

Theme and Overview: 2. Commissioning: Achieving Extra Savings from External Contracts

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Overview of proposal:

There are already plans to deliver £2.65m savings between 2016/17 through to 2020/21, through more effective commercial management of contracts.

The Commercial Team are already understanding the levels of spend across the Council with third party providers and circa £600k savings have been delivered to date, from more robust commercial management of contracts.

Commercial reviews are planned across all Directorates for the next 2 years. A review of contracts with spend of more than £1m per annum has identified those contracts that require more detailed analysis. A programme of these contract reviews will be developed to prioritise savings opportunities and allocate resources required to complete the review for all £1m plus spend contracts, and deliver the savings.

In addition to the review of spend on high value contracts, a further review of multiple contracts with the same providers will be concluded to identify opportunities to reduce contract management overheads and to provide best value for money for Worcestershire residents.

Following feedback from the recent Peer Review, there is an identified need to further explore opportunities for effective market engagement and co-design of service transformation with providers and communities. In particular work has commenced with Voluntary and Community Sector organisations, to help improve the success of our procurement activity, facilitate enabling local communities to do more and increase opportunities for shared services. This will drive the next stage of effective commissioning.

We are investing in market intelligence, including a commercial insight tool to understand more about suppliers that provide services to local government. We will also use this in our commercial management of contracts to negotiate better value for money from our contract spend, and ensure that we generate additional benefits to enable local communities including voluntary organisations, and support the local economy, whilst minimising the impact on the environment, through our obligations under The Social Value Act 2012.

This investment will provide us with public sector market insight to help commissioners

save money - with an extremely accurate, dynamically updated government spend analysis tool that shows how much money every supplier to the public sector has earned, who each government body is spending its money with and how much market share each supplier has captured.

The proposal is to utilise this tool to gather information against our commissioning plans of where there are opportunities, subject to approval from the respective parties. We would then align our commissioning plans to jointly commission services to enable better value for money and to strengthen our tender process to ensure our offering is attractive to the market. This could be brought through collaboration with other public bodies; aligning commissioning timelines and outcomes.

Cost of delivery e.g. redundancy, additional resources to deliver, investment in technology and assets etc.

We will be undertaking a pilot using a market intelligence tool for a 3 month period, further investment in longer term use of this tool will be dependent on the success of the trial period. In addition, a full time resource will be required within the Commercial Team to understand and test the tool and develop an action plan along with initiating and facilitating relationships with other local authorities and public bodies, identified with aligned commissioning intentions.

Any further investment required to support the longer term use of this tool will be supported by an appropriate business case.

Additional resources will be required for the review.

What will be the key outcomes?

- Outcome 1 – Increase in jointly commissioned services with other public sector partners
- Outcome 2 – Improve Worcestershire County Council's commercial management of contracts to negotiate better value for money from our contract spend
- Outcome 3 – Improved relationships with other public bodies
- Outcome 4 – Better value for money from commissioned services and savings opportunities
- Outcome 5 – Increased confidence in delivery of current savings with potential for extra savings to be identified

What additional savings/income is targeted and when is this expected to be delivered?

Budget				
2016/17	Revenue Budget for externally commissioned spend £350 million			
Savings				
Initiative	2017/18 £,000	2018/19 £,000	2019/20 £,000	Post 2020 £,000
	500			
Total	500			

What will be the key work streams that will enable the delivery of this theme and who will lead their ongoing development?

1.	Workstream 1: Further review of £1m plus annual spend contracts	
	Lead Head of Service:	Jo Charles
2.	Workstream 2: 3 month trial of commercial insights tool	
	Lead Head of Service:	Jo Charles
3.	Workstream 3: Identification of opportunities for greater market insight and pre-procurement co-design of services	
	Lead Head of Service:	Jo Charles

What are the key milestones for delivery?

Work with Commissioners to prioritise contracts for review and plan allocation of resources	Nov 2016
Complete review of remaining £1m plus annual spend contracts	Dec 2016 – Mar 2017
Commence trial with Commercial Insights Tool	Nov 2016
Complete trial with Commercial Insights Tool and make recommendations	Dec 2016 - Jan 2017
Identify opportunities for greater market insight and pre-procurement co-design	Jun – Dec 2016
Clarify directorates current commissioning/third party spend savings plans	Ongoing
To identify and mitigate duplicate savings risk	Ongoing

Risks

#	There is a risk that.....	Which could (impact).....	Mitigation.....
1	Significant risk that savings identified are already included in service directorate plans	Confidence levels of realisation of additional savings as these could potentially be "double counted"	Work with directorates to understand current and emerging contractual/ commissioning based savings plans