VFM.</p>
Measures	<ul style="list-style-type: none"> <li>• Reduced costs through shared contracts;</li> <li>• Reduced costs through negotiation, e-auctions etc;</li> <li>• Reduced transaction costs; and</li> <li>• Reduced contractor costs using Government Procurement Card (GPC), catalogues etc.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• Monthly report by Procurement team of savings and other Key Performance Indicators (KPIs); and</li> <li>• Monthly financial management information reports.</li> </ul>
Data Sources	<ul style="list-style-type: none"> <li>• Corporate contract management information;</li> <li>• Procurement management information system;</li> <li>• Finance information system; and</li> <li>• GPC management information.</li> </ul>
Quality & Validation	Internal Audit validate efficiency savings.
Baselines	2003 – 04 spend
Timeframe	2004 - 2008



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## OGCBUYING.SOLUTIONS - TECHNICAL NOTE

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### Introduction

**4.1** OGCbuying.solutions (OGCbs) is OGC's Executive Agency with Trading Fund status. The Agency's role is to assist OGC in delivering value for money gains, for central civil government and the wider public sector.

### Programme Monitoring

**4.2** OGCbs has developed individual project plans and a Steering Group monitors progress against these targets and milestones through an agreed reporting approach. OGCbs has a dedicated Efficiency Director to manage the day-to-day running of the internal programme, including the location review. The OGCbs Chief Executive will report progress to the OGC Chief Executive on a regular basis throughout the year. The SRO, the Director of Corporate Services, is responsible for ensuring that the programme meets its objectives and delivers the projected benefits. The Steering Group is completed with the addition of the Agency Programme Manager. The Steering Group drives the change and provides high-level direction to the owners of the work streams. They monitor progress against the plan and recommend actions to ensure the programme remains on track. A reporting structure has been agreed with the Steering Group covering content and frequency to be executed by individual projects according to those agreed timescales.

### Financial Monitoring Process

**4.3** The Efficiency Director is responsible for monitoring, recording and ensuring that claimed savings are soundly based to the end of the SR04 period and beyond as appropriate. In addition, the SRO will ensure that, where appropriate, freed up resources are made available for re-deployment through the agency. Where budgetary savings are identified, the resources will be used to gain maximum efficiencies. A schedule of any re-allocations will be maintained as will any re-deployment of resources.

**4.4** Savings identified on a project-by-project basis. Each project has a benefits realisation plan showing how the savings are to be achieved, where they are to be achieved, when they are to be achieved, how they are to be measured and how the savings will be evidenced and supported.

**4.5** The Steering Group recognises the need to monitor and measure both the cash efficiencies and the non-cash efficiencies and has put in place the systems to identify these and demonstrate their achievement alongside the cash savings.

**4.6** The monitoring of the implementation of the Agency's Efficiency Delivery Plan also forms part of the Internal Audit plan throughout the SR04 period. Reports on progress will be presented to the Audit Committee who will then advise the Accounting Officer as required.

## Target definition

**4.7** To meet the requirements of the Efficiency Review, OGCbs has committed to achieving efficiency gains of 9% over the period 2005-06 – 2007-08. The measures quantified in the paragraphs below represent recurrent efficiency gains of £1.8M per annum. The efficiency gains will be achieved by 2006/07, 4.5% being cash re-cyclable and 4.5% representing productivity improvement. The technical notes below are a summarised overview of all planned activity areas within the work streams relevant to OGCbs.

**4.8** The OGCbs technical note is divided into three workstreams representing the areas where the organisation anticipates securing efficiencies:

- Workstream 1: Procurement;
- Workstream 2: Productive time; and
- Workstream 3: Corporate Services.

<b>Workstream I</b>	<b>Procurement</b>
Activity	Procurement systems & processes
Approach	<p>Move to electronic procurement following acquisition of new finance system releasing transactional process costs.</p> <p>Promote the use of shared contracts by working with OGC and the HMT family to encourage the use of its frameworks and catalogues.</p> <p>Reduce procurement of consultants by ensuring internal capabilities have been developed through training and recruitment.</p> <p>Reduce travel costs through greater use of video conferencing in view of recent investments in new technology.</p> <p>Reduce events management costs by exploring the possibility of sharing the service with OGC.</p>
Measures	Reduction in procurement costs
Monitoring	<p>Budgetary monitoring system</p> <p>Procurement database</p> <p>Financial reports to Management team meetings</p>
Quality & validation	<p>Annual Statutory Accounts</p> <p>Monthly scrutiny from the Efficiency Steering Group &amp; Management Steering Group &amp; bi-monthly scrutiny from the Management Board.</p>
Baselines	2003 – 04 budget
Timeframe	2004-2008

<b>Workstream 2</b>	<b>Productive time</b>
Activity	Productivity improvements
Approach	OGCbs will make productivity improvement gains over the period by continuing to reduce the ratio of internal costs over value for money improvements, i.e. increasing public sector savings at reduced costs. This will directly support other government department's efficiency delivery plans in the area of procurement. The £900,000 will be achieved through an increase in the VFM savings through reduced cost £ per saving and is measured and reported against in the OGCbs Annual Report & Accounts.
Measures	Ratio of internal costs to value for money improvements
Monitoring	Monthly financial reports Management team meetings
Quality & Validation	Annual Statutory Accounts Monthly scrutiny from the Efficiency Steering Group & Management Steering Group & bi-monthly scrutiny from the Management Board.
Baselines	2003-04 Ratio of internal costs to value for money improvements
Timeframe	2004-2008

Workstream 3	Corporate Services
Activity	Business re-engineering and restructuring of Corporate Services
Approach	<p>Explore and implement opportunities to simplify systems, secure best value and share Corporate services including:</p> <ul style="list-style-type: none"> <li>• Finance - introduction of the new CODA finance system and retendering Internal Audit work</li> <li>• Human Resources – IT system will be upgraded and more processes automated, creating efficiencies leading to a reduction in FTE posts</li> <li>• Information Technology - as part of the location strategy two posts will be lost in London. Programmer support will be saved because of purchase of the new Finance System</li> <li>• Administration - Merger of two of the OGCbs teams.</li> <li>• Shared Services – OGCbs will continue to actively examine the scope to find efficiency savings from sharing services with other Trading funds and government Departments.</li> <li>• Relocation strategy - Relocation of London based posts to Liverpool. All remaining London based posts will be re-designated as home based workers and combine working from home with hot desking, contributing to the overall savings.</li> </ul>
Measures	<ul style="list-style-type: none"> <li>• Reduction in staff numbers</li> <li>• Relocation of staff numbers</li> <li>• Reduction in associated costs</li> </ul>
Quality & Validation	<p>Annual Statutory Accounts</p> <p>Monthly scrutiny from the Efficiency Steering Group &amp; Management Steering Group &amp; bi-monthly scrutiny from the Management Board.</p>
Monitoring	<p>Budgetary and staff monitoring system</p> <p>HR systems improvement and monitoring</p>
Baselines	2003 – 04 budget
Timeframe	2004-2008



## Introduction

**5.1** The DMO was established on 1 April 1998. Its main aim, as set out in its business plan, is “to carry out the Government’s debt management policy of minimising the financing cost over the long term taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost-effective way...”. As the Government’s treasury manager, the DMO’s aim, with HM Treasury, is to lead, develop and deliver the Government’s debt, cash and fund management objectives.

**5.2** The DMO is a relatively new organisation and is accustomed to driving through change, making active use of technology and has also generated a culture of innovation and continuous improvement. Its small size has enabled it to be flexible in adapting to new situations and requirements and it has achieved a smooth transition from initial growth to consolidation over the last seven years.

## Target definition

**5.3** As part of the Efficiency Review, the DMO has committed to achieving efficiencies of £1 million per annum by 2007-08.

**5.4** All efficiencies have been assessed by the DMO as being achievable although few are considered to be risk free. Implicit within each saving initiative is an expectation that the quality of the relevant deliverable is not affected materially and remains fit for purpose.

**5.5** The start-dates for initiatives within the DMO workstreams vary. The baseline data against which each efficiency is measured varies accordingly. In all cases, the baseline is the relevant expenditure data for the financial year (or validated partial year) prior to the efficiency first being secured. Target efficiency savings are presented net of a contingency for risk of securing the efficiency gain. Risk contingencies have been estimated according to the relative difficulty and expected level of certainty in securing the efficiency and are weighted by the relevant target gross saving.

**5.6** Monitoring generally involves quarterly reporting of compliance with efficiency targets on an exception basis or by variance analysis. Target efficiencies are mostly reflected in agency budgets. This monitoring regime complements the DMO’s existing financial and budgetary reporting systems to minimise the need for additional monitoring processes. The DMO’s Managing Board oversees and monitors the implementation of the efficiency plans. The DMO SRO is the Chief Operating Officer who also reports to the Treasury SRO on a regular basis.

**5.7** The DMO's technical note is divided into three workstreams representing the areas where the DMO anticipates securing efficiencies:

- Workstream 1: Procurement;
- Workstream 2: Corporate Services; and
- Workstream 3: Transactional Services.

Table 4 below sets out our current estimates of the level of efficiencies that we anticipate securing from each workstream by 2007-08.

**Table 4: DMO projected annual efficiencies by workstream £m 2007-08**

Workstream	£m
Procurement	0.6
Corporate Services	0.3
Transactional	0.1
<b>Total</b>	<b>1.0</b>

<b>Workstream I</b>	<b>Procurement</b>
Activity	Various initiatives involving more efficient use of externally sourced services and negotiated supplier savings.
Approach	<p>Target savings from price reductions, streamlining systems and more efficient use of business services, comprising:</p> <ul style="list-style-type: none"> <li>• Negotiated supplier price reductions in specific business areas</li> <li>• Investment in new technology that will be easier to maintain</li> <li>• Increased sharing of facilities</li> <li>• Increased internal staff expertise and capability reducing need for bought-in services</li> <li>• Better targeted communication to external customers</li> </ul>
Measures	Actual spend (£) in period against baseline.
Monitoring	Budgets will be set and profiled to incorporate the agreed cost reductions in order to allow robust monitoring of efficiency savings by way of monthly budgetary reporting.
Data sources	The principal data source will be the organisation's main financial records held in its general ledger system, and supporting records information on specific supplier and separable business costs.
Quality & Validation	Annual statutory accounts and internal financial reporting.
Baselines	For most initiatives in this workstream the baseline year is 2003-04 for time series comparisons of each expenditure area.
Timeframe	Start date for target savings varies by initiative, but most commence from 2004-05 and will be sustainable throughout the reporting period to 2008.

Workstream 2	Corporate Services
Activity	Re-engineering of some Corporate Services processes.
Approach	<p>Includes various initiatives involving headcount reduction in separate business areas, enabled by:</p> <ul style="list-style-type: none"> <li>• Standardisation of processes,</li> <li>• Increased system automation,</li> <li>• Transfer of some back office activities to centralised support teams in which economies of scale benefits can be achieved, and</li> <li>• Adapting some support team structures to better fit the changing organisational profile.</li> </ul>
Measures	Actual spend (£) in period against baseline.
Monitoring	<p>Financial expenditure against budget is reported monthly at a detailed level highlighting unsecured target savings.</p> <p>For business re-engineering initiatives, once implemented, savings can be demonstrated by way of a one-off exercise, and budgets subsequently monitored to ensure no offsetting increase in related costs occurs.</p>
Data sources	The principal data source will be the organisation's main financial records recorded in its general ledger system.
Quality & Validation	<p>Some aspects of the business re-engineering work may reduce operational risk and allow more comprehensive debt management reporting, but these factors have not been quantified or included as efficiency savings.</p> <p>Payroll costs in the general ledger are validated monthly to staffing records by the Finance Manager.</p> <p>Budget managers will formally sign off headcount reduction figures as part of the processes of agreeing annual budgets.</p>
Baselines	Resource cost base for 2003-04 or 2004-05 as relevant, or for part-year immediately prior to implementation of changes.
Timeframe	Start date for target savings varies by initiative, but most commence from 2004-05 and will be sustainable throughout the reporting period to 2008.

<b>Workstream 3</b>	<b>Transactional Services</b>
Activity	Re-engineering the securities processing operation to increase cost effectiveness.
Approach	Target savings sought from further in-sourcing or development.
Measures	Actual spend (£) in period against baseline.
Monitoring	Budgets set and profiled to incorporate the agreed cost reductions in order to allow robust monitoring of efficiency savings by way of monthly budgetary reporting.
Data sources	The principal data source is the organisation's main financial records held in its general ledger system, and supporting records information on specific supplier and separable business costs.
Quality & Validation	Specific quality improvements are not sought as part of the initiative and have not been quantified or included as efficiency savings.
Baselines	2003-04 budget.
Timeframe	Target savings from the initiative are expected to commence in 2005-06.

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