

Committee: Corporate Overview Scrutiny Committee

Date of meeting: **19th November 2019**
Report Subject: **Bridging the Gap – Third Party Expenditure Strategic Business Review**
Portfolio Holder: **Councillor Daniels, Leader / Executive Member Corporate Services**
Report Submitted by: **A L Clark – Chief Officer Commercial**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	29.10.2019	06.11.19			19.11.2019		12.12.19	

1. Purpose of the Report

1.1 To update members on the Strategic Business Review on Third Party Expenditure. This Strategic Business Review is part of the Medium Term Financial Strategy and Bridging the Gap programme.

2. Scope and Background

2.1 The Council recognises the challenges that it faces in the short, medium and long terms and has developed a programme of Strategic Business Reviews to deal with potential gaps between anticipated funding and expenditure that aims to build financial resilience.

2.2 The Strategic Business Review on Third Party Expenditure is designed to ensure the Council is maximising its resources by ensuring costs are controlled through effective commissioning of goods and services supplied by third party suppliers. It also focusses streamlining the systems we use to monitor and manage contractual arrangements to achieve value for money. A significant element of this review is related to improving supplier relationships.

2.3 This Strategic Review has identified the following opportunities and implementation is already underway on:

- Managing cost control through tightening contracting arrangements particularly in relation to terms, conditions and pricing increases.
- Prioritise supplier negotiations and develop a negotiation strategy for contracts due for renewal in 2020/2021.
- Where appropriate convert agency staff into permanent or temporary posts to reduce additional costs to services through agency fees.
- Introduce invoice discounting incentives for early payment.
- Aligning third party spend to strategic priorities and categorising expenditure against support functions, basic needs, creating independence, delivering community outcomes and choice. This is

designed to support the MTFS planning for future years and identify any duplication of effort to reduce costs.

- Strengthening our strategic commissioning and procurement arrangements to challenge the commerciality of expenditure and create greater visibility of spend against delivery of outcomes.
- Creating opportunities to apply the same methodology to our internal people and asset expenditure.

3. Options for Recommendation

3.1 **Option 1**

Members to accept the report on the Strategic Business Review on Third Party Expenditure and appendix 1 and recommend to Council for approval.

3.2 **Option 2**

Members to consider and make specific comment on the report on the Strategic Business Review on Third Party Expenditure and appendix 1.

4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

4.1 This report supports the Council Priority, “Efficient Council”, as it is part of the monitoring arrangements which support the Council’s financial resilience.

5. Implications Against Each Option

5.1 *Impact on Budget (short and long term impact)*

5.1.1. There are direct financial implications arising from this report. The Strategic Business Review on Third Party Expenditure is part of the Bridging the Gap programme which is linked to the Medium Term Financial Strategy and will be a critical element of creating financial resilience and ensure the Council operates sustainably. To date the Strategic Business Review has identified the following savings

Delivery in:	2020/21		2021/22		2022/23		2023/24		2024/25	
Values (low – high)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	550	1,000	250	550	250	550	250	550	250	550

5.1.2 These figures have the potential to increase as further detail work in applied and re-negotiation of contracts is taken forward in later years.

5.2 *Risk including Mitigating Actions*

5.2.1. The key risks associated with this Strategic Business Review include the quality and availability of data, transparency of our contractual arrangements with some of our suppliers and a shared appreciation of the overall impact of

the expenditure. These will be mitigated by adopting a multi-disciplinary project team approach and drawing in colleagues from Finance, Procurement, Strategic Transformation and service leads to analysis the data. The methodology also brings a commercial challenge to our approach to third party expenditure. This Strategic Business Review is complex and requires drawing down information from a variety of sources. The check and challenge around the data and contract information will be provided through the project team. This Strategic Business Review on Third Party Expenditure is monitored monthly at CLT as part of the monitoring of the Bridging the Gap Programme. This ensures that any potential risks are identified early and action is taken in a timely manner to keep the review process on track.

5.3 *Legal*

5.3.1 Any legal implications will be addressed as the Strategic Business Review is developed when due diligence will be applied to any service changes or new contractual arrangements are put in place.

5.4 *Human Resources*

5.4.1. There are no staffing implications arising from this report.

6. **Supporting Evidence**

6.1 *Bridging the Gap Programme – Scope and details*

6.1.1 The approach has a particular emphasis on:

- Maximising the potential of income generation and taking a clearly commercial approach where it is appropriate to do so;
- Re-procurement and re-negotiation of contracts;
- Exploiting the opportunity that digital transformation can provide;
- Making best use of our assets and property;
- Considering what action we can take to influence and reduce demand;
- Looking for opportunities to support residents to do more for themselves;
- Exploiting the opportunities to strengthen financial resilience by supporting growth in the borough

6.1.2 Bridging the Gap Programme of Strategic Business Reviews cover:

Maximising income

Review of Industrial Units

Review of fees and charges

Commercial Waste

Income Recovery

Commercial activity, investment and new income

Maximising Resources

Review of third party expenditure

Assets and Property
Use of external grants

Managing Demand

Reducing demand by changing behaviours
Prevention and early intervention services

Maximising Enablers

Customer Experience
Work Place Transformation
Using data to deliver better services

Maximising Growth

Growth Strategy
Low Carbon

- 6.2 *Expected outcome for the public*
This report provides information relating to the Medium Term Financial Strategy and the financial resilience of the organisation.
- 6.3 *Involvement (consultation, engagement, participation)*
Ongoing monitoring of the outcomes of the Strategic Business Review will include identification of consultation, engagement and participation opportunities. The whole Bridging the Gap programme will also be part of public consultation that will take place during the Autumn of 2019.
- 6.4 *Thinking for the Long term (forward planning)*
The decisions made as part of the Bridging the Gap programme are designed to support the long term financial resilience of the Council and to influence the design of services for the future.
- 6.5 *Preventative focus*
Where possible the impact of the Strategic Business Reviews will reflect our aspiration to invest in preventative services and to identify where we can strengthen our approach.
- 6.6 *Collaboration / partnership working*
Where possible the impact of the Strategic Business Reviews will reflect our aspiration to invest in collaboration/partnership working and to identify where we can strengthen our approach across the public sector.
- 6.7 *Integration (across service areas)*
Where possible the impact of the Strategic Business Reviews will reflect our aspiration to invest in cross service working and to identify where we can strengthen our approach across the public sector.
- 6.8 *EqIA(screening and identifying if full impact assessment is needed)*
Ongoing monitoring of the outcomes of the Strategic Business Reviews will include screening based on EqIA and identification of any changes where a full assessment is needed.

7. Monitoring Arrangements

7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

Monitoring the financial and non-financial impact of this Strategic Business Review will be done by the Chief Officer Commercial to identify any over or under achievement of expectation. A detailed project plan is in place with key milestones. The Chief Officer Commercial will report into CLT on this Strategic Business Review on a monthly basis. CLT will review highlight reports to check the anticipated savings are being realised. Corporate Overview Scrutiny Committee will regularly receive progress updates and individual scrutiny committees will also review portfolio specific review. Any decisions relating to the Strategic Business Reviews will go through the usual Council decision making processes in line with the Budget setting process.

Background Documents /Electronic Links

- Appendix 1 – Bridging the Gap Proposal – Third Party Expenditure