

HM Treasury

Efficiency technical note

December 2006



HM TREASURY



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INTRODUCTION

Background

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 was subsequently raised to £18.7 million following OGCBuying.solutions' commitment to increase their contribution to the Treasury Group's overall savings by £1 million.¹ The baseline against which these efficiencies will be measured is the DEL resource outturn for the Treasury Group for 2003-04, which was £212 million². The Chancellor of the Exchequer and other Treasury Ministers are responsible for delivering this target.

1.2 This is the third Efficiency Technical Note (ETN) published by the Treasury Group, setting out the measures and methodologies that the Treasury Group is using to assess efficiency gains.

1.3 The Treasury Group 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 Table 1 below sets out the efficiencies that each part of the Treasury Group is expected 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. Any figures within this document showing breakdowns of the target by organisational area or workstream are purely indicative.

1.5 As part of the Treasury Group's response to the 2007 Comprehensive Spending Review, the Human Resources, Information Services, Finance and Procurement, Estates and Internal Audit functions of the individual Group bodies are being combined into Group functions where appropriate. The efficiency plans for these Group corporate services are now shown separately from plans of the individual Group bodies.

1.6 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.

1.7 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.

¹ As announced in the 2005 HM Treasury Departmental Report cm6540

² See 2006 Departmental Report, Annex B, table 1. The figure is subject to restatement in the 2007 Departmental Report for any machinery of government changes agreed during 2006-07.

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

	As previously reported	Transfers to Group corporate services	Per new structure
	£m	£m	£m
Core Treasury	11.9	(1.0)	10.9
OGC	4.0	(0.5)	3.5
OGCbuying.solutions	1.8	0	1.8
DMO	1.0	0	1.0
Group corporate services	-	1.5	1.5
Treasury Group total	18.7	-	18.7

Programme Organisation & Governance

1.8 The Treasury Group 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. Efficiency plans are managed and monitored by the Treasury Group Finance Committee, which is chaired by Mary Keegan, while headcount data is monitored by the Group Operations Committee. The DMO, OGC and OGCbuying.solutions also have governance structures which link to the overall HM Treasury governance structure, to oversee the implementation of their respective efficiency delivery plans.

1.9 Chapters 2 – 6 show how each part of the Treasury Group plans to deliver its share of the group's efficiency gains, how the gains are measured and the baseline against which progress towards the target is being assessed.

Introduction

2.1 The Treasury³ 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 three areas⁴:

- 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; and
- A best practice procurement strategy that delivers value for money.

Target definition

2.4 The core Treasury's planned contribution to the overall target is £10.9 million of efficiencies per annum by 2007-08. The previously reported planned contribution of £11.9m included £1m of corporate services efficiencies which have been transferred to the Group Corporate Services entity.

2.5 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. Efficiencies in terms of increased outputs are calculated as the level of inputs that are redirected to new strategic priorities through the budget allocation system in the Policy, Funding & Regulation workstream.

2.6 We plan to reduce 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 1st April 2004 which, adjusted for the effect of the O'Donnell review transfer of responsibility for tax policy and other machinery of government changes, was 1258 FTEs⁵.

2.7 We do not anticipate reducing the 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

³ Treasury throughout this document refers to the Core Treasury located at 1 Horse Guards Road.

⁴ The core Treasury chapter of the 2005 Efficiency Technical Note referred to four areas. The fourth, high quality corporate services, is now covered in the Group corporate services chapter.

⁵ See 2006 Departmental Report, Annex B, table 6. The figure is subject to restatement in the 2007 Departmental Report for any machinery of government changes agreed during 2006-07.

appropriate our working practices and workflow processes. We monitor the level of policy outputs through our progress against our PSA targets, published in the (spring) Departmental Report and in the Autumn Performance Report. The quality of the data systems underpinning these PSAs is independently validated by the National Audit Office (NAO).

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

- Workstream 1: Policy, Funding & Regulation – Directorate baseline budgets;
- Workstream 2: Policy, Funding & Regulation – Strategic Reserve
- Workstream 3: Programme.

2.9 Table 2 sets out the planned level of efficiencies to be secured from each workstream by 2007-08. The Programme workstream is currently below its planned contribution; achievement of the planned contribution of £2.9 million by 2007-08 is dependent on ongoing negotiations with the Royal Mint over the price and other terms for the manufacture of UK coinage. However, the Policy, Funding and Regulation workstream is well ahead of target, so overall, core Treasury is on track to deliver its planned contribution of £10.9 million of efficiencies to the overall target by 2007-08.

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

Workstream	£m
Policy, Funding & Regulation – Directorate baseline budgets	4.0
Policy, Funding & Regulation – Strategic Reserve	4.0
Programme	2.9
Total	10.9

Workstreams 1 & 2	Policy, Funding and Regulation – Directorate baseline budgets Policy, Funding & Regulation – Strategic Reserve	
Activity	Efficient use of staff	Reduction in non-staff costs
Approach	<p>This focuses on how we can deliver our policy objectives more effectively. Activities to support the delivery of both workstreams 1 and 2 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; and • enhancing current project management techniques to improve resource utilisation across the department. 	<ul style="list-style-type: none"> • Improve the percentage of directorate purchases made through central non-pay contracts. • Explore further opportunities to improve all non-pay contracts, in terms of quality of service, and/or performance, and/or price. • Improve management information to Treasury teams on procurement. • 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. • Develop modern e-procurement solutions including how information is communicated and access to on-line booking tools.
Measures	<p>Workstream 1: Real terms savings (£m) in the salary and other direct admin costs required to deliver the baseline policy outputs, to the same or better standards of quality.</p> <p>Workstream 2: Inputs (£m) redistributed to new policy priorities. The Strategic Reserve, which rises in value to £4m per annum by 2007-08, is financed by savings contributed from directorate core budgets, and is allocated by the Board primarily for new policy priorities as they emerge during the 2005-08 period. The actual spend on Strategic Reserve funded activities is reviewed and the spend on those activities that constitute new outputs, not delivered in the baseline year, is counted separately as part of the Treasury’s overall efficiency gains.</p> <p>Quality measure: performance against PSA targets as published in the Treasury’s (Spring) Departmental Report and Autumn Performance Report.</p>	

Workstreams 1 & 2	Policy, Funding and Regulation – Directorate baseline budgets Policy, Funding & Regulation – Strategic Reserve
Monitoring	Progress compiled monthly by workstream leader. Quarterly reporting to Finance Committee and the OGC Efficiency Team.
Data Sources	HR monthly staff in post reports, monthly financial management information. Resource allocation decisions minuted in Treasury Board and Committee papers. Procurement policy action plan approved by Operations Committee.
Quality & Validation	Monthly staff in post information is provided to the Group Operations Committee and the Board by the HR team. Monthly financial management information including cost of staff and detail on non-staff costs is provided to the Group Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system. Summary level staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.
Baselines	2003-04 cost of baseline Administration activities.
Timeframe	2004-2008

Workstream 3	Programme
Activity	Procurement and funding of services & other bodies.
Approach	<ul style="list-style-type: none"> • Outsource gilts registration contract to the private sector. • Review agreements with the Royal Mint, who supply UK coinage, and other service providers to identify and achieve efficiency gains. • Review grant in aid to the Statistics Commission to identify and achieve efficiency gains. • Review other programme expenditure to identify and achieve efficiency gains.
Measures	<ul style="list-style-type: none"> • Real terms unit cost of manufacture of coinage (£m). • Cost of associated services (£m). • Savings (£m) in service/funding costs. <p>Quality measure: performance against PSA targets as published in the Treasury's (Spring) Departmental Report and Autumn Performance Report.</p>
Monitoring	<ul style="list-style-type: none"> • New specification and contractual arrangements. • Quarterly reporting on cost of services.
Data Sources	Financial Management Information.
Quality & Validation	<p>Monthly financial management information is provided to the Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system.</p> <p>Programme costs (coinage, gilts registration, Statistics Commission, etc) are reported in our annual accounts and our annual departmental report.</p>
Baselines	2003-04 unit cost of manufacture of coinage, and 2003-04 overall cost of other programme services.

Workstream 3	Programme
Timeframe	<p data-bbox="651 282 788 309">2004 – 2008.</p> <p data-bbox="651 340 1401 403">The gilts registration contract was outsourced with effect from December 2004.</p> <p data-bbox="651 434 1401 497">The Statistics Commission has agreed to budget within “flat cash” grant funding through to 2007-08.</p> <p data-bbox="651 528 1401 770">The Treasury secured from the Royal Mint a freeze in the unit cost of manufacturing coinage in 2005-06, and began 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, and sits on the Treasury Group Finance Committee. A dedicated programme manager manages the day-to-day activity within the programme. 11 project workstreams 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. In addition, the OGC Chief Executive sits on the Treasury Board.

Target definition

3.3 The OGC's planned contribution to the overall target is £4 million of efficiencies per annum by 2007-08. The baseline against which these efficiencies are measured is the spend for the OGC for 2003-04 (where very early gains have been secured or sustained) or 2004-05.

3.4 OGC has PSA targets to work with departments to help them meet their efficiency targets (joint with core Treasury), 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 PSA targets will lead to the conclusion that OGC service delivery 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 performance monitoring and management system, which highlights the critical aspects of our business and involves regular reporting to our Board. Finance, in conjunction with the Programme Manager and project workstream leaders, is responsible for monitoring, recording and ensuring that claimed savings are soundly based in the period and beyond as appropriate.

3.6 The OGC chapter of the technical note is divided into 3 work streams:

- Workstream 1: Procurement; and
- Workstream 2: Productive Time; and
- Workstream 3: Corporate Services⁶

⁶ There are retained support services in OGC contributing to its efficiency target. Other elements of OGC's original corporate services projected efficiency savings have been transferred to Treasury Group corporate services.

3.7 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
Procurement	0.4
Productive Time	1.9
Corporate Services	1.2
Total	3.5

Workstream I	Productive Time
Activity	Improving resource utilisation.
Approach	<ul style="list-style-type: none"> • Reduce spending on consultants by bringing on own talent.
Measures	<ul style="list-style-type: none"> • Reduction in costs; • Reduction in spend on consultants; • Number of secondees in organisation; and • Increased usage of electronic data storage. <p>Quality measure: Staff attitude survey to indicate maintenance of service levels.</p>
Monitoring	<ul style="list-style-type: none"> • Monthly financial management information reports; • Monthly HR report; and • Regular updates by project owners.
Data Sources	<ul style="list-style-type: none"> • Financial management information system; • HR information system; and • Workspace/ICT project reports and metrics.
Quality & Validation	<p>Monthly figures are collated and reported to the Investment and Implementation Board (IIB) on staff numbers including unallocated, temp staff, secondees and permanent headcount. Financial measures are reported by project workstream owners and, where appropriate, efficiency savings are reflected in the Departmental Unallocated Provision. Resources from this are authorised by IIB. Validation by Finance of savings claimed by project owners. In addition to IIB considerations, the OGC Performance Scorecard tracks OGC's progress against its targets.</p>
Baselines	2003-04/2004-05 spend and staffing figures.
Timeframe	2004-2008

Workstream 2	Procurement
Activity	Securing better value for money.
Approach	<ul style="list-style-type: none"> • Secure efficiency gains through shared contracts including sharing current contracts across central civil government and exploring opportunities as contracts come up for renewal. • Secure better discounts/services on catalogue/framework purchases through aggregation of family spend. • Negotiate better individual deals with specific suppliers. • Automate internal processes – purchase orders and e-invoicing. • Apply OGC best practices on implementing e-commerce, e-catalogues, corporate card use and e-auctions. • Participate in e-auctions to deliver better VFM.
Measures	<ul style="list-style-type: none"> • Reduced costs through shared contracts; • Reduced costs through negotiation, e-auctions etc; • Reduced transaction costs; and • Reduced contractor costs using Government Procurement Card, catalogues etc.
Monitoring	<ul style="list-style-type: none"> • Monthly report by Procurement team of savings and other Key Performance Indicators; and • Monthly financial management information reports.
Data Sources	<ul style="list-style-type: none"> • Corporate contract management information; • Procurement management information system; • Finance information system; and • Government Procurement Card management information.
Quality & Validation	Internal Audit validate efficiency savings.
Baselines	2003 – 04 spend
Timeframe	2004 - 2008

Workstream 3	Corporate Services (OGC)
Activity	Restructuring Corporate Services.
Approach	<ul style="list-style-type: none"> • Combine programme offices into 1 OGC integrated Programme Office. • Centralise management of printing, design and publications and centralise communications team. • Improve efficiency of Single Service desk. • Rationalise admin support across OGC and share admin support across divisions. • Appoint Group Heads of Finance and Procurement, HR, IS, Estates and Internal audit to merge with HMT to form new Group Functions by November 2006 (Achieved)
Measures	<ul style="list-style-type: none"> • Reduction in staff numbers; • Savings (£) on salary and administration costs v baseline; and • Number of events held and event spend.
Monitoring	<ul style="list-style-type: none"> • Monthly reporting by HR on staff numbers including reallocated and temp staff by contract type; • Monthly financial management information reports; and • Regular updates by project owners.
Data Sources	<ul style="list-style-type: none"> • HR information system; • Financial management information system; and • Highlight reports to project board.
Quality & Validation	<p>Monthly figures are reported to the Investment and Implementation Board (IIB) on staff numbers, including unallocated, temp staff, secondees and permanent headcount.</p> <p>Financial measures are reported by project workstream owners, and where appropriate, efficiency savings are reflected in the Departmental Unallocated Provision. Resources from this are authorised by the IIB.</p> <p>Validation by Finance of savings claimed by project owners.</p> <p>Staff attitude survey to indicate maintenance of service levels.</p>
Baselines	2003-04/2004-05 spend and staffing figures
Timeframe	2004-2008

4

OGCBUYING.SOLUTIONS

Introduction

4.1 OGCbuying.solutions (OGCbs) is OGC's Executive Agency with Trading Fund status. OGCbuying.solutions exists to save money for public sector organisations – it does this by buying goods and services that are better bought on a pan public sector basis rather than by individual organisations. It delivers via three mechanisms:

- Framework contracts that can be used by public sector organisations to buy goods or services – eg mobile phones.
- Provides managed services – eg the Managed Telephony Service.
- By negotiating public sector wide non-binding Memorandum of Understanding with global IT companies – such as Oracle and Microsoft.

Programme Monitoring

4.2 OGCbs has put in place a Steering Group to monitor, through an agreed reporting approach, progress against the targets and milestones developed in individual project plans. They are responsible for driving change and providing high-level direction to the owners of the workstreams. The SRO, the Director of Corporate Services, is responsible for ensuring that the programme meets its objectives and delivers the projected benefits, managing, with assistance from the Financial Controller, the day-to-day running of the internal programme, including the location review. The Steering Group is completed with the addition of the Agency Programme Manager. The OGCbs Chief Executive reports progress to the OGC Chief Executive on a regular basis through the year.

Financial Monitoring Process

4.3 The Director of Corporate Services, assisted by the Financial Controller, 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 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 The OGCBs chapter of the technical note is divided into three workstreams representing the areas where the organisation anticipates securing efficiencies: procurement, productive time and corporate services⁷. The measures quantified represent recurrent efficiency gains of £1.8 million per annum.

Workstream I	Procurement
Activity	Procurement systems & processes
Approach	<ul style="list-style-type: none"> • Move to electronic processing of invoices and increased use of GPC following acquisition of new finance system releasing transactional process costs. • Promote the use of shared contracts by working with OGC and the HMT family to encourage the use of its frameworks and catalogues. • Reduce procurement of consultants by ensuring internal capabilities have been developed through training and recruitment. • Reduce travel costs through greater use of video conferencing in view of recent investments in new technology. • Reduce events management costs by exploring the possibility of sharing the service with OGC.
Measures	Reduction in procurement costs
Monitoring	<ul style="list-style-type: none"> • Budgetary monitoring system • Procurement database • Financial reports to Management team meetings
Quality and validation	<p>Annual Statutory Accounts</p> <p>Monthly scrutiny from the Efficiency Steering Group & Management Steering Group & bi-monthly scrutiny from the Management Board.</p>
Baselines	2003 – 04 budget
Timeframe	2004-2008

⁷ The OGCBs corporate services efficiency workstream relates primarily to finance and IS systems that are specific to OGCBs' activities as a trading fund, and which are not transferring to Treasury Group Corporate Services. Therefore the workstream remains with OGCBs.

Workstream 2	Productive time
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 departments' efficiency delivery plans in the area of procurement.
Measures	Ratio of internal costs to value for money improvements
Monitoring	Monthly financial reports Management team meetings
Quality and 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"> • Finance - introduction of the new CODA finance system and retendering Internal Audit work • Human Resources – IT systems will be upgraded and more processes automated, creating efficiencies leading to a reduction in FTE posts • 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 • Administration - Merger of two of the OGCbs teams. • Shared Services – OGCbs will continue to actively examine the scope to find efficiency savings from sharing services with other Trading funds and government Departments. • 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.
Measures	<ul style="list-style-type: none"> • Reduction in staff numbers • Relocation of staff numbers • Reduction in associated costs
Monitoring	<p>Budgetary and staff monitoring system</p> <p>HR systems improvement and monitoring</p>
Quality and validation	<p>Annual Statutory Accounts</p> <p>Monthly scrutiny from the Efficiency Steering Group & Management Steering Group & bi-monthly scrutiny from the Management Board.</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 The DMO’s planned contribution to the overall target is 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 and sits on the Group Finance Committee.

5.7 The DMO’s chapter of the technical note is divided into two workstreams representing the areas where the DMO anticipates securing efficiencies: procurement and corporate services⁸. Table 4 below sets out our current estimates of the level of efficiencies that we anticipate securing from each workstream by 2007-08.

⁸ The DMO corporate services efficiency workstream relates primarily to services specific to DMO’s debt management operations, which are not transferring to Treasury Group Corporate Services. Therefore the workstream remains with DMO.

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

Workstream	£m
Procurement	0.7
Corporate Services	0.3
Total	1.0

Workstream I	Procurement
Activity	Various initiatives involving more efficient use of externally sourced 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 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"> • 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	<ul style="list-style-type: none"> • 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	<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>Budget managers formally sign off headcount reduction figures as part of the processes of agreeing annual budgets. Payroll costs in the general ledger are validated monthly to staffing records by the Finance Manager.</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.

6

GROUP CORPORATE SERVICES

Introduction

6.1 As part of the Treasury Group's response to the 2007 Comprehensive Spending Review, a series of zero based reviews were undertaken across the Group, including reviews of corporate services. A Group Shared Services Programme has been established to implement and build upon the efficiency opportunities identified through the reviews. The programme is being overseen by a Programme Implementation Board (PIB), which is jointly chaired by the Treasury Director of Operations and the OGC Deputy Chief Executive and includes senior representation from DMO and OGC.buying.solutions. A Group Head of Finance and Procurement was appointed in August 2006, Group heads for IS/ICT and Estates were appointed in September, a Group head of HR was appointed in October, and a Group Head of Internal Audit was appointed in November⁹.

6.2 Group corporate services are expected to enable further efficiencies, building on the work already done separately at each of the Group bodies, from (inter alia) sharing of software, increased buying power, and reductions in the number of line management posts.

6.3 In line with the centralised management of Group corporate services that will be implemented during the second half of 2006-07, the efficiency plans for these Group corporate services are now shown together. The relevant corporate services elements within the planned contributions of individual Group bodies to the overall efficiency target have been transferred to the new Group corporate services section. As the plans for the five services develop, the expected contribution from Group corporate services may be increased.

Table 5: HM Treasury Group corporate services projected efficiencies by 2007-08

	£m
Planned contribution transferred from Core Treasury	1.0
Planned contribution transferred from OGC	0.5
Treasury Group Corporate Services total	1.5

6.4 Future plans for the Group Shared Services Programme over the CSR07 period will explore further substantial efficiencies arising from the merged functions including new working practices and rationalisation of the Group Estate.

⁹ The approach to Group Internal Audit has not yet been developed in detail. The measures, monitoring methods, data sources etc for Group Internal Audit will be similar to those for the other group corporate services, as set out in the following tables.

Workstream I	Group Corporate Services – Finance and procurement
Approach	The Group Finance and Procurement function will build on the shared accounting system implemented at the start of 2006-07 to achieve further efficiencies. Plans include further standardization and automation of processes, securing benefits from the accounting system; and combination of functions in single locations, under single line management, reducing the number of management posts.
Measures	<ul style="list-style-type: none"> • Savings (£) in costs • Improved performance against government benchmarks; <p>Output quality measures include;</p> <ul style="list-style-type: none"> • Timeliness of management information; • Timeliness of year end resource accounts; • Accuracy of Estimates; and • Payment performance.
Monitoring	Monthly reporting to the Project Implementation Board
Data sources	HR monthly staff in post reports, monthly financial management information.
Quality & Validation	Monthly staff in post information is provided to the Group Operations Committee and the Board by the HR team. Monthly financial management information including cost of staff and detail on non-staff costs is provided to the Group Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system. Summary level staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.
Baselines	2003-04 aggregate cost of Finance functions across the Group and processes provided by financial management information.
Timeframe	2004 – 2008

Workstream 2	Group Corporate Services – Human resources
Approach	The Group HR function will merge, integrate and share HR services in core Treasury and OGC where there are benefits to the Group as a whole. Group Head of HR has been appointed to take forward the planning and implementation of this work.
Measures	<ul style="list-style-type: none"> • Improved performance against government benchmarks • Savings (£) in costs <p>Output quality measures include:</p> <ul style="list-style-type: none"> • Annual staff attitude survey results to monitor service levels.
Monitoring	Monthly reporting to the Project Implementation Board
Data sources	HR monthly staff in post reports, monthly financial management information.
Quality & Validation	Monthly staff in post information is provided to the Group Operations Committee and the Board by the HR team. Monthly financial management information including cost of staff and detail on non-staff costs is provided to the Group Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system. Summary level staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.
Baselines	2003-04 aggregate cost of HR functions across the Group and processes provided by financial management information.
Timeframe	2004 – 2008

Workstream 3	Group Corporate Services – Information Services (IS)
Approach	The Group IS function will merge, integrate and share IS services in core Treasury and OGC. A Group Head of IS has been appointed to take forward the planning and implementation of this work.
Measures	<ul style="list-style-type: none"> • Improved performance against government benchmarks • Savings (£) in costs <p>Output quality measures include:</p> <ul style="list-style-type: none"> • Annual staff attitude survey results to monitor service levels.
Monitoring	Monthly reporting to the Project Implementation Board
Data sources	HR monthly staff in post reports, monthly financial management information.
Quality & Validation	Monthly staff in post information is provided to the Group Operations Committee and the Board by the HR team. Monthly financial management information including cost of staff and detail on non-staff costs is provided to the Group Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system. Summary level staff in post figures are reported in Treasury's Departmental Report. Staff costs are set out in the annual accounts.
Baselines	2003-04 aggregate cost of IS functions across the Group
Timeframe	2004 – 2008

Workstream 4	Group Corporate Services – Estates
Approach	The Group Estates function will aim to make the most effective and efficient use of the Group's premises, including co-locating staff of different Group bodies where appropriate. The Group head of Estates has already been appointed to take forward the planning and implementation of this work.
Measures	<ul style="list-style-type: none"> • Savings (£) in costs • Reduction on utilities consumption on a year-on-year basis. • Improved performance against government benchmarks and the OGC Property Benchmarking Service <p>Output quality measures include:</p> <ul style="list-style-type: none"> • Annual staff attitude survey results to monitor service levels.
Monitoring	Monthly reporting to the Project Implementation Board.
Data sources	Monthly financial management information.
Quality & Validation	Monthly financial management information including detail on non-staff costs is provided to the Group Finance Committee and the Board by the Finance Team and is available to budget managers from the accounting system.
Baselines	2003-04 aggregate cost of Premises across the Group provided by financial management information.
Timeframe	2004 – 2008