



Government Actuary's Department
www.gad.gov.uk

Efficiency Review

EFFICIENCY TECHNICAL NOTE

October 2005

1 Executive Summary

GAD as a fees and charges body has taken the position that it is better for the organisation to find efficiency gains than to focus on efficiency savings. We have identified gains in frontline activity where individual resources will put to help deliver client requirements.

We have continued to push back office functions into direct frontline support. In addition we have successfully pursued shared services and now provide chargeable activities from our central administration team. We have made further significant savings on our rent and facilities charges with the release of a further floor of our building to a sub-tenant. This has allowed us to reduce our fee increases for 2005/2006.

GAD is very conscious that it operates in a competitive market and must ensure that systems and processes are as up to date as possible. During the year a number of significant IT system changes and general improvements to process have taken place with further enhancements on target to deliver additional improvements to systems by March 2006.

Our benchmark for success will be to deliver the same high quality service to our voted customers as we do at present but to charge a smaller amount to the vote. Changes to the vote position will be reported later in the financial year once the full effect of all the recommendations in the Morris Review have been implemented.

2 Background to the work of GAD

What we do and our key objectives

The Government Actuary's Department's (GAD's) fundamental aim is:

To provide mainly public sector clients with independent, professional, actuarial advice of the highest quality.

The Management Board views the continuing focus on public sector work as key to the future of the Department but also recognises that a wider customer base makes an essential contribution to ensuring the on-going financial viability of the Department and maintaining the cost-effectiveness and efficiency of the services GAD can offer to other government departments.

The Management Board confirms that our key objectives are

- To offer high quality client-orientated service to clients at all times
- To maintain the highest standards of professionalism and relevance in the giving of actuarial advice
- To provide clients with value for money in the provision of actuarial services
- To maintain a well-trained and well-motivated staff with up-to-date skills and expertise

Our UK market continues to be dominated by pensions advice to clients in Central Government, Wider Government and the rest of the public sector, supplemented with a few private sector clients (primarily organisations which had origins in the public sector). We continue to have heavy demands from public sector employers for advice on the design and financing of pension arrangements and the treatment of pension costs in their accounts. The last few years have seen a significant increase in our consultancy work for the Department for Work and Pensions (DWP), driven by DWP's need for actuarial input to the substantial programme of private pension reform currently going through Parliament.

Internationally, the main activities of the Department are social insurance, pension reform and pension and insurance regulation. GAD has some capacity also for other life and general insurance work (e.g. currently for the Inland Revenue), demography, risk management and the financing of health care.

How we are funded

The Government Actuary's Department has operated on a full fees and charges basis since 1989 and became a Net Regime Department in 1995. In 2004/05 the Department received direct revenues through Appropriations-in-Aid of almost £8.6 million against an expenditure of £9.6 million. The difference represented the Net Resource Requirement on vote (£1.071 million). From this, our Net Cash Requirement was £880k.

The funding we receive from Parliament covers a series of statutory duties undertaken by the Government Actuary and his team and other activities where it is considered that many departments or government generally benefit from the work undertaken. We refer to these activities as 'core work' – our HM Treasury Spending Team also use this term.

The type of work undertaken as 'core work' includes the official population projections of the United Kingdom and its constituent countries, along with associated demographic work and the Occupational Pension Scheme Survey. Many of these activities are due to move to other Government Departments following recommendations made by Sir Derek Morris earlier this year. There are a few other minor activities relating to parliamentary duties that are covered by this term.

3 Our Efficiency Gains – How our Resource Budgets will change

Government Actuary's Department offers consultancy services to mainly public sector clients in both the UK and overseas. We keep our costs down to ensure we offer value for money. Our efficiency plans are targeted to free the administrative burden on our fee earning staff, allowing them to deliver more chargeable hours to clients. By having a higher charge-out ratio we can limit the increase to charges each year.

Spending Review 2004 – Resource Savings

When setting our resource budgets for Spending Review 2004 we went back to basics and recast all of our expectations about funding. We rechecked our salaries, our general expenses and the consequent values of our non-cash items.

Setting our budgets in this way allowed us to also reflect changes to staff numbers and make calculated assessments of pay awards for the future. We have also been able to negotiate future contract prices with our major suppliers and to record maintenance contract savings by the implementation of new IT systems.

Overall, this has resulted in a baseline requirement as shown below -

In resource terms, we had an agreed baseline for 2005/2006 from Spending Review 2002 of £1,127k (resource Del) and £238k (capital Del).

4 Back Office Function

Our high level goals are -

- Consolidate functions (procurement is currently somewhat dispersed across the office)
- Provide new IT systems where these are expected to improve efficiency (a replacement for our pensions valuation system is due to be rolled out this year)
- Use contracts from OGC and OGDs where these offer real savings to the Department (build on the Mowlem FM contract and our use of the MoD contracts).
- Take more support functions from actuarial teams into the corporate centre (preparing covering letters/reports for clients to accompany invoices, handling large volume print/copy jobs in the centre).
- Examine ways of outsourcing work packages but only if this offers real savings (look at a bureau service for payroll or providing a system in-house).
- Make the 'overhead costs' of the corporate centre reduce year on year from 14% (2002/03) to 10% (2007/08). Some consolidation of tasks in the corporate centre and providing more support from the centre to free up frontline staff for chargeable work.

Specific activities and changes to how we operate are shown below. These relate in part to the resource budget savings noted in the previous section but in the main would just provide a more efficient service to our client base and meet our business needs to improve our client satisfaction ratings.

Information Manager Research Function

During a survey of the whole Department, one request for support from our frontline team was in the area of Research & Development. There is a feeling that too much time is being lost from frontline delivery on research duties.

We have therefore identified that effective from 1st October 2004, 30% of the resource of our information management team will be devoted to paper and electronic research either directly for our customers or for our frontline teams.

Loss of a member of staff on a casual contract

In our detailed planning for Spending Review 2004, we identified one post (casual) to be lost in 2004/2005. This post, in finance, is due to be lost in August 2004 and will not be replaced. The reduction of budget for this post is reflected in the revised baseline costs.

Additional person in Client Liaison

Our client liaison team currently provides support directly to our frontline teams to provide contractual advice and guidance along with dealing directly with client queries on contracts and billing. This team already has two people working in it and we would look to add another full time post in April 2005/2006. This person will be taken from our existing back-office complement.

Unification of Procurement Function

A great deal of effort has been in addressing the need to supply more efficient and cost effective procurement functions. We have therefore decided to unify the procurement from around the office into a single person. We would also introduce into the office a purchase order processing and requisitioning system which will, we believe, simplify the procurement and invoice matching process.

There are a number of steps in this activity which will take us from August 2004 until March 2005 to complete. Back office staff time savings are expected to be found almost immediately as noted in the cost proposals for this efficiency gain.

Our timetable for all of these changes is noted on the attached project schedule

We hope to be installing a new pensions valuation system during 2004/2005 but as this is not guaranteed (further development work may be required) and is a highly bespoke solution, it has not been included in these proposals.

Sale of shared services (corporate functions)

For a significant period we have 'sold' internal audit services to another government body. With the introduction of a new subtenant into the building leased and managed by GAD we have created an opportunity to sell some corporate services in addition to this. We will be providing IT Support, Finance, Internal Audit, Payroll and Strategic Financial planning along with Office Services as part of the rental agreement.

5 Other Budget Adjustments

Since the issue of the previous Efficiency Technical Note we have made further savings on spending.

Savings on contracts and outsourcing

The Department currently has an outsourced Facilities Management contract with Mowlem FM – this was awarded through competitive tender in 2003 and has a three year term. As part of our commitment to value for money in the services we offer, this contract is regularly reviewed and will be available for re-tender in 2006/07.

The Department also uses National Computer Centre (NCC) to host our internet site as this provides resilience and cash savings against providing the service in-house.

We have also outsourced our stationery ordering and supply to Anglo Group and have noted savings of £34k in year (2004/2005). This is expected to continue in future years.

- The Management and Development training courses are run in-house saving some £40k per annum).
- The Management Information System, purchased in 2003, allowing us to provide an integrated finance system along with a workflow system for Business Process Re-engineering. Purchase order processing is expected to go live on this system in the current financial year. We have also made savings of £15k per annum on maintenance charges (previously we maintained two separate systems).
- We have linked into existing contracts with the MoD for the supply of new office furniture along with the disposal of surplus stocks (fully written down items of furniture which are surplus to requirement). This contract provides a 40% saving on list price.
- Additionally, we source the supply of any new goods and services through the G-Cat or S-Cat lists. Recently we purchased the Livelink solution for Electronic Records Management through G-Cat.

Project Management and getting IT right

In 2003 we created a separate IT Projects team to manage all major systems projects in the Department. We have adopted the OGC Gateway review mechanisms to evaluate risks to our projects through their lifecycle and have also asked our Internal Auditor to undertake Post Implementation Reviews of major projects to ensure that the Department achieved best value for money. In 2005 we have linked this small team with our Information Management team to make a Business Systems team who ensure that all systems implemented in GAD provide linked and sympathetic connections to existing systems. This ensures we can all do our jobs more efficiently.

6 Direct Projects and other deliverables

Human Resources

- A revised performance management system and supporting procedures has been piloted in the Department. Subject to further changes this will go live in 2006.
- The payroll solution went live in November 2004 and has been successfully used by GAD since.
- Successful completion of the liP re-accreditation occurred in November 2004.
- HR self-service modules are still being tested and should go live in 2006.

Finance

- The Management Board now receive better reports directly from our finance system.
- A revised timesheet solution is providing us with a unified flexi and time recording system.
- The upgrade of our Management Information System to the next version, allowing us to introduce a more adaptable workflow package is still scheduled to happen this year. The package will be the basis of integration between systems within the office. Also develop more electronic forms to be used in the workflow system.
- Project Manager access will then be available.
- Centralise the procurement function to ensure value for money on contracts and efficient payment of invoices maintained with the installation of the new Purchase Order Processing module.

Office Services (Accommodation, Information Management, etc)

- Finalise all the work on paper records and to continue to develop the Corporate File Plan alongside the purchase and installation of the new Electronic Records Management system. First pilot of system has already taken place – further rollouts before the end of the year.
- To achieve BS7799 accreditation during the year. In addition, to finalise the Business Continuity plans in the light of our occupation of Finlaison House.
- To work with the facilities management company (Mowlem), to gain best value for money services through the Front Desk/Receptionists.

Computer Services (projects not already mentioned above)

- Continue to update hardware and software desktop systems in line with our 3 year depreciation policy.
- Remote Access System. Users will be able to access the GAD network from a web browser using a secure Virtual Private Network (VPN) system. This will allow full access to the networked files and applications held in GAD and will be secured by a GCHQ accredited system. This has also allowed remote offices to be set up for GAD employees.
- Server Upgrade. The main server will be upgraded to provide more network space to provide resilience. A duplicate server is now scheduled to be installed in Hounslow by the end of November.
- The intranet will be replaced by the electronic record and document management system (EDRMS).

7 Measurable and Auditable

We have continued to review our budgets and our expenditure plans each year from a zero based approach. We are employing more staff on our fee earning teams and are operating with reduced back office staff (some people have already moved to frontline delivery from our support services).

Our baseline figures have been adjusted to reflect the savings made on the figures already passed under SR 2004. This gives HM Treasury an opportunity to measure our achievement against target.

Although GAD has fully met the requirements of the Gershon Efficiency Review in 2005/2006, we will continue to monitor our contracts and progress systems development to improve our value for money even further. The measure of this success will be the continuing use of GAD as a supplier by our government and wider public sector client base.

8 Summary of Financial Savings

Work-stream Procurement

Workstream	Procurement				
Activity	Value for money on contracts				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	Bringing the Management Development Programme in house - savings on other purchases	0.040	0.001	0.001	0.001
	IT systems savings	0.025	0.042	0.026	0.026
	Filing solutions	0.025	0.001	0.001	0.001
	Total savings per year	0.090	0.044	0.028	0.028
	Total savings cumulative	0.090	0.134	0.161	0.189
	Total savings (GDP deflators applied)	0.097	0.145	0.175	0.204
Cashable	Yes				
Type	Same quality of service for smaller costs. More flexible training provision allows the delivery of one to one sessions which will help our fee earners. Savings on other contracts (IT systems and furniture) [Filing solutions, Pensions Valuation software, EDRMS package]				
Measures	Check the expenditure on the Management Consultancy budget against the 2003-2004 level - Details of contracts/invoices for other solutions.				
Monitoring	Report to management board every 6 months on expenditure against this target				
Data Sources	Financial summaries and details from Open Accounts				
Quality	Check the quality of the new in house training provision by reference to the feedback sheets from the attendees				

Note

GAD have a number of other contracts let through OGC arrangements or with arrangement with Other Government Departments. These, we estimate, save the Department at least £20k per year on list prices based on figures for 2003-2004.

Since 2004/2005 forecasts, GAD have purchased products against OGC contracts and have saved a further £41.5k. The pensions valuation software will continue to provide £25k per annum savings over the review period.

Workstream	Procurement				
Activity	Consolidation of Procurement Function				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	Consolidating the Procurement function (saving 1/3 of a person)	-	0.008	0.000	0.000
	Total savings per year	-	0.008	0.000	0.000
	Total savings cumulative	-	0.008	0.008	0.008
	Total savings (GDP deflators applied)	-	0.009	0.009	0.009
Cashable	No - efficiency savings pushes support staff to frontline work				
Type	Faster and more efficient procurement service. Requisitioning done online in future. Purchase Order Processing used in future.				
Measures	Redeploy staff to other tasks. Implement new POP system and roll-out to office.				
Monitoring	Report to management board every 6 months on achievement against this target				
Data Sources	Staff changes in organisation and volume of orders made by POP system.				
Quality	Spot check through Internal Audit of finance functions during year and confirmation of External Audit results.				

The rollout of this deliverable is delayed by the implementation of the new software solution.

Work-stream Productive Time

Workstream	Productive Time				
Activity	Loss of Casual staff member				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	Loss of Casual staff member (1 person lost from support complement)	0.007	0.013	0.001	0.001
	Total savings per year	0.007	0.013	0.001	0.001
	Total savings cumulative	0.007	0.020	0.021	0.021
	Total savings (GDP deflators applied)	0.008	0.021	0.022	0.023
Cashable	Yes - reduced salary bill for support personnel				
Type	Staff reduction due to improved system efficiencies				
Measures	Support staff salaries measured against 2003-2004 benchmark				
Monitoring	Report to management board every 6 months on achievement against this target				
Data Sources	Staff support levels and salary bill for central services				
Quality	Spot check through Internal Audit of finance functions during year and confirmation of External Audit results.				

The saving in 2004/2005 was £7k rather than the predicted £9k. Savings are on target for 2005/2006.

Workstream	Productive				
Activity	Shared Services Sales of Corporate Functions				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	Selling IT support, Finance, Internal Audit, Payroll and Strategic Finance services - offset by the purchase of communications services	-	0.067	0.103	0.107
	Total savings per year	-	0.067	0.103	0.107
	Total savings cumulative	-	0.067	0.170	0.277
	Total savings (GDP deflators applied)	-	0.072	0.184	0.299
Cashable	No - this function allows us to reduce the cost of our overheads and thus limit fee increases for our client services				
Type	Additional duties from each officer in GAD to provide corporate services to our sub-tenant.				
Measures	Income on Shared Services will be recorded separately.				
Monitoring	Report to management board every 6 months on achievement against this target				
Data Sources	Income for shared services				
Quality	Spot check through Internal Audit of finance functions during year and confirmation of External Audit results.				

This efficiency saving only covers one client for GAD services - we are looking for others

Work-stream Policy

Workstream	Policy				
Activity	Increased Client Liaison complement				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	Move of additional person from Support to Client Liaison (1 person lost from support complement)	-	0.072	0.002	0.002
	Total savings per year	-	0.072	0.002	0.002
	Total savings cumulative	-	0.072	0.074	0.076
	Total savings (GDP deflators applied)	-	0.078	0.080	0.082
Cashable	Yes - reduced salary bill for support personnel				
Type	Additional person to deal with customer queries and set up contracts/agreements with customers.				
Measures	Support staff salaries measured against 2003-2004 benchmark				
Monitoring	Report to management board every 6 months on achievement against this target				
Data Sources	Staff support levels and salary bill for central services				
Quality	Spot check through Internal Audit of finance functions during year and confirmation of External Audit results.				

We have now moved two members of staff from our back office team to client liaison activities

Summary of all gains against the Efficiency Agenda

Workstream	Summary of all gains				
Target	Savings £m				
		04/05	05/06	06/07	07/08
	All efficiency savings	0.097	0.220	0.134	0.137
	Total savings per year	0.097	0.220	0.134	0.137
	Total savings cumulative	0.097	0.317	0.451	0.589
	Total savings (GDP deflators applied)	0.105	0.343	0.488	0.637
Cashable	In part - but most savings will attribute to fee reductions				
Type	Procurement, Productive and Policy				
Measures	Individually recorded				
Monitoring	Report to management board every 6 months on achievement against this target				
Data Sources	Various				
Quality	Spot check through Internal Audit of finance functions during year and confirmation of External Audit results.				

Our forecasts have increased due in the main to more savings on contracts along with sales of shared services (amounting to an extra £277k over 3 years)