

NATIONAL SAVINGS: SERVICE DELIVERY AGREEMENT

A. Statement of Accountability

National Savings is an Executive Agency of the Chancellor of the Exchequer and a Government Department. The Agency manages the issue and distribution of National Savings products to the retail market. The Chancellor may delegate his responsibility for National Savings to another Minister within HM Treasury. Operational management and accountability for the National Savings Agency and for National Savings products is delegated to the NS Chief Executive.

B. Delivering Key Results

The aim of National Savings is:

To help reduce the cost to the taxpayer of Government borrowing now and in the future.

Key Performance Targets

Objective

To deliver an agreed amount of added value and an agreed level of net financing, whilst maintaining and enhancing the long term value of the National Savings business

Target

Targets agreed annually with the Treasury before the start of the financial year

To raise customer service levels and establish appropriate benchmarks

Measured annual improvement in comparative benchmarked levels of service

Improve specified timeliness targets by an average of 5% a year until 2004

To improve availability of customer access to best practice standards

By 31 December 2001 implement 24/7/365 telephony service

By 31 December 2002 implement electronic transaction option for all investment products

To introduce effective benchmarks for all access channels as they come on line

To make continuous improvements in quality and efficiency.

Efficiency milestones, set annually by Ministers, according to the Business Plan and market conditions, and subject to the value added and net financing targets

Measuring Performance

The key performance targets detailed above sit within the programme of business improvements contained in the National Savings' Corporate Plan submitted annually to Ministers. National Savings' Executive Committee reviews this programme monthly, and the Management Board, quarterly. All targets are audited by Deloitte and Touche, contracted as internal auditors.

C. Improving Performance

C.1 Strategies for Improving Performance

Improving the capability and performance of the National Savings business, including its supplier network, is of particular importance for a business that has a policy of subcontracting operational services and that competes in the marketplace for customer preference. Performance improvement initiatives are handled within a programme of projects specified in National Savings' Corporate Plan and subject to formal project management discipline. Key priorities include:

- building a National Savings business that delivers sustainable value for its stakeholders and is flexible enough to deliver a range of financing volumes over the economic cycle
- reposition the National Savings' brand and culture to reinforce brand values and ensure a consistent experience for customers
- using supplier partnerships to invest in delivering and continuously improving the business
- implementing performance management systems as an integral part of National Savings' policy
- implementing Turnbull Report recommendations as an integral line responsibility for risk management
- supporting culture change through the NS value chain by breaking down hierarchies, encouraging participation throughout the business and moving to open plan accommodation shared by NS and key partner staff
- implementing a quality management and assurance culture, building on the Business Excellence Model baseline already established
- using competencies as a basis for performance management, reward and personal development processes

C.2 Value for Money targets

The overarching objective for National Savings is to contribute to cost-effective Government debt management. Cost effectiveness is measured by comparing the total cost (including interest, tax foregone and administration costs) of funds provided by National Savings and comparing it to the equivalent cost of raising funds through gilts and Treasury Bills. In recent years, National Savings has contributed on average around £200 million a year of “value added”. This reduces, by an equivalent amount, the net public cost of financing the national debt.

National Savings operates a comprehensive measurement system to track value added performance throughout the year. Development programmes and projects are assessed in terms of net present value added.

The major outsourcing to Siemens Business Services (SBS) which took effect on 1 April 1999 is enabling the modernisation of the operations business, improving the quality and range of services available to customers, reducing costs and transferring risk. The contract is forecast to produce savings in the Department’s budget of 12.5% by 2003-2004 from the baseline figure of £176 million for 2000-2001. With a remaining headcount of around 130, National Savings’ direct staff costs account for £6 million of this figure.

In support of the overall measurement of value added we are piloting a number of productivity and efficiency measures during 2000-2001.

C.3 Variations in Performance

National Savings has now outsourced virtually all its operations. Back office services including sales, after sales and repayments, as well as channel access (telephony, mail and electronic channels), are handled by SBS. Post Office Counters Ltd (POCL) handles branch type transactions for banking products as well as offering a general point of sale service. National Savings’ marketing and creative advertising is also outsourced, as are most other services.

The contractual and working relations with these partners are based on rigorous performance targets with a clear emphasis on the quality of service delivered to National Savings’ customers. Performance against these targets is monitored to determine exactly what level of service National Savings and its customers are receiving. National Savings has established as much freedom as possible to test the wider market for contracted services of a differing nature to those currently provided, and has imposed contractual obligations to meet market best performance if benchmark comparators suggest better value elsewhere. Unacceptable levels of performance are the subject of performance (cost) deductions on the supplier and, if not remedied within a contractually specified period, can result in contract termination.

C.4 Procurement

National Savings has an established Sourcing Directorate to handle all aspects of procurement: from the partner and supplier relationships described under C.3 above to the purchase of smaller goods and services. It is professionally staffed and maintains close links with the Office of Government Commerce (OGC). National Savings will comply with OGC gateway processes for all large, complex or novel projects.

By April 2001 we shall develop and put in place a system of Best Practice Supplier Management for all contracts. We shall closely monitor developments in OGC sponsored initiatives on electronic procurement and electronic tendering. By April 2001 we shall have in place a strategy for delivering these facilities.

C.5 Financial crime

National Savings contracts with SBS and POCL impose clear incentives for both to have in place effective systems and measures against internal and external fraud. SBS carry the net cost risk of all customer fraud over £250,000 (an historically low figure). This figure reduces to £238,000 in 2001-2002, £226,000 in 2002-2003 and £214,000 in 2003-2004, thus providing an incentive to SBS to continually reduce customer fraud. NS, SBS and POCL will be expected to follow established financial service sector procedures to prevent money laundering.

Within the National Savings Agency of 130 people, a comprehensive Control Risk Self Assessment (CRSA) process has been established. The prevention of fraud, money laundering and other identified risks, is actively managed within a full risk management programme.

D. Consumer Focus

D.1 Consumer Tests

National Savings is organised around its customers. We demonstrate our commitment to customers by consulting them through surveys and acting on findings. We have a programme of regular customer surveys for all our products and services. Results are also used to monitor customer satisfaction performance indicators in our contract with SBS. We use customer research to inform our product and channel development programmes.

D.2 Consumer Access

National Savings is bringing about a major transformation in customer access to its products and services. By the end of the first year of the SDA period, we aim to have state of the art access availability for customers and potential customers.

D.3 Awards for Excellence in Service Delivery

National Savings has Investors in People accreditation and the Charter Mark award. National Savings won the PFI Award 2000 in the category of specialist services. Our partners, SBS, have IIP, use the EFQM scheme and have an ambitious programme for further excellence accreditation. The aim is to have comprehensive implementation of ISO 9000 standards throughout the operations business by end March 2002.

D.4 Prompt Handling of Correspondence

Over the SDA period National Savings will reply to 95% of all Ministerial and public correspondence within 10 working days of receipt within National Savings, and the remainder within 15 working days, unless another deadline has been agreed.

E. Managing People

E.1 Civil Service reform

National Savings is a leader in Modernising Government and Civil Service reform. It is managing its business for value, with an overarching measure to that effect. Its 10 to 15 year outsourcing contract with SBS is the largest to date in either the UK public sector or financial services, involving the transfer of over 4,000 staff and resulting in a transformation of the operations required to support National Savings' business.

The six key themes of the Civil Service reform programme - leadership, business planning, diversity, bringing-in and bringing on talent, performance management, and a new deal for staff - are essential elements in National Savings' substantial change programme.

National Savings shall act to sharpen its performance management. A pilot system for Senior Civil Service staff is in place which includes non-consolidated performance bonuses. By the end of March 2001, National Savings will also have introduced a new performance management system, which will include competency frameworks, new pay and appraisal arrangements and supporting training and development. The new framework will ensure that individual's goals, including development objectives, are clearly linked to business objectives.

National Savings has introduced a new internal communications strategy with emphasis on two way communication and feedback. People in National Savings and within its supplier network are consulted and involved in developing new strategies and policies, and much effort goes into communicating business issues and background to decisions, both within National Savings and the supplier network.

E. 2 Sickness Absence

National Savings will achieve a reduction in the annual average rate of 7.3 days absence per person to 4.3 days by 2003.

F. Electronic Government

Covered at B, C.3 and D.2 above.

G. Policy and Strategy

National Savings' business strategy is subject to a rigorous challenge process annually. The business planning and implementation activities that implement the strategy are the subject of annual Ministerial scrutiny in the Corporate Plan. The quality and timeliness of delivery is monitored monthly by the National Savings Executive Committee, and quarterly by the Management Board.

Policy making results in very tangible offers and services to customers, and its efficacy is therefore readily assessable against the business benefits anticipated when the policy proposals were accepted for implementation.

National Savings' will introduce a comprehensive Customer Code before the end of financial year 2000-2001 which gives public expression to the protocols within which policy must be delivered. This Code is a solid underpinning for National Saving's corporate values.