



Government and DH Efficiency Controls

Guidance for arm's-length bodies (ALBs)

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Government and DH Efficiency Controls

Guidance for arm's-length bodies (ALBs)

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Background

(a) Cabinet Office

The Efficiency Controls were introduced by the incoming Government in May 2010 as part of a plan to secure some £6 billion of efficiency savings in 2010-11. The controls placed immediate freezes on external recruitment, new consultancy spend, new ICT projects over £1 million and paid for communications, advertising and marketing activity. In addition, they introduced tighter controls over procurement, property, pay and business travel. The controls applied to all Departments and their arm's length bodies.

In March 2011, the Cabinet Office announced that the controls would remain until March 2015.

(b) The Department of Health

The Department of Health introduced the controls across the whole of the Department and its ALBs in May 2010 and has, in places (for example, professional services), extended the scope of the controls beyond that imposed by Cabinet Office. As the controls have been developed or amended the Department has issued updated guidance both internally and to its ALBs.

In the foreword to the latest version of the guidance, Richard Douglas set out the benefits of the controls as having led to "greater transparency and scrutiny of expenditure ... DH and ALBs have made significant savings through the operation of the controls, allowing us to maximise the level of resources available for the health and social care frontline and without an adverse impact of the achievement of our business objectives." He also explained that the "efficiency control measures have a key role to play in helping us to achieve the required savings" (i.e. a reduction in total administration costs of one-third by 2014-15).

Since the controls were introduced it has been accepted that a "significant consequence ... involves putting hurdles in place that will inevitably slow things down or stop them altogether ... although we will seek to apply the controls as efficiently as possible, we should not expect the same throughput at the same pace or with the same outcomes as we have experienced before. The process may feel burdensome. They are, however, an essential part of the way in which we now have to operate."

(c) The Review

In July 2012, the Department issued further guidance that reflected changes introduced following a review of the efficiency controls instigated by Richard Douglas with the objectives of:

- creating a single point of contact for all controls which would act as the link to ERG in the Cabinet Office

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- ensuring that all controls are adequately communicated, managed, tracked and reported
- streamlining the approvals and procurement processes, with target timescales for handling requests for approvals
- delivering greater delegation to ALBs (through earned autonomy) with assurance managed by DH to ensure that ALBs apply proper internal controls, maintain records and undertake reporting

The review applied to controls relating to consultancy, procurement, professional services, ICT and marketing and media but did not cover recruitment or staff related controls. A summary of the position in relation to each of those controls is set out below.

1. ICT controls

Cabinet Office Control

Any ICT spend over £5 million and, specifically, any ICT spend over £1 million on systems that support administration (including finance, HR or procurement activities or upgrades and hosting contracts for such systems) requires the approval of the Efficiency and Reform Group (ERG) in the Cabinet Office.

This applies to all contracts and projects where ICT is a key element to deliver the scope and service or outcome. New ICT spend includes any new ICT contracts, contract amendments, contract extensions, feasibility and/or proof of concept studies, pilots, projects and programmes. It also covers using existing framework contracts to purchase ICT. No new OJEU notices should be issued to imply that ICT based contracts will be started without the express permission of the ERG.

The Cabinet Office have also introduced new requirements to align departmental ICT spend with the Government's new ICT Strategy. The CIO Delivery Board is developing a set of core ICT commercial and common infrastructure solutions and standards, which will affect spending on ICT systems. All departments, agencies and NDPBs must move to adopt these solutions and standards for all ICT spend as they update/renew their existing systems, unless exempted by the Cabinet Office.

Department of Health Control

In addition to the Cabinet Office controls above, all business cases involving ICT related expenditure of more than £100,000 (but below the financial thresholds requiring ERG approval) should also be submitted to the Department's Estates and Information Services (E & IS) who will review the proposed spend and provide advice. All business cases with ICT expenditure in excess of £100,000 must pass through this route prior to seeking financial approval. This includes change controls or new orders to modify or extend existing ICT or ICT based services.

DH E & IS colleagues will review all ICT spend and commercial engagement on a contract-by-contract basis, identifying re-use capability and confirming whether a suitable solution already exists. Where any ICT spend is over £5 million or over £1 million on systems that support administration DH E & IS will arrange for Director General/Permanent Secretary approval before approval is sought from the Cabinet Office ERG.

The controls apply to the whole of the Department except for NHS facing systems and services provided by Connecting for Health. There are separate but similar arrangements managed through NHS Informatics into the DH PPM CofE.

ALB controls

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The controls that apply to the Department also apply to ALBs who are required to consult with the Department on all ICT spend over £100,000 to ensure that both the Department is sighted and the controls for centralised procurement are complied with.

Other issues

Anyone planning on undertaking an ICT related procurement should ensure that PCOE are sighted on the project at an early stage.

Where a business case is being produced for ICT expenditure and the project for which the case is being written requires additional resources either to procure, deliver or operate the project then the case should also include full details of such requirements to prevent the need for a later professional service business case. Any such requirement should be discussed with the professional service control team (see below).

Process

- business case is passed to Neil Dench/Paul Newman for review. They will contact the business for any clarification that might be required
- a recommendation will be made to the Director of E & IS as to whether the central controls have been met and the request should be approved or not
- where the request is under the limits requiring ERG approval and is approved, a letter of support will be sent to the business on behalf of the Director of E & IS
- cases exceeding the Cabinet Office ICT spend control limits will need to be referred to the Programme and Project Delivery Centre of Expertise (PPD CoE: PPD@dh.gsi.gov.uk), but only after E & IS's recommendation has been obtained

i.

Cabinet Office/ERG reporting requirements

None at present however, records are being maintained should it become necessary.

Contacts

Neil Dench (0113 254 5505, neil.dench@dh.gsi.gov.uk) for general enquiries, review of ICT spend business cases and liaison with IPO regarding Cabinet Office approval.

2. Procurement

Cabinet Office control

With effect from the termination date of any existing or term contracts, or immediately if goods are procured on an ad hoc basis, all spending across government on common goods and services categories covered by central procurement strategies (energy, fleet, office solutions, travel, professional services, ICT, facilities management, communication services, food and construction) must take place through centrally-agreed contracting routes, in order to drive down prices and achieve savings through economies of scale. Exceptions will be permitted only where they clearly improve VFM for government as a whole. Over time, procurement will evolve to a "shared service" model.

Department of Health/ALB control

As above

Process

Department

- Full details of the DH procurement process are available on the procurement pages of delphi at:
<http://delphi.dh.gov.uk/delphi/FinanceandProcurement/Procurement/index.htm>
- PCoE will manage all procurement activity over £4,000 in value.
- All requirements must be discussed with Procurement Business Partners in PCOE as soon as they are identified to agree the most appropriate procurement route.
- Where there is a centrally agreed contracts/solution, it will be the default procurement route.

ALBs

ALBs must comply with all the procurement controls as agreed by the Procurement Improvement Project led by Karen Wheeler. This includes:

- use of the centrally agreed contracts/solutions
- the provision of a pipeline, detailing future procurement projects estimated to be over £113,000 in value (including individual requirements of the same type exceeding this amount when aggregated over time; this pipeline must include all projects irrespective of proposed procurement procedure (i.e. framework or OJEU)

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- ALB's should discuss Professional Services (excluding non core services) requirements with the ALB Procurement Business Partner based in PCoE

Cabinet Office/ERG reporting requirements

- Procurement spend and volume & type of procurements
- Procurement spend by supplier types i.e. SME/VCS
- Number of tenders and contracts awarded, published and exempted

Strategic Supplier Management and Disputes

The Cabinet Office leads on key relationships with central government's strategic suppliers. It has appointed a team of Crown Representatives to ensure effective leverage of the Crown's position and provide appropriate direction and escalation routes to guide departments' engagement with strategic suppliers. PICD has lead responsibility for ensuring that the Department and its ALBs comply with Cabinet Office guidance and requirements on strategic supplier management, ensuring that Crown Representatives are sighted on, involved in or otherwise provide their approval in their areas of interest in respect of:

- all plans for new spend on contracts over £5m
- contract extensions with a value over £5m
- any material changes to services resulting in major contract variation with a value over £5m and/or any dispute with a strategic supplier

This applies to expenditure and dealings with any of the government's strategic suppliers and other suppliers when they are providing banking services.

Shared Services Programme

A key component of both the Civil Service Reform Plan and the DH Transition Programme requires both the Department and all ALBs to participate in the Shared Services Programme. All ALBs (with approved exceptions in isolated cases) are required to participate and co operate fully in the Shared Services Programme and its initiatives, in order to maximise the scope for efficiencies across back office activities.

Contacts

- Procurement Business Partners (Business Partners will advise on procurement routes)

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- Paul Davies, ALB Procurement Business Partner (0207 972 5362, paul.j.davies@dh.gsi.gov.uk)
- Procurement Shared Services Board

3. Consultancy

Cabinet Office control

There is a freeze on all new consultancy spend unless it is deemed to be an operational necessity. All spend will require Departmental approval and, in addition, further approval is required from the Cabinet Office for:

- any consultancy spend to specifically assist with procurement with a value in excess of £20,000 (n.b. this does not apply to, for example, legal or financial firms providing advice on procurement)
- any consultancy contract that is extended beyond nine months and/or
- any arrangement by which a consultant (from a consultancy firm as opposed to an individual) is embedded within a Department (including providing interim services) for more than nine months

Cabinet Office is, shortly, to change the rules so that more consultancy cases will require their approval. In addition to the cases listed above, this will also apply to:

- any consultancy contract that lasts for more than six months and/or
- any consultancy contract for a value in excess of £500,000

In addition, all cases with a value in excess of £100,000 will need Departmental ministerial approval.

The definition of consultancy includes all services within the Cabinet Office classification category of "Professional Services Consultancy" including all sub-categories. Certain types of legal consultancy are also exempt, namely: legal advisory services provided by counsel (barristers); and legal services relating to civil or criminal litigation, any legal dispute (including disciplinary, regulatory or tribunal matters), inquiries or any matter of a contentious nature. All other legal consultancy is within scope. However, for legal consultancy see also the Departmental professional services control below.

Department of Health/ALB control

As above

Process

- the approval process for consultancy cases follows that for professional services (below)

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- cases requiring Cabinet Office approval should be discussed with PCoE who will advise on process, cases should be sent together with the Cabinet Office's template form
- Cabinet Office turn around time estimated as 28 days

Cabinet Office/ERG reporting requirements

Total amount of Consultancy spend to date, approved spend to date and total number of cases where the spend is under £20,000

Contacts

- Richard Duncombe (0113 254 5407, <mailto:richard.duncombe@dh.gsi.gov.uk>) for general enquiries about the process and extent of the control
- Procurement Business Partner (for enquiries about procurement methods)
- PCoE (for anything to do with Cabinet Office approval)

4. Professional Services

Cabinet Office control

The Cabinet Office control applies only to those services within the definition of Professional Services Consultancy and interim and/or specialist contractors provided by consultancy firms (see above).

Department of Health control

The Department has extended the Cabinet Office freeze on consultancy to certain other categories of professional services. All cases must demonstrate an operational necessity and be approved by Richard Douglas on behalf of the Departmental Board.

The controls apply to the following categories within the definition of Professional Services:

- Professional Services – consultancy
- Professional Services – temporary staff
- Professional Services – other, but note the simplified process for those services not regarded as core services (see the attached schedule for more details)

ALB control

The Departmental controls apply equally to all ALBs who are required to seek approval from the Department for all business cases for professional services.

Process

Details of the process are set out on [Delphi](#).

In summary:

Approval of the Statement of Operational Necessity (demonstrating that the underlying programme or project is a specific ministerial priority and that the services sought are required to deliver that programme or project), first by the relevant Director General or Chief Executive and then by the Consultancy Value Programme team (on behalf of Richard Douglas) which sits weekly.

Approval of the relevant sections of the rest of the business case by all of the following:

- PCOE Business Partner (sections A and C)
- HR Business Partner (section B)
- Finance Business Partner (section D)

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- Director General/Chief Executive (whole case)
- Richard Douglas (whole case under delegated authority from the Departmental Board)

Depending on the amount to be spent and/or the type of services to be procured, additional approvals may also be required from the following:

- Ministers (via Earl Howe) for all cases with a value in excess of £200,000 or, if for a interim/specialist contractor, the daily rate exceeds £900 (an annual sum of £200,000)
- HMT if the services have a value in excess of £500,000 and are to be paid out of programme funds then permission is required to use programme funds from HMT (although note that HMT approval is not required for the case itself)
- Cabinet Office (for certain consultancy cases – see above)

Once the preferred provider has been selected then the addendum to the case must be completed and approved.

Cabinet Office/ERG reporting requirements

Workforce/contingent labour – spend to date

Delegations

A number of delegations from the controls have been agreed since the controls were introduced which have now been extended to all ALBs. Details are set out in the attached schedule.

Contacts

- Richard Duncombe (0113 254 5407, richard.duncombe@dh.gsi.gov.uk) for general enquiries about the process and extent of the control
- Procurement Business Partner (for enquiries about procurement methods and progress of business cases)

5. Communications

Cabinet Office control

There is an on-going freeze on all new advertising and marketing spend. Cabinet Office agreement is required for any marketing and advertising spend over £100,000. Only essential activities will be approved. Essential activities include:

- where government has a legal duty to provide people with information, such as changes to legislation or public services
- where marketing and advertising is critical to the effective running of the Government
- where there is robust evidence that marketing and advertising delivers measurable outcomes that meet government objectives

The Cabinet Office definition of what counts as marketing and advertising expenditure is extensive – it refers to anything that is classed as paid-for communications activity, including the following:

- ii. all advertising including: TV; radio; digital advertising; outdoor; print; advertorials; recruitment; costs of media; fees and commission for media buying; media planning; creative development and production
- iii. marketing activities including: design and branding; direct and relationship marketing; customer relationship management programmes; telemarketing; campaign help lines; partnership marketing; sponsorship marketing; field or experiential marketing; merchandising; advertiser-funded programming; audio-visual activity; storage and distribution of marketing materials
- iv. communication strategy, planning, concept and proposition testing and development
- v. market research that informs marketing and advertising activity and evaluation of marketing and advertising activity
- vi. printing and publications
- vii. events, conferences and exhibitions
- viii. public relations (PR) activity

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- ix. digital activity including: website and application development; search engine marketing, including pay-per-click; digital display advertising; content partnerships; email marketing; mobile and SMS marketing; interactive online content

In addition, all new contracts for the supply of any government advertising and marketing services must be procured only through government frameworks approved by the Cabinet Office.

Department of Health control

All cases with a value greater than £5,000 require approval from the Department's Communications Control Panel.

ALB control

As above, however, only cases with a value in excess of £20,000 require the Department's approval.

For activity costing below £100,000, ALBs must work with the DH Communications Directorate to ensure that only activity that is covered by the exceptions criteria is approved (except in the case of recruitment marketing activity up to £40,000, for which ALBs now have delegated authority – see professional services). ERG approval is required for spending over £100,000.

Process

- in the Department and its ALBs, the Communications spending freeze is being implemented by the Communications Control Panel
- submit an exemption claim form to the Communications Control Panel by 4pm Thursday for consideration the following Tuesday. The form should have been endorsed by a senior Departmental official or equivalent from within an ALB.
- the panel will scrutinise the claim for value for money, robust objectives and measurable outcomes
- applicants are informed of the panel's decision shortly after the meeting and although they cannot appeal, they can revise their claim in line with feedback from the panel and submit their claim again
- spend with a value in excess of £4,000 must be procured by PCoE

Cabinet Office/ERG reporting requirements

The Cabinet Office recently asked all Government departments to publish approved ERG exceptions data from June 2010 to December 2011 on data.gov.uk

Contacts

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- Any queries about the panel or the communications spending restrictions should be directed to Madeleine Jamieson (Comms Control Panel secretariat), 0207 972 1474 (Mondays and Thursdays) and 0207 210 5856 (Tuesdays) or 07795390010 on Wednesdays and Friday mornings.
- Private office of Director of Communications, Sam Lister

Events

If you are planning an event you can reduce your costs by using a free venue on the government estate. For further information please go to the website address below:

<http://www.civilservice.gov.uk/about/improving/civil-service-local/shared-meeting-room-facility>

6. Schedule

Professional services classifications and derogations

Professional services

Professional Services Resources are defined by the Cabinet Office as including the following categories:

1. Professional services consultancy

The provision of management, objective advice and assistance relating to the strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such assistance will be provided outside the business as usual environment when in house skills are not available and will usually be time-limited. Services may include the identification of options with recommendations and/or assistance with (but not delivery of) the implementation of solutions.

Approval route post review: professional services business case process including Cabinet Office approval if appropriate.

2. Professional Services Temporary Staff (Admin and clerical, specialist contractors and interim managers)

Non-Departmental payroll (normally administrative and clerical agency) staff employed on an ad hoc or temporary basis to fulfil management requirements either in an administrative/clerical role or as a specialist contractor role within established Departmental posts. Interim managers tend to be used to fill existing posts. Their greatest use is within a programme or project environment or for management gaps.

Specialists and interim professionals are concerned with the fulfilment of particular functional or senior management positions within the organisational structure. They are a tactically deployed resource normally used, for example, to support programme delivery.

For the avoidance of doubt:

- business cases for temporary **administrative and clerical staff** - irrespective of how they are funded - are handled exclusively by the Recruitment Control Panel; and
- business cases for **specialist contractors or interim managers**, should be discussed in the first instance with HR, before being routed through PICD only, using the Professional Services Business Case, including where such resources fill 'business as usual' roles.

Approval route post review: professional services business case process (for all but admin and clerical roles)

Professional Services (other)

This category includes the supply of other services that require delivery by specifically skilled professionals. The proposal is to divide this category into three sub-categories, as set out below.

(a) Core services – legal services and all categories of financial services (for example, accountancy, audit, corporate finance and pension services).

Approval route post review: these services will still go through the professional services business case process.

(b) Business process outsourcing and other outsourcing services within the definition of professional services – a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or processes) to a third-party service provider.

Approval route post review: the professional service element of an outsourcing arrangement would typically represent a small part of a bigger transaction. If that main transaction requires approval of a business case (or submission to ministers) we suggest that such case or submission include a section specifically dealing with the professional service element. If that is approved no further case is required. If the professional service element is not covered in that way then the professional services business case process should continue to be followed.

(c) Non-core services – there are a number of other services that come within the definition of professional services (for example, environmental services, interpretation services, operational services, technical services and clinical support services) that are not regarded as core professional services and it is proposed to reduce significantly the approval route for such services.

Approval route post review: for any service which PCOE specifically agree does not come within the core service definition, a submission approved by Richard Douglas will be sufficient for the work to be authorised. Such submission should explain what services are required, why and for how long. It should also explain the cost and the procurement method. Wherever possible the submission should deal with the service requirement on a long term basis so that each individual requirement in a financial year would not require a separate submission. The submission should have the approval of (i) the relevant Director General (or Chief Executive) to the need, (ii) PCOE to the procurement route, and (iii) Finance to the availability of funding.

Services no longer covered by the definition of professional services.

Certain services have been recategorised and are no longer within the scope of the professional services controls. The major implications of which are that both market research

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and learning and development services are no longer included within the definition of professional services. Any requirements for these services should follow the controls that apply to such requirements.

7. Delegations

Following the review into the operation of the Departmental efficiency controls, ministers have agreed to extend to all ALBs the delegations from certain elements of the controls that have previously been given to certain ALBs. The delegations apply where the spend is either:

- a) regarded as transition specific; or
- b) not funded from Grant in Aid ("GIA"),

subject to compliance, by the ALB, with specific conditions.

a) Transition specific work

It has become clear that, to some extent, all ALBs are now involved in transition work, whether setting themselves up as new organisations or implementing the recommendations from various ALB reviews. The work arising from this is generally that which the ALB has no option but to undertake and we are keen to ensure that they should not suffer from unnecessary delays in progressing through the controls.

Accordingly, the transition specific delegation is to be extended to all ALBs as soon as they are able to demonstrate adherence with the conditions set out below. The delegation will apply to any work which the relevant sponsor team agree is necessary to implement the system wide reforms whether arising from legislation or a review into the functions of that ALB (i.e. it is not business as usual).

b) Non-GIA funded work

The efficiency controls are aimed at reducing central government spend. However, until now they have been applied to all ALB spend irrespective of whether such spend comes from expenditure funded by the taxpayer through GIA or expenditure funded from trading or other operating income. The controls potentially hamper ALBs' ability to take on and deliver non GIA funded activities, without a corresponding direct saving to the taxpayer.

Accordingly, the delegation given to those ALBs who receive a majority of their funding from non-GIA sources is to be extended to all ALBs, again, as soon as they are able to demonstrate adherence with the conditions below. It is proposed that ALBs and their sponsor teams should agree which specific work streams or deliverables are considered to be non-GIA work and the delegation should apply to all spend relating to such work.

Conditions

The delegations remain subject to compliance by ALBs with certain conditions and do not become operative until confirmed by the Department. ALBs must:

- establish an executive committee as a sub-committee of their main Board and chaired by the Chief Executive, to review and approve all cases for exceptions to the spending controls
- provide the Department with a quarterly forecast indicating the type, value and broad timing of planned expenditure covered by each of the controls, updated each quarter
- provide the Department with a quarterly report, signed-off by the Chief Executive, showing: all exception cases approved by the executive committee; a summary explanation of business need for each case; their whole life value; start and end dates; unit rates; and mode or route of procurement (using the same document as the forecast – see below)
- validate all exception cases for inclusion in the Department's periodic online publication of all such cases, in accordance with ERG requirements as part of the Government's Transparency Agenda
- manage their expenditure in accordance with the Department, Treasury and ERG requirements, standards and financial thresholds, including those governing the procurement of professional services such as benchmark unit rates to ensure VFM from professional services, and in line with the DH and ALB-wide programme to transform business support services
- provide the Department with the underlying business cases justifying the expenditure (which should be prepared using the Department's template forms where appropriate)

ALBS will have their delegated authorities withdrawn if they fail to meet any aspect of the above principles and the Government's overarching aims in the areas of spend covered by the efficiency controls.

Adherence with Cabinet Office controls

For the avoidance of doubt, the delegations referred to above would not apply to any business case which requires approval from either Departmental ministers and/or Cabinet Office/ERG and such cases should continue to come to the Department for approval. Details of the cases that require such approval are set out in previously issued guidance.

Process

ALBs wishing to take advantage of these delegations are advised to begin work on the pipeline of proposed work that will be subject to the delegation, put in place the committee and the process referred to above which is a prerequisite to obtaining the delegation and make contact with their sponsor unit. Paul Webster and Mike Yates, who led the review into the efficiency controls, will be happy to assist any ALB or any ALB sponsor team as they work through this process.

Forecasting of spend

Any ALB wishing to take advantage of the delegation is required to provide details of its forecasted spend on a quarterly basis. The Department has developed a template spreadsheet that is to be used by all ALBs. The form is designed so that it can also form the basis of the reporting on spend at the end of each quarter.

Ministerial sign off of forecasts

In approving the extension of the delegations, the Secretary of State was keen to ensure that controls remained in place over ALB spend and has, therefore, required that all forecasts provided by ALBs be shared with him before any spend set out in such forecast is incurred. ALBs should ensure that sufficient time is allowed to work through this process.