



department for  
**culture, media  
and sport**

# Value for Money Delivery Agreement

Comprehensive Spending Review 2007

December 2007

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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# Section 1: Vision

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The Department for Culture, Media and Sport (DCMS, or 'the Department') has a strong track record in delivering value for money and intends to build on its past achievements during 2008-11 as part of a wider government drive to spend public money ever more effectively. The Department has either met or is on course to meet its previous targets to improve efficiency:

- DCMS met its target set by the Spending Review 2002 (SR02) to improve the value for money of its sponsored bodies, with successful reforms of some of its biggest Non-Departmental Public Bodies (NDPBs).
- As part of a Government-wide review of efficiency during the Spending Review 2004 (SR04), DCMS was set three efficiency targets in order to release more resources to the frontline and generate better value for money for the public purse. These were: to find efficiency savings of £262 million by 2008; to reduce headcount by 27 posts by 2008; and to relocate 600 posts outside London and the South East by 2010. These targets are all on course to be met.<sup>1</sup> Details of progress to meet these targets are included in the department's Annual Report (published in late Spring) and Autumn Performance Report, available on its website.

The Value for Money (VFM) programme announced as part of the Comprehensive Spending Review 2007 (CSR07) will build upon these successes.

The department will deliver at least 3% annual cash-releasing VFM savings in 2008-11, saving £148 million (net) by 2011. Savings will be delivered largely through NDPBs (as the great majority of DCMS funding is channelled through NDPBs), although DCMS itself will make annual real-terms reductions of 5% in its administration spending.

In preparation for the VFM programme, DCMS and its NDPBs have analysed past spending to assess how money was being used and what scope there was to improve this (for example, through sharing best practice of how savings were generated through the current efficiency programme). The VFM delivery agreement stems from this analysis. It has been developed through a combination of bottom-up VFM initiatives identified by NDPBs and top-down guidance from DCMS on the areas that could be included. The VFM programme

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<sup>1</sup> At 30 September 2007, the Department had made £237 million efficiency gains, reduced its headcount by 37 posts, and relocated 555 posts outside London and the South East.

is therefore evidence-based and has been tested with stakeholders to check that it is deliverable.

All the VFM savings discussed in this document are based on comparison with a counterfactual. This means that the savings quoted are the difference between what the expected spending would be without any action by the department (the counterfactual), and the expected spending following the planned changes. During the planning stage and unless otherwise stated, the assumption used was that the counterfactual would increase by the rate of inflation, assumed to be 2.7% in each year. For each initiative the baseline used has been projected spending in 2007-08.

## Section 2: Delivery Strategy

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Savings have been split into four categories:

- Museums and galleries resource savings;
- Strategic and heritage bodies' resource savings;
- Internal DCMS resource savings; and
- Capital savings

NDPBs have been grouped into the first two categories, excluding their contribution to capital savings. DCMS is not among the departments contributing the largest savings as its overall Departmental Expenditure Limit (DEL) is relatively small, and savings made by individual bodies are correspondingly small. Action to monitor the savings will therefore be relatively light-touch.

DCMS has worked closely with its NDPBs to identify suitable savings. All NDPBs with a near-cash resource grant-in-aid in 2007-08 of more than £3 million from the department will be required to contribute to delivery of the 3% VFM savings.<sup>2</sup> Relevant NDPBs each have developed their own plans for delivering the savings, which will be monitored by the department as described below.

The projected level of savings for each category is set out in the table below (all figures are £ million).

	2008-09	2009-10	2010-11
Museums and galleries	10.4	18.5	26.3
Strategic and heritage	41.1	55.3	75.1
Internal DCMS	1	2	4
Capital	29	43	44
<b>Projected savings total</b>	<b>81.5</b>	<b>118.8</b>	<b>149.4</b>
Target	48	97	148

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<sup>2</sup> £3 million Grant-in-Aid was chosen as a cut-off point as it would involve disproportionate effort for bodies receiving smaller grants to develop full-blown VFM plans and monitoring arrangements relative to the savings made. However, all NDPBs are encouraged to secure the best value for money in their spending.

Note that except for internal DCMS savings, these are the projected savings as at December 2007. Actual savings levels might vary as NDPBs discover that some initiatives do not yield the savings expected and new initiatives are identified. DCMS will take action if there is a risk that the savings could fall below the target level, and intends to build in additional contingency for the final year nearer the time (contingency already exists for the first two years).

Internal DCMS savings will be secured by a reduction in the administration budget. They will be achieved by a range of measures including savings on non-pay budgets such as accommodation costs, and through reductions in staff costs.

Capital spending has been treated differently to resource spending in the CSR as funding is not necessarily on-going (i.e. once a major capital project is completed, the funding stops). Departments were therefore asked to bid for capital funding from a zero base.

For the DCMS Value for Money programme, capital savings have been identified as the difference between DCMS's capital baseline in 2007-08 and the amounts allocated for non-Olympics capital in the Comprehensive Spending Review for 2008-11. These savings will not be subject to the measurement and monitoring arrangements described below as the reduction is built into the baseline. As part of the process for allocating capital funding for the CSR period, DCMS assessed the bids received and identified the priority projects or urgent maintenance needs that would receive funding. Non-priority projects will not receive funding in this spending round. DCMS has published its asset management strategy, which describes the capital assets held by DCMS and its NDPBs and sets out how it intends to maintain and use these effectively. The strategy is available on the DCMS website.

Broadly speaking, NDPBs have identified three types of resource savings:

- Efficiency savings: cash-releasing savings of the type that have previously been delivered through the efficiency programme set up in SR04. These include savings through improved procurement, reducing administration costs and streamlining services.
- Counterfactual savings: these are savings where an NDPB has received a below-inflation settlement and is deemed to make savings through living within its reduced budget. In determining these savings, care has been taken to ensure no double-counting with either efficiency or allocative savings (e.g. if an NDPB were to live within its reduced budget through making efficiency savings, it could not count these as both counterfactual and efficiency savings but as a counterfactual saving only).
- Allocative savings: cash-releasing savings that will be generated through switching funding from a lower priority activity to a higher priority activity.

Examples of how savings will be achieved include:

- The Arts Council reviews its Regularly Funded Organisations (RFOs). It will cease or reduce funding for those RFOs that are either under-performing or are not meeting ACE's priority objectives. This funding will instead be directed to higher-performing RFOs.
- The 25 NDPBs (along with DCMS) that were identified in the NAO report of November 2005 as the biggest spenders on procuring goods or services will be expected to achieve savings through their procurement. Collectively across the department, the target is to save £5/10/20 million over 2008-11.
- Some NDPBs plan to make further efficiencies through streamlining their running costs. Many such efficiencies have already been made but there is further scope, for example through pay restraint or where changes in capital spending (e.g. refurbishment, asset disposal) leads to reduced running costs etc. One of the strategic bodies is restructuring several of its departments to release savings.
- Inflation for the British Library's Acquisition budget had been running at an average 6.6% in recent years. As part of its VFM plans, the Library will seek to limit the increase in expenditure to 2.7%, thus introducing a real-terms cut in expenditure. This is the only example to date (i.e. as at December 2007) of a higher counterfactual being used in DCMS's VFM programme.

## 2.1 Governance

The Senior Responsible Owner (SRO) for the VFM programme in DCMS is Nicholas Holgate, the Chief Operating Officer. VFM strategy and progress towards meeting the targets will be overseen by a VFM programme board that will meet quarterly. This will also be chaired by the SRO with other members being the project managers and/or directors from within DCMS. Progress towards meeting the VFM targets will be reported to the DCMS Resources Committee and to the DCMS Board, copied to HM Treasury. Ministers will also be given regular updates.

Should the actual savings fail to match the trajectory of target savings this will be escalated first to the VFM programme board, which will discuss the appropriate action to be taken. If this fails to address the problem, the issues can be escalated to the DCMS Resources Committee, Board or Ministers as necessary

## Section 3: Measurement

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The Department will collect data every six months from each of the NDPBs participating in the VFM programme and will use this information to report an aggregate savings level to HMT. This information will also be reported in future Annual Reports and Autumn Performance Reports.

NDPBs will each have individual VFM delivery plans (as will DCMS itself) detailing how they propose to make savings. These will give details of the baseline value in 2007-08 for each initiative against which savings will be measured. They will also provide evidence for the counterfactual profile where this is different to 2.7%. These delivery plans have formed the basis for this delivery agreement – examples of the proposed savings contained within the plans are set out above.

For the data collection exercise, NDPBs will provide DCMS with a narrative report detailing the progress made in the previous six months. This will include:

- details of the savings that have been delivered during the period;
- any new initiatives identified and predicted savings that are due to arise;
- any issues affecting delivery of the savings and the steps that have been or will be taken to resolve these; and
- the level of assurance in the savings (e.g. whether the data reported are provisional or final).

DCMS will not require the savings to be audited (although this will be encouraged), but savings must all be capable of being audited for example, as part of an NDPB's regular internal audit procedures. DCMS will carry out a systems audit of its VFM programme during the first year of its operation.

In terms of internal DCMS savings, performance against administration budgets is regularly measured through the Monthly Management Accounts. Similarly, VFM savings from capital spending and from those bodies whose budgets have been reduced by more than 3% each year are monitored through the Monthly Management Accounts.

## Section 4: Risk Management Strategy

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DCMS has developed a risk management strategy to address the main risks facing the programme. This will be a standing agenda item for the VFM programme board meetings, and will be kept regularly under review between meetings by the VFM programme manager. In the full risk register, each risk has an identified owner, control actions, monitoring indicators, and notes on progress at implementing the controls. An overview of the key risks and control actions is set out below.

**Risk:** DCMS and NDPBs do not meet the 3% target

**Control action:** As noted above, delivery plans developed by NDPBs have identified a level of savings that would mean we exceed the 3% target in the first two years of the programme. DCMS intends to develop a contingency plan for the final year of the programme. This provides a level of assurance should some of the planned savings fail to materialise. The risk will be monitored through the regular six-monthly returns from NDPBs as described above. Should savings be falling below the trajectory for the 3% target, this will be investigated to assess the reasons behind the shortfall and what counter-action is being taken. Findings will be reported to the programme board, and escalated further if necessary. If planned savings are not forthcoming in one area, the shortfall will need to be made up by additional savings in another area (either by the same or a different NDPB).

**Risk:** Measurement of savings is not robust leading to over-estimation of savings made

**Control action:** Clear guidance has been provided to NDPBs on how to measure savings, including the need to avoid double-counting. NDPB delivery plans will be checked to ensure that proposed VFM savings are genuine. DCMS and NDPBs will work closely throughout the VFM programme to ensure that savings are measured correctly and only valid savings included in the final totals reported to HM Treasury. Savings that are not valid will not be included: the programme team will explain to the relevant body where this is the case and what further action is needed to ensure that all savings are valid.

**Risk:** savings double-counted through e.g. claiming an activity is both an efficiency saving and a saving against the counterfactual

**Control action:** NDPBs given clear guidance against double-counting efficiencies and counterfactual savings. NDPB delivery plans checked to ensure that no double-counting has taken place. Data returns will be checked to ensure that there is no double-counting on an ongoing basis.

**Risk:** the requirement for NDPBs to find 3% annual savings creates a disproportionate burden for relatively small cash amounts.

**Control action:** data reporting requirements have been reduced compared to the requirements for the SR04 efficiency programme. NDPBs are likely to have some level of 'churn' within their spending as part of normal business practice. DCMS will work with NDPBs to help them identify VFM savings measures. NDPBs will be involved in developing the templates to measure performance. NDPBs receiving less than £3m Grant-in-Aid each year, who would thus make the smallest savings, have not been asked to take part in the formal VFM programme as it would mean disproportionate effort.

**Risk:** DCMS fails to deliver -5% annual real-terms savings on administration costs.

**Control action:** the DCMS Board monitors administration costs against the administration DEL on a monthly basis, and will direct corrective action if savings look at risk. In addition, the DCMS Resources Committee will consider a detailed analysis of the administration costs at least quarterly and advise the Board as necessary.