

Committee(s) Finance Committee – For decision Procurement Sub (Finance) Committee – For information	Date(s): 19 February 2019 13 March 2019
Subject: One Savings Approach	Public
Report of: The Chamberlain	For Decision
Report author: Philip Gregory, Chamberlain's Department	

Summary

The City Procurement service, within the Chamberlain's department, supports the organisation in delivering savings and efficiencies. There are a number of current activities and initiatives which have developed over a period of time; and some of the incentives under these initiatives cause conflict between departments and Chamberlains on who can recognise which part of the saving. At the extreme it drives behaviours whereby departments will prioritise savings that benefit their local risk budget at the expense of wider organisational savings that benefit all departments. This report proposes the introduction of a single, corporate approach to recording and reporting savings and efficiencies, the 'One Savings Approach' and aligns incentives.

It is proposed that all savings that arise will contribute towards the 'Efficiency and Sustainability Plan' i.e. towards the 2% efficiency savings made by departments and committees. This will include all savings that are developed with the support of the City Procurement service.

Procurement performance against savings targets will still be monitored and scrutinised by Members to ensure it is delivering the expected outputs in support of the overall savings aims.

Recommendation(s)

Members are asked to:

- Approve the introduction of the 'One Savings Approach' to savings and efficiencies that are delivered with the support of City Procurement.

Main Report

Background

1. There are a number of current activities and initiatives in delivering savings and efficiencies which have developed over a period of time. These are in line with delivering our 'Efficiency and Sustainability Plan' which set out a 2% year on year efficiency requirement. This was included in the plan that was submitted to the

Ministry for Housing, Communities and Local Government (MHCLG) in return for a 4 year settlement agreement on funding. The 4 year settlement agreement ends after 2019/20.

Current Position

2. There are currently a number of savings and efficiency programmes currently running across the City Corporation. These are detailed in the table below.

Efficiencies / Savings programme	Description
Service Based Review	Presently we are closing out the final local SBR projects. The majority have now been completed with the last remaining few delivered by the end of 2018/19.
Efficiency and Sustainability plan <i>(Annual 2% budget reduction)</i>	Local risks budgets will be reduced by 2% annually from 2018/19 for three years.
Procurement savings	Efficiencies and Savings generated by the City Procurement service. Each year the procurement team have targets to achieve
Income generation review	Review set up to identify income generation opportunities across the City
Strategic Asset Management	Ongoing review of the organisation's operational property with an aim to reduce footprint and sell or transfer to investment portfolio any vacant space.
Contract Management Savings	New initiative introduced from 2017/18 with Efficiencies and Savings delivered from within the duration of a contract.
Commercial	Efficiencies, Savings and increased income initiatives identified by the new Commercial team (i.e. Consolidated logistic, corporate fleet management)

3. Some of the incentives under these initiatives cause conflict between departments and Chamberlains on who can recognise which part of the saving. Historically, departments have benefited from savings made from changes in scope or specification in new contracts; and procurement from savings made in how those services are procured. This leads to excessive resource being employed in the negotiation of whose saving it is- reducing the benefit of the saving to the City Corporation's bottom line; and undermines collaborative behaviours.
4. There are also a number of risks arising from having a range of savings and efficiency programmes in operation at any one time. These include:

- a. Conflicting priorities; having a range of savings and efficiency programmes results in activity that prioritises one programme over another.
- b. Double counting; where projects cut across more than one savings and efficiency programme there is a risk that a double count of the saving takes place.
- c. Misalignment with corporate objectives; there is a risk that departments will prioritise savings and efficiencies that benefit their local risk budget and wish to maintain control of such initiatives, forgoing a potential benefit to the organisation as a whole.

Proposals

- 5. It is proposed that all savings that arise will contribute towards the 'Efficiency and Sustainability Plan' i.e. towards the 2% efficiency savings made by departments and committees. This will include all savings that are developed with the support of the City Procurement service, including the commercial contract team.
- 6. This action streamlines the current programmes enabling greater collaboration with departments working together to deliver savings and efficiencies. The proposal also clarifies the way that cashable savings are managed. Departments will benefit from a cashable saving once any costs of the City Procurement service have been deducted.
- 7. Performance of the City Procurement team in securing savings and adding commercial value will be managed by monitoring key performance indicators (KPIs) which will hold to account the City Procurement service ensuring that procurement activity delivers value for money.
- 8. Implementing this single approach will also reduce bureaucracy within the City Corporation, in turn demonstrating improved efficiency.
- 9. A flow chart is being developed to clarify the role that City Procurement plays in supporting the development and delivery of savings and efficiency initiatives. This will be circulated to Chief Officers and publicised on the intranet.

Conclusion

- 10. There are currently a range of savings and efficiency programmes in operation across the City Corporation. This proposal will ensure that all savings that arise will contribute towards the 'Efficiency and Sustainability Plan'. The proposal also clarifies how cashable savings will benefit departments in achieving their 2% efficiency goals.

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