

IMPLEMENTATION EXECUTIVE

23 September 2008

**One Council & Business Management Programme Cost Reduction
Targets**

Executive Summary

The purpose of this paper is to confirm the cost reduction targets for the One Council Programme and the Business Management Programme (BMP) have not changed since the programme was approved.

Proposal

The Implementation Executive is asked to note this position.

Reasons For Proposals

To update the Implementation Executive on the One Council and Business Management Programme cost reduction position.

Dr Carlton Brand
Corporate Director, Resources

1. Purpose

The purpose of this paper is to reconfirm the cost reduction targets for the One Council Programme and the Business Management Programme (BMP). These targets have not changed since either programme was approved.

2. Cost Reduction Targets

- (i) The tables below show the overall cost reduction targets for both programmes as well as how the totals are made up. The profile of targets over the next 4 years is also shown. These targets and profiles are reflected in both the Medium Term Financial Strategy (MTFS) and the first year savings are reflected in the Financial Plan for 2009/10. Both the One Council and BMP have 2007/8 as the base year for counting financial savings as this was the year in which both programmes were approved by members.

Table 1 **One Council Cost Reduction Targets (£000s)**

Service	2009/10	2010/11	2011/12	2012/13	Total
Democratic Rep.	0.615	0.615	0.615	0.615	2.460
Community Planning		0.200	0.200	0.200	0.600
Housing Strategy/Mgt	0.200	0.620	0.620	0.620	2.060
Sub-Total	0.815	1.435	1.435	1.435	5.120
Waste	0.240	0.340	2.950	2.950	6.480
Planning	0.600	1.850	1.850	1.850	6.150
Adult Care & Related Housing	0.650	1.150	1.600	1.600	5.000
Leisure	0.270	0.270	0.270	0.270	1.080
Parking	0.500	0.500	0.500	0.500	2.000
Street Scene	0.200	0.835	0.835	0.835	2.705
Trading Stds & Env. Health	0.450	0.660	0.660	0.660	2.430
Econ. Dev't & Tourism	0.400	0.500	0.500	0.500	1.900
Sub-Total Front Line	3.310	6.105	9.165	9.165	27.745
Property		1.150	1.150	1.150	3.450
Procurement	0.275	0.625	0.650	0.675	2.225
Finance	0.200	0.550	0.550	0.550	1.850
HR		0.180	0.180	0.180	0.540
External Audit	0.050	0.250	0.250	0.250	0.800
Legal	0.540	0.540	0.540	0.540	2.160
Corporate Structure	0.550	0.550	0.550	0.550	2.200
ICT	0.570	0.820	1.270	1.270	3.930
Revenues & Benefits		1.400	1.400	1.400	4.200
Contact Centre	0.200	0.400	0.500	0.860	1.960
Marketing & Communications	0.120	0.120	0.120	0.120	0.480
Sub-Total Resources	2.505	6.585	7.160	7.545	23.795
Total	6.630	14.125	17.760	18.145	56.660

Table 2 Business Management Programme Cost Reduction Targets (£000s)

Service	2009/10	2010/11	2011/12	2012/13	Total
FTE Productivity	0.850	1.242	1.833	2.162	6.087
Property	0.056	0.079	0.110	0.122	0.367
Reduced Legacy Systems (IT)		0.310	0.310	0.310	0.930
Procurement Price Savings	0.469	1.250	1.875	3.750	7.344
Interest on Cash/Debts	0.188	0.588	0.588	0.588	1.950
Managed Service (Net)	0.448	0.896	0.896	0.896	3.136
Total	2.010	4.364	5.611	7.828	19.813

- (ii) It should be noted that the BMP annual savings continue to rise to £10.2m from year 8. This is consistent with the original Logica BMP Outline Business Case (OBC) and Cabinet decision. As the SAP blue print and base lining are now complete, the Detailed Business Case (DBC) is being verified and will be submitted to the Implementation Executive in October or November.
- (iii) It should be noted that the staffing productivity cost reductions (line 1 in Table 2) are contingent on delivery of the Shared Services Team. The establishment of this team is in progress and will go live coincident with One Council Vesting Day.
- (iv) Overall, the BMP should be seen as an enabling platform that will underpin the new organisation allowing many of the One Council savings to be delivered.

3. Cost Reduction Substitution Between One Council and BMP

- (i) As previously acknowledged, there is a degree of overlap, or substitution, between the savings being made as part of One Council and the BMP. It can be considered that the BMP is the *method* by which some of the One Council savings will be made, particularly in the areas of Resources and Procurement.
- (ii) The shaded lines in Table 1 and 2 represent the cross-over or overlap between One Council savings and BMP. These are summarised in Table 3 below. The savings shown will be made by BMP but will contribute to the overall One Council savings status.

Table 3 **One Council and BMP Savings Substitution (£000s)**

Service	2009/10	2010/11	2011/12	2012/13	Total
FTE Productivity	0.850	1.242	1.833	2.162	6.087
Procurement	0.275	0.625	0.650	0.675	2.225
Property	0.056	0.079	0.110	0.122	0.367
Total	1.181	1.946	2.593	2.959	8.679
% of Overall BMP Savings	59	45	46	38	44

- (iii) The overlap varies between 38 and 59% over the first four years of the BMP. The MTFS and Financial plan will be revised to reflect this overlap. The planning assumption for both had previously been an overall substitution of 50%.

4. Procurement Savings

- (i) Of particular interest are the savings in the Procurement arena. The savings both in terms of BMP and for One Council highlight the procurement of goods and services as being an area that will deliver significant benefits both through the transformational change delivered by LGR and BMP in terms of the business processes, and by better deals through volume or through clearer and more precise contracting with our suppliers.
- (ii) However in both cases nearly all the costs of procurement remain within departmental budgets paying for individual contracts, managing them or launching new ones. The total budget for the Central Procurement Unit (CPU) is only around £750K and the proposal is that this remains as an essential strategic resource to drive procurement change, establishing better frameworks and assisting departments in large scale complex procurements and in rationalising the overall procurement approach. Even the budgets for those contracts which are managed centrally (e.g. Sodexo, PFI, car leasing, telephony and in future probably ICT) do not lie within the procurement budget.
- (iii) Most of the One Council and BMP related procurement savings relate to the departmental management of procurement and a streamlining of buying, invoice processing, etc and those savings will need to be made against departmental budgets. Under the category of Full Time Equivalent (FTE) productivity savings, most of this must relate to efficiency improvements in our processes leading to staff reductions which must come from all service and support departments. The risk that these are double counted will need to be

mitigated during the budget development process.

- (iv) As has always been the intention and goal, this means that the savings have to be accrued by the service departments and declared as an efficiency against the procurement category. Resources can then be reallocated for other purposes either corporately or by corporate agreement within the department (and a balance of both will be needed to provide the incentive to service directors.)

5. Savings Achieved to Date

- (i) Significant savings have already been achieved to date. Corporate structure costs for tier 1 and 2 managers (Chief Officers and Service Directors) have reduced in excess of the £550,000 stated in the initial One Council bid (Table 1).
- (ii) Pull ahead of resources staffing productivity savings of £1m was identified and delivered as part of the 2008/9 budget premised on the plans for moving to One Council and the Shared Service Team.
- (iii) A further detailed status of savings achieved will be reported regularly to the Implementation Executive and to the Joint Overview & Scrutiny Transition Group.

6. Budget Process

- (i) Corporate and Service Directors will identify the 2009/10 savings shown above in Tables 1 and 2 as part of the budget and new service development process to be conducted between September and December 2008. Members will be involved in this process via the budget work shops as last year to ensure services are shaped and planned in a way consistent with their priorities and those in the original bid and draft Corporate Plan.
- (ii) The organisation is on track to deliver the total savings shown for One Council and BMP. It should be noted however that the make up of those savings, that is the detail of precisely where savings will be made, will inevitably change as the budget process discussions develop with member input and further service configuration detail is developed.

7. Conclusions & Recommendations

The Implementation Executive and the Joint Overview & Scrutiny Transition Group are asked to note this position.

Dr Carlton Brand
Corporate Director, Resources

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Background Papers

1. Local Government White Paper, "Strong and Prosperous Communities" - Implementation of the County Council Resolution, 19 December 2006 - Cabinet (Author – Dr Keith Robinson)
2. "Towards One Council for Wiltshire" Author - 21 September 2007 - County Council (Author – Dr Keith Robinson)
3. "Shared Service Team for Wiltshire County Council" - 25 September 2007 - Cabinet (Author -- Dr Carlton Brand)

Appendices

None