

HM Treasury - Efficiency Technical Note

October 2004



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.

1.2 This Efficiency Technical Note (ETN) sets out the measures and methodologies that the HM Treasury will use to assess efficiency gains. The Chancellor of the Exchequer and other HM 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 HM Treasury's resource budget (Departmental Expenditure Limit) in 2004-05 is £235 million. The Treasury Group has committed to achieving efficiencies of £17.7 million by 2007-08. Table 1 below sets out the efficiencies that each member of the HM Treasury is planning to achieve by 2007-08.

1.5 Although the HM Treasury will deliver the overall target of £17.7 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.

Table 1: HM Treasury projected efficiencies by 2007-08

| | £m |
|----------------------|------|
| Core Treasury | 11.9 |
| OGC | 4.0 |
| DMO | 1.0 |
| OGC buying.solutions | 0.8 |
| HM Treasury | 17.7 |

Programme Organisation & Governance

1.6 The Treasury has appointed a Senior Responsible Owner (SRO) from the Treasury Board who takes overall responsibility for co-ordinating and delivering the Treasury Group's efficiency targets. 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.

1.7 Chapters 2 – 5 comprise the technical notes for each member of HM Treasury, 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 Treasury¹ 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 resource budget for the Treasury for 2003-04.

2.6 Treasury efficiencies will be achieved through reduced inputs generating the same or greater output 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. 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 To help achieve this target we plan to reduce Treasury staff numbers by 150 Full Time Equivalents (FTEs) by 2007-08 compared to 2003-04. The baseline against which the reduction in FTE headcount is measured is the number of FTEs we had in post on 1st April 2004 (1047 FTEs). This baseline excludes the subsequent decision to transfer staff from HMRC to the Core Treasury as part of the implementation of the O'Donnell review reflecting the transfer of responsibility for tax policy. Including these staff we expect Treasury headcount to return to around the 2003-04 level by 2007-08.

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 will monitor the

¹ Treasury in this chapter refers to the Core Treasury located at 1 Horse Guards Road

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.

2.9 This technical note also includes our relocation plans in response to the Lyons review. We are planning to relocate 11.5 FTEs to a shared accounting function in Norwich. The baseline against which the relocation of FTEs will be measured is the number of Finance FTEs in post on 1st April 2004.

2.10 Reflecting the areas of the Core Treasury’s activity, this technical note is divided into four workstreams:

- Workstream 1: Policy, Funding & Regulation (PFR);
- Workstream 2: Corporate Services;
- Workstream 3: Procurement – Central; and
- Workstream 4: Programme.

2.11 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 | 7.0 |
| Corporate Services | 1.0 |
| Procurement – Central | 1.0 |
| Programme | 2.9 |
| Total | 11.9 |

| Workstream 1 | Policy, Funding & Regulation |
|----------------------|---|
| Activity | Reductions in Staff costs. |
| Approach | <p>This workstream focuses on how we can deliver our policy objectives more effectively. Activities to support the delivery of this part of the PFR workstream will include:</p> <ul style="list-style-type: none"> • Reviewing current activities, working practices and workflow processes and redesigning them where appropriate • Reviewing team and management structures within directorates • Enhancing current project management techniques to improve resource utilisation across the department <p>All of the efficiencies generated by this workstream will be cashable. A proportion of them will be recycled into new Treasury policy priorities as they emerge through a resource allocation mechanism.</p> |
| Measures | <p>Savings (£m) in salary and associated support costs.</p> <p>Inputs (£m) redistributed to new policy priorities.</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>Staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.</p> <p>PSA target performance published in the Treasury's Departmental Report in the Spring and in the Autumn Performance Report.</p> |
| Baselines | 1st April 2004 staff in post figures. 2003-04 cost of staff provided by financial management information. |
| Timeframe | 2004-2008. |

| Workstream 1 | Policy, Funding & Regulation |
|----------------------|---|
| Activity | Reductions in non-staff costs. |
| Approach | <p>Improve the percentage of directorate purchases made through central contracts.</p> <p>Explore further opportunities to improve central contracts.</p> <p>Improve management information to Treasury teams on procurement.</p> <p>Work with directorate management teams to review non-staff costs and procurement activities.</p> <p>All of the efficiencies generated by this workstream will be cashable. A proportion of them will be recycled into new Treasury front-line priorities as they emerge through a resource allocation mechanism.</p> |
| Measures | <p>Savings (£) in overall non-staff administration costs.</p> <p>Inputs (£) redistributed to new policy priorities.</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. |
| Quality & Validation | <p>Monthly financial management information including procurement costs is provided to budget managers by the Finance Team.</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 Directorate non-staff admin costs. |
| Timeframe | 2004 – 2008. |

| Workstream 2 | 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. We have also established a project with the Cabinet Office and ODPM to examine the options for a HR shared service centre.</p> |
| Measures | <p>The Human Resources change programme anticipates the following benefits:</p> <ul style="list-style-type: none"> • Decrease in the current HR to staff ratio • Reduction in HR headcount as above • Savings (£m) in overall costs |
| 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 to the Treasury Finance Committee by the Finance Team.</p> <p>Staff in-post figures and financial management information are reported to the Treasury Board on a quarterly basis.</p> <p>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 2005. |

| Workstream 2 | Corporate Services |
|----------------------|---|
| Activity | Finance. |
| Approach | <p>The OGC has been identified as the preferred public sector partner in the provision of a shared accounting function for the Treasury and the DMO to be located in Norwich. Reduction in Finance headcount will be achieved by:</p> <ul style="list-style-type: none"> • Automation of processes • Sharing financial services |
| Measures | <ul style="list-style-type: none"> • Savings (£m) in salary costs • Reduction in Finance headcount • Relocation of some finance staff to Norwich |
| 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 to the Treasury Finance Committee by the Finance Team.</p> <p>Staff in post figures and financial management information. are reported to the Treasury Board on a quarterly basis.</p> <p>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 – December 2005. |

| Workstream 2 | Corporate Services |
|----------------------|--|
| Activity | Information Services. |
| Approach | <p>Reorganise the IT helpdesk and infrastructure with smaller numbers of staff and higher skills.</p> <p>Review other aspects of Information Services work (for example library and records management services).</p> <p>Rationalise support for legacy systems.</p> <p>Explore options for sharing with other Government Departments.</p> |
| Measures | Savings (£m) in staff costs. |
| Monitoring | 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. |
| 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 to the Treasury Finance Committee by the Finance Team.</p> <p>Staff in post figures and financial management information are reported to the Treasury Board on a quarterly basis.</p> <p>Staff in post figures are reported in our annual departmental report.</p> |
| Baselines | 1st April 2004 IT staff in post figures. 2003-04 Cost of IT services and processes provided by financial management information. |
| Timeframe | <p>Helpdesk review implementation, September - December 2004.</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> |

| Workstream 3 | Procurement - central |
|----------------------|---|
| Activity | Securing better value for money & improving resource utilisation. |
| Approach | Information Services - Review options to reduce costs associated with procurement of software and IT consultancy & equipment. Accommodation - Secure economics 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. |
| Measures | Savings (£m) in procurement costs. Income (£m) increased through use of building for revenue generating activities (e.g. conferences and sub-letting of office space). |
| Monitoring | Monthly reporting to Managing Director of Corporate Services. |
| Data sources | Monthly Financial Management Information. Benchmarking data. |
| Quality & Validation | Monthly financial management information including procurement costs is provided to the Treasury Finance Committee by the Finance Team. Quarterly financial management information is provided to the Treasury Board. High level financial information is reported in our annual accounts and the Treasury Departmental Report. |
| Baselines | 2003-04 procurement cost of software, IT consultancy & equipment. 2003-04 costs of services associated with the building and income generated through use of the building. |
| Timeframe | Review and development of a revised IS strategy, September – December 2004, Implementation of approach, December 2004 – 2006. Accommodation efficiencies, 2005-2008. |

| Workstream 4 | Programme |
|----------------------|---|
| Activity | Procurement and funding of services & bodies. |
| Approach | <p>Outsource gilts registration contract to the private sector.</p> <p>Review specification of contracts with 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).</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> |
| Validation | Cost of services and bodies (gilts registration, Statistics Commission, etc) is reported in the Treasury Departmental Report. |
| Baselines | 2003-04 unit cost of programme services. |
| Timeframe | 2004 – 2008. |

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 vision is to work with central civil Government as a catalyst to achieve best value for money in commercial activities.

3.2 The OGC had created a programme board which meets regularly to oversee the programme and monitor progress against targets and milestones through an agreed reporting approach. The OGC programme board reports to the Treasury SRO on a regular basis. A dedicated programme manager manages the day-to-day activity within the programme. 13 projects have been identified to deliver the efficiencies and will be managed formally within a programme structure. Each project has an owner at Director level 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 outturn budget for the OGC for 2003-04.

3.4 To ensure that efficiencies are not simply a reduction of budget with a corresponding reduction in quality or services some measure of service continuity needs to be in place. OGC has a wide reaching PSA target to deliver some £3 billion of value for money gains in central civil Government procurement activities by 2007-08. These savings are dependent on the continued commitment of resources. Any efficiency gained from OGC over the SR04 period should not be at the expense of delivering the additional £3 billion. It is proposed that continued achievement of the PSA target will lead to the conclusion that OGC service continuity has not diminished.

3.5 In responding to the Efficiency Review, Departments have also been asked to consider relocation plans in response to the Lyons review. The OGC is seeking to transfer up to 35 posts from Central London which will be phased over a number of years as natural recruitment opportunities occur.

Financial monitoring process

3.6 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 will involve regular reporting to our Board. The Finance Team, in conjunction with the Programme Manager and Project Teams, will be responsible for monitoring, recording and ensuring that claimed savings are soundly based in the period and beyond as appropriate.

3.7 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). A schedule of such re-allocations into

DUP will be maintained and the schedule will also record calls on the DUP for re-deployment of resources. An Investment Implementation Board 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, and a membership made up of Executive Directors and a senior external stakeholder.

3.8 The OGC technical note is divided into 3 work streams:

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

3.9 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 |
| Total* | 4.0 |

* Total may not sum due to rounding

| Workstream 1 | Corporate Services |
|----------------------|---|
| Activity | Restructuring Corporate Services. |
| Approach | <p>Combine Programme Offices into 1 OGC integrated Programme Office.</p> <p>Generate Travel and Subsistence (T&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 at OGC Norwich and consider sharing other back office support services.</p> |
| Measures | <ul style="list-style-type: none"> • Staff numbers • Reduced T&S and central print spend v baseline • Number of events held and event spend • HR reporting and reduced HR spend • Increase in automated reporting methods |
| Monitoring | <ul style="list-style-type: none"> • Monthly reporting by HR to the HR sub group • 6 monthly report to the OGC Board by HR on staff numbers including reallocated and temp staff by contract type |
| Data Sources | <p>HR reporting system.</p> <p>Budgetary monitoring system.</p> <p>Highlight reports to project board.</p> |
| Quality & Validation | <p>Monthly figures are collated and reported to OGC Board and HR Sub Group on staff numbers including unallocated, temp staff, secondees and permanent headcount.</p> <p>Financial measures are reported captured and efficiency savings are deposited in the Departmental Unallocated Provision account. Resources from this are authorised by the Investment and Implementation Board.</p> <p>Internal Audit to validate savings.</p> |
| Baselines | 2003 – 04 budget |
| Timeframe | 2004 - 2008 |

| Workstream 2 | Productive Time |
|----------------------|--|
| Activity | Improving resource utilisation. |
| Approach | <p>Generate additional Income from services currently provided free.</p> <p>Reduce spending on consultants by bringing on own talent and encourage use of consultants on short-term contracts, secondments and other forms of non-permanent contracts.</p> <p>Simplify internal processes by implementing monthly accruing for only significant budget items.</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"> • Annual Income against baseline • Reduced costs (physical storage and accommodation) • Reduced financial spend on consultants • Number of secondees in organisation • Reduction in staff time on non frontline work • Number of posts in location move out of London • Increased usage of electronic data storage |
| Monitoring | <ul style="list-style-type: none"> • Budgetary monitoring system • HR report • Workspace project report |
| Data Sources | <p>Budgetary monitoring system.</p> <p>HR report.</p> <p>Workspace project report.</p> |
| Quality & Validation | Financial measures are reported captured and efficiency savings are deposited in the departmental Unallocated Provision account. Resources from this are authorised by the investment and Implementation Board which the SRO chairs. |
| Baselines | 2003 – 04 budget |
| Timeframe | 2004 - 2008 |

| Workstream 3 | Procurement |
|----------------------|---|
| Activity | Securing better value for money. |
| Approach | <p>Secure efficiency gains through shared contracts including sharing current contracts across the Treasury group 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>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 deals the electronic catalogue and procurement tool, to deliver better VFM deals through, for example, purchase history.</p> |
| Measures | <ul style="list-style-type: none"> • Reduced contractual spend on shared contracts • Reduced costs through negotiation, e-auctions etc • Reduced contractor costs using GPC, catalogues etc |
| Monitoring | E-commerce monitors the use of procurement identifying savings utilising the electronic procurement tools. Finance also captures invoice spend on procurement items for directorates. |
| Data Sources | <p>Highlight reports to Board</p> <p>Budgetary monitoring system</p> <p>Procurement management information system</p> |
| Quality & Validation | <p>Electronic procurement assessment tools report monitors the spend on procurement identifying savings</p> <p>Financial measures are reported captured and efficiency savings are deposited in the Departmental Unallocated Provision account. Resources from this are authorised by the Investment and Implementation Board which the SRO chairs</p> <p>Internal Audit to validate efficiency savings</p> |
| Baselines | 2003 – 04 budget |
| Timeframe | 2004 - 2008 |

4

OGC BUYING SOLUTIONS – TECHNICAL NOTE

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.

Target definition

4.2 To meet the requirements of the Efficiency Review OGCbs has committed to achieving efficiencies of £0.8 million per annum by 2007-08. The baseline against which these efficiencies will be measured is the outturn budget for OGCbs for 2003-04.

4.3 OGCbs has appointed a dedicated Efficiency Director, to manage the day-to-day running of the internal programme and report to a Steering Group which will monitor progress against targets and milestones through an agreed reporting approach. The Steering Group will drive the change and provide high-level direction to the owners of the workstreams. They will monitor progress against the plan and recommend actions to ensure the programme remains on track. The SRO (the, Director of Corporate Services) is responsible for ensuring that the programme meets its objectives and delivers the projected benefits. The OGCbs SRO reports to the Treasury SRO on a regular basis

4.4 The OGCbs technical note is divided into three workstreams representing the areas where the organisation anticipates securing efficiencies: procurement, productive time and corporate services.

| Workstream 1 | Procurement |
|---------------------|--|
| 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 improving internal capabilities through training and recruitment.</p> <p>Reduce travel costs through greater use of video conferencing.</p> <p>Reduce events management costs by exploring the possibility of sharing the service with OGC.</p> |
| Measures | <ul style="list-style-type: none"> • Reduction in procurement costs |
| Monitoring | <ul style="list-style-type: none"> • Budgetary monitoring system • Procurement database • Management team meetings financial reports |
| Baselines | 2003 – 04 budget |

| Workstream 2 | Productive time |
|---------------------|--|
| Activity | Productivity improvements |
| Approach | OGCs will make productivity improvement gains over the period by reducing the ratio of internal costs over value for money improvements, i.e. increasing public sector savings at reduced costs. |
| Measures | <ul style="list-style-type: none"> • Ratio of internal costs to value for money improvements |
| Monitoring | <ul style="list-style-type: none"> • Monthly financial reports • Management team meetings |
| Baselines | 2003 – 04 Ratio of internal costs to value for money improvements |

| Workstream 3 | Corporate Services |
|---------------------|--|
| Activity | Business re-engineering and restructuring of Corporate Services |
| Approach | <p>Explore and implement opportunities to simply systems, secure best value and share Corporate services including:</p> <p>Finance - introduction of the new CODA finance system and retendering Internal Audit work</p> <p>Human Resources - system will be upgraded and more processes automated, creating efficiencies leading to a reduction in FTE posts</p> <p>Information Services - as part of the location strategy two posts will be relocated in Liverpool. Programmer support will be saved because of purchase of the new Finance System</p> <p>Administration - Merger of two of the OGCs teams. The Agency will actively examine the scope to find efficiency savings from sharing services with other Trading Funds and other Government Departments</p> <p>Relocation strategy - Relocation of 18 posts to Liverpool. All other London based posts will combine working from home and hot desking, contributing to the overall savings.</p> |
| Measures | <ul style="list-style-type: none"> • Reduction in staff numbers • Reduction in associated costs |
| Monitoring | <ul style="list-style-type: none"> • Budgetary monitoring system |
| Baselines | 2003 – 04 budget |

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, to lead, develop and deliver the Government’s debt, cash and fund management objectives.

5.2 The DMO is a relatively new organisation with approximately 50% of its staff recruited from private sector organisations. The DMO is been 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 circumstances and requirements and it has achieved a smooth transition from organic growth to consolidation and modest downsizing over the last six years.

Target definition

5.3 To meet the requirements of the Efficiency Review the DMO has committed to achieving efficiencies of £1 million per annum by 2007-08.

5.4 The baseline data against which efficiencies are measured in most cases will be recorded expenditure for prior periods for the year (or validated partial year) prior to that in which the first efficiency was made. Efficiencies are presented net of a contingency for risk of failure or delay in securing efficiency. 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.

5.5 Monitoring will generally involve monthly or quarterly reporting of compliance with efficiency targets on an exception basis or by variance analysis. Target efficiencies will be reflected in agency budgets. Monitoring will complement the DMO’s existing financial and budgetary reporting systems so that additional monitoring work is minimised to ensure efficiency. All budgeting records used as data sources for monitoring savings will correspond to baseline agreed and authorised budgets for the relevant period although, in some cases, full year budget for period may have been amended to reflect non-recurrent or unplanned staffing changes. The DMO’s Managing Board oversees and monitors the implementation of the plans to secure efficiencies. The DMO SRO is the Chief Operating Officer who also reports to the Treasury SRO on a regular basis.

5.6 All efficiencies have been assessed by the DMO to be achievable although few are considered to be risk free. All savings figures are shown net of a contingency for risk to delivery or timing that has been determined according to our assessment of the relative risk of each initiative. Measuring and monitoring processes by the DMO will aim to readily enable annual review and validation of stated efficiencies in parallel with the regular audit of the annual accounts.

5.7 The DMO’s technical note is divided into three workstreams representing the areas where the DMO anticipates securing efficiencies; procurement, corporate services

and 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 gains by workstream £m 2007-08

| Workstream | £m |
|--------------------|-----------|
| Procurement | 0.6 |
| Corporate Services | 0.3 |
| Transactional | 0.1 |
| Total | 1.0 |

| Workstream 1 | Procurement |
|----------------------|---|
| Activity | Various initiatives involving more efficient use of bought-in services and negotiated supplier savings. |
| Approach | Target savings from price reductions, streamlining systems and more efficient use of business services, comprising: <ul style="list-style-type: none"> • Negotiated supplier price reductions in specific business areas • Investment in new technology that will be easier to maintain • Increased sharing of facilities • Increased internal staff expertise and capability reducing need for bought-in services • Better targeted communication to external customers |
| 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 |
| 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 Corporate Services processes. |
| Approach | Includes a various initiatives involving headcount reduction in separate business areas, enabled by: <ul style="list-style-type: none"> • Standardisation of processes, • Increased system automation, • Transfer of some back office activities to centralised support teams in which economies of scale benefits can be achieved, and • Adapting some support team structures to better fit the changing organisational profile. |
| Measures | Actual spend (£) in period against baseline. |
| Monitoring | Financial expenditure against budget is reported monthly at a detailed level highlighting unsecured target savings. 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. |
| Data sources | The principal data source will be the organisation's main financial records recorded in its general ledger system. |
| Quality & Validation | 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. Payroll costs in the general ledger are validated monthly to staffing records by the Finance Manager. Budget managers will formally sign off headcount reduction figures as part of the processes of agreeing annual budgets. |
| Baselines | Team staffing cost base for 2003-04 or 2004-05 as relevant, or for part-year immediately prior to staffing 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. |

| Workstream 3 | Transactional Services |
|----------------------|--|
| Activity | Re-engineering a transaction processing business area to increase cost effectiveness. |
| Approach | Target savings sought from further in-sourcing of a key elements of an operational activity. |
| 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 | 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. |

