

Business Case

F/R.6.001 Contract Efficiency

Project Overview

Project Title	F/R.6.001 Contract Efficiency		
Project Code	TR001378	Business Planning Reference	F/R.6.001
Business Planning Brief Description	To review contracts across a number of themes (size, age, type) to identify areas for potential renegotiation, tighter specification, or other routes of provision outside of contracting to deliver longer term savings.		
Senior Responsible Officer	Amanda Askham		

Project Approach

Background

Why do we need to undertake this project?

LGSS Procurement have already begun to look at contracts below £100k to identify areas for potential efficiency through bulk purchasing and renegotiation based on similar activity supporting other Councils. This has started to yield some savings, and shown the potential for further savings, albeit at a lower level.

Applying a blanket saving percentage to the contract register in its entirety does suggest that much more significant savings could be made through a review of contracts at all levels of contract type and price. LGSS Procurement have been able to review a number of areas of contracts (in terms of size, type and age) where there is potential to explore different approaches, and yield savings in the future as well as learning from partner organisations that LGSS Procurement support.

With this intelligence, and the potential for savings available, it is important that these efficiencies should be pursued.

What would happen if we did not complete this project?

We would fail to capitalise on the potential savings within the large number of contracts we have, resulting in avoidable spend and duplication of effort continuing.

Approach

Aims / Objectives

To undertake a high level review of the contract register to identify areas that may yield savings in the future either through reviews of specifications or more commercially focused renegotiation.

Following this initial analysis we will identify resource to review this data in more detail and work directly with services to understand where savings can be made.

Where re-specification and renegotiation is considered to be financially worthwhile the resource will then work with services and providers to re-specify and renegotiate

Our primary objective will be aiming to secure the best value for money contracts, when and where they are needed.

Project Overview - What are we doing

Stage 1: High Level Analysis of Contract Register.

Initial High Level Analysis of the Contract Register (as at the end of August 2018) has identified a number of contracts in the medium term which are potentially viable for review and renegotiation. We have identified those where we have high and medium confidence of potential savings:

	High Confidence Annual Value	Medium Confidence Annual Value	Total Annual Value
Contract expires by end of 2018/19 Financial Year		£11,133k	£11,133k
Contract expires by end of 2019/20 Financial Year		£210,107k	£210,107k
Contract expires by end of 2020/21 Financial Year	£4,360k	£220,112k	£224,472k
Contract expires beyond 2020/21 Financial Year	£63k	£175,222k	£175,285k

This analysis includes high value PFI contracts that have not recently been reviewed, contracts approaching expiration and those where there is potential for the use of break clauses etc. that may yield savings.

Stage 2: Identification of Resource to undertake further detailed analysis with services and to plan out plan of work for next stage of review.

Further analysis of the contracts identified for review will be necessary to fully understand the potential for savings. This will involve working with the services to better understand the contracts, and to ensure that we are focusing on the correct areas for renegotiation.

We anticipate that we will need to procure this resource, to ensure that we gain the best commercial negotiation expertise, and the best knowledge of the market. The current model of provision from LGSS Procurement does not incorporate this resource. As a result of this we will be making a bid to the Transformation Fund of circa £70k to undertake this work. We aim to have this resource confirmed by the end of the calendar year.

Stage 3: Review Of Contracts with Services and timetable for contract review agreed with specialist resource.

This will involve working with services to better understand the potential for savings. To work with services to review whether specifications are appropriate, whether alternate delivery models may be better placed to provide services, or where joint procurement with partners may be an option. This would also identify those contracts where we need to provide support in terms of commercial renegotiation of contract values in the next stage.

We will aim for this work to begin as soon as possible upon procurement of specialist resource to support the work.

Stage 4: Renegotiation of Contracts

The timing of this will be dependent on the outcomes of stage 3. We hope that renegotiations could begin before the start of the Financial Year to begin to realise savings as early as possible. The length of involvement will be dependent upon the timing of the contracts, and the plan of work agreed between the specialist and services.

What assumptions have you made?

We have assumed that the contract register, which has been used for the initial analysis, is materially complete and correct. In addition we have assumed that there will be resource available to support this work and that there will be some flexibility in terms of changing the requirements and or procurement process for selecting suppliers.

What constraints does the project face?

Procurement regulations, time, cost and quality

Delivery Options

Has an options and feasibility study been undertaken?

Scope / Interdependencies**Scope****What is within scope?**

All contracts within the contract register.

What is outside of scope?

Recently negotiated contracts.
Spend below £100k (covered in separate work).

Project Dependencies**Title**

Commercial Acumen Training

Cost and Savings

See accompanying financial report

Non Financial Benefits**Non Financial Benefits Summary**

Better specifications for contracts.
Genuine consideration of best methods of provision of service (if needed).
Commercial awareness spread more widely across the organisation.

Title**Risks****Title**

Volume of data may cause timescales to slip
Unable to make savings due to lack of engagement from service areas
Unable to provide commercial negotiation expertise for services
Contract Register is incomplete/incorrect

Project Impact

Community Impact Assessment

Who will be affected by this proposal?

No service users should be impacted, services would remain. The way services are procured may change resulting in them being more cost effective.

What positive impacts are anticipated from this proposal?

Reducing contract costs will enable us to continue running those services and others.

What negative impacts are anticipated from this proposal?

No negative impacts are anticipated.

Are there other impacts which are more neutral?

Levels of service for the contracts should remain the same.

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

No disproportionate impacts have been identified.

Business Case

F/R.6.101 Commercial Investments

Project Overview

Project Title	F/R.6.101 Commercial Investments		
Project Code	TR001411	Business Planning Reference	F/R.6.101
Business Planning Brief Description	To create a commercial investment portfolio to focus on generating revenue to support the delivery of a balanced budget. This will require external support to advise on the investment options available, how to create a balanced portfolio and the best vehicle to use to undertake the investments.		
Senior Responsible Officer	Chris Malyon		

Project Approach

Background

Why do we need to undertake this project?

This project is being undertaken in order to drive a more commercial approach within the organisation. This will increase the revenue returns from the organisation's property and asset holdings as well as mitigating the implications of increasing budgetary pressures.

What would happen if we did not complete this project?

Without a mix of service transformation and increase of revenue sources there is a risk that services levels will need to be reduced.

Approach

Aims / Objectives

The key objective of this project is to acquire investments that make a secure and increasing contribution to the Council's revenue streams in order to support the delivery of frontline services to our communities.

Project Overview - What are we doing

Through this work we will:

- Develop and agree a new Commercial Investment Strategy - setting out our approach to investments and governance arrangements
- Commission external support to advise on appropriate portfolio approach (this will include skilling up of existing staff) - we would expect this support to be for 1 year
- Agree risk appetite and profile for investments
- Develop an investment portfolio / plans - this could include (but not limited to)
 - Residential and Commercial properties (within and outside of Cambridgeshire)
 - Businesses (going concerns and start-ups)
 - Joint investments / sponsorships
- Commission support to provide advice and / or manage an agreed fund(s) on a short to medium term basis until our existing teams would be able to take it over. We would expect to be in a position to do this over the next 5 years.
- Create the infrastructure to identify and pursue ad-hoc investment opportunities

What assumptions have you made?

The following assumptions have been made;

- We want to develop a wide and mixed portfolio to mitigate the investment risk
- Have an average yield of 6% across the portfolio
- The local authority will be the preferred investment vehicle

What constraints does the project face?

Whilst there are some limitations on the borrowing powers of local authorities to fund commercial acquisitions, this will not restrict our ability to deliver the Commercial Investment Strategy

Delivery Options

Has an options and feasibility study been undertaken?

The options considered were:

- In house management
- Outsource all investment management processes

Scope / Interdependencies

Scope

What is within scope?

All opportunities within the limitations on the borrowing powers of local authorities to fund commercial acquisitions are potentially in scope.

What is outside of scope?

Project Dependencies

Title

Generation of capital receipts

Cost and Savings

See accompanying financial report

Non Financial Benefits

Non Financial Benefits Summary

The revenue achieved through the investment strategy will support the Local Authority to continue to provide outcome-focused services to the citizens of Cambridgeshire.

Title

Income generation

Risks
Title
Market stability
Skills of the workforce to manage the portfolio
Identification of suitable investments - ability to act quickly
Increased financial risk to the Local Authority

Project Impact
Community Impact Assessment
Who will be affected by this proposal?
Everybody in the Local Authority area and potentially beyond
What positive impacts are anticipated from this proposal?
Increased revenue generation to support frontline service Increased capital holdings
What negative impacts are anticipated from this proposal?
Increased financial risk to the Local Authority although this will be mitigated through the development of a diversified portfolio.
Are there other impacts which are more neutral?
N/A

Disproportionate impacts on specific groups with protected characteristics
Details of Disproportionate Impacts on protected characteristics and how these will be addressed
N/A

