

CSR 07 Value for Money Delivery Agreement

Vision

1. The Cabinet Office, in line with the Government's desire to use the Comprehensive Spending Review 2007 (CSR07) to continue the improvement of public services and the Departmental settlement, is looking to make significant value for money savings.
2. Along with the rest of the Public Sector, the Cabinet Office needs to develop its services and processes in the light of the changing challenges it faces. There is an imperative to provide the right services and functions needed for the modern world in the most cost-efficient manner possible. The Department's Value for Money (VfM) plan forms a major part of this effort. It is important to note that the main driver is not the simple cutting of costs but the provision of an improved, more efficient, public service.
3. We will monitor the improvements in the service we provide through the measurements taken to support our reporting on the Department's Public Service Agreement (PSA) on Socially Excluded Adults and our Departmental Strategic Objectives (DSO). By remaining within our funding settlement and delivering on our PSA and DSOs we will demonstrate that savings are being made through increased efficiency.
4. Within the Department's planning for the CSR period there is some reduction of expenditure on certain activities that add less value. This reflects a tightening of the Department's internal planning processes and greater focus on those areas where the Cabinet Office can make a real contribution or deliver an improved service.
5. The Cabinet Office has carefully considered every area of its activity as part of this exercise. No function or unit has been exempt from the effort to seek improvements to the services provided and increased efficiency in their delivery. As a result of this the Department has set itself a very challenging target in the 2008/2009 financial year. This is with the intention of freeing up as much resource as early as possible for redeployment within the Department onto other functions and services.
6. It is important to understand that all of the VfM savings discussed in this document are based on comparison with a counter-factual. This means that the savings quoted are the difference between what the expected spend would be without any action by the department and the expected spend following the planned reforms and changes. Throughout the planning the assumption used was that without any action being taken spending on the areas concerned would increase by the rate of inflation. An inflationary figure of 2.7% per year has been used, which is in line with the HM Treasury Deflator published on their website. For each initiative the baseline used has been the projected spend in the 2007/2008

financial year. On this basis, the Cabinet Office is seeking to deliver net cash-releasing savings of around £35 million per year by 2010-11.

Measurement and Delivery Strategy

Overview

7. The Cabinet Office is committed to fulfilling its part in delivering the level of savings across the CSR07 period sought by the Government. However, it is important that the benefits gained from the Cabinet Office's contributions are not absorbed by the measuring and monitoring arrangements. As the savings being made are composed of a range of fairly small initiatives there could be increased risk of this. Therefore the tracking of the savings will be proportionate to the amounts involved.
8. The department's savings will be generated in three main areas: procurement, administration and corporate services. There are several, broadly similar, initiatives comprising the work on procurement. The overarching intent here is to change the way in which we approach the decision on whether to buy items and services as well as the purchasing route to be taken. Work on corporate services will concentrate on the department's external web presence and how its web sites are set up, while the administration initiatives will seek to improve the efficiency with which we deploy our staff and resources.
9. The table below sets out the broad levels of savings expected across the Comprehensive Spending Review Period from each of the three areas.

£m nominal	Near Cash				Capital			
	2007-08 Baseline	Savings			2007-08 Baseline	Savings		
		2008-09	2009-10	2010-11		2008-09	2009-10	2010-11
Aggregate savings (equivalent to 3% annual savings)	301	21.5	26.1	34.1	49	0.85	0.87	0.90
<i>Procurement</i>		13.1	13.4	13.8		0.85	0.87	0.90
<i>Corporate Services</i>		0.04	0.10	0.13				
<i>Admin</i>		8.3	12.6	20.1				

Administration

10. The Administration stream of savings is a combination of several initiatives that are each planned to yield between £8.7 million and £0.9 million (for a combined total of £20 million) of savings per year by 2010-11. The initiatives will cover both the administration of the grants awarded by the Department as well as its own internal administration.

11. These savings will be delivered by looking to develop synergies between units, improved targeting in the allocation of funding, improving the corporate functions such as business planning and through greater efficiency in the deployment of staff. This will include reducing staff numbers where it is appropriate.

Measurement

12. Monitoring of the savings generated will mostly depend upon the high level financial reporting carried out by the Department and its Non-Departmental Public Bodies (NDPBs) and the range and level of work carried out. This will be compared with the level of spending and the range of work carried out in previous years so as to provide evidence of savings and ensure that services are not adversely impacted.

Milestones

13. The methods available to monitor the results of these initiatives mean that the milestones for each project will tend to fall near the year end in order to carry out the comparisons referred to above.

Procurement

14. The savings in procurement are expected to total about £14.7 million per year by 2010-11. There are six separate initiatives supporting the procurement strand and these vary in size between savings of just under £8 million per year by 2010-11 to less than £90,000 per year by 2010-11. Although there is a significant difference in the range of values being considered, the approach will generally be consistent across these initiatives.
15. We will seek to change the frequency with which the department buys in services, promoting greater use of in-house capabilities and capacity to deliver. Where we do not have the capacity to deliver these services through use of existing in-house skills the department will look to find savings in its approach to buying in services and goods. Methods will include increased use of competition in the letting of contracts, improved contract management, increased use of OGC framework agreements and a more robust approach to commercial negotiations.
16. An example of this is the new contracts providing for reduced administrative costs through adoption of on-line booking and on-site ticketing for travel. Another example is the expected savings on facilities management flowing from a contraction of the estate and improved use of energy saving measures.

Measurement

17. Progress on making savings within the procurement stream will be monitored through:

- monthly reviews of financial information;
 - contract review meetings;
 - comparison to previous costs; and
 - how close the final price is compared to estimates and quarterly reviews of contracts let and savings made.
18. Alongside monitoring of the costs of the services the department will also track internal feedback and benchmarking services provided against previous contracts or those agreed with other governmental departments.

Milestones

19. Key milestones in this area will be the adoption of new framework agreements across the 2008-09 financial year, the relocation of the travel services contractor's service centre in September 2008 and the adoption of Zanzibar (the OGC organised marketplace) as part of the planned implementation of a shared finance service with DWP. In addition the take-up of IT services through the shared services framework that has already been set up will have a significant impact, although there are not yet any specific dates by which this is expected to happen.
20. The intent of the work on procurement is that there will be a step change in how this work is carried out over 2008-09, which will lead to delivery of the planned savings. Costs will then rise from this lower baseline in line with inflation.

Corporate Services

21. In the initiative on Corporate Services we will track the savings being generated by improving our procurement of web hosting services and improving our efficiency in setting up new sites. We will also monitor the number of staff involved in this work, user experience of the web sites and data on the usage of the web sites. The major milestone for this initiative will be in January 2009 with the letting of the new contracts. The savings expected in this area are quite limited, amounting to about £100,000 per year by 2010-11.

Risks and Risk Management

Broad Principles

22. As with any risk management strategy, the Department will keep the impact and likelihood of the risks under active review and will act if it appears that it is becoming more likely that the risk will have a detectable impact on our ability to deliver the desired level of savings.
23. At a high level the risks across all of the initiatives are broadly similar and can be described as either internal or external.

Internal

24. The internal risks are around the need for commitment from staff, especially at senior levels, to the difficult changes that will need to be made to achieve savings. Some of the initiatives, especially those relating to procurement, will require significant changes in how work is carried out. There is an underlying risk that staff will not wish to change their behaviours for a variety of reasons and this would then be demonstrated in various ways. These could include a failure to utilise in-house resources, unjustified purchases outside of framework agreements or a failure to sufficiently pursue cost savings in contract negotiations.
25. The Department will seek to manage this risk by targeting support from senior managers and the Board. This leadership role will be backed up by:
 - communication plans targeted at achieving the necessary changes:
 - carefully monitoring to identify areas where old practices are carrying on so that staff can be challenged over their behaviour; and
 - active training programmes in known areas of weakness (such as contract negotiations/management).

External

26. The external risk is that the Department will be called upon to do more, at a significantly faster pace, than is currently expected. This will lead to increased pressure for additional resources both to meet the new work commitments and to deliver those commitments in a shorter timescale.
27. The intent is to manage this risk by a robust prioritisation of work, scaling back in one area in order to meet pressure in another. Alongside this will need to be clear and unambiguous advice on the impact of these changes in prioritisation.