

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 14 NOVEMBER 2007

Report of Strategic Director (Shirlene Adam)

(This matter is the responsibility of Executive Councillor S Coles)

IMPROVING SERVICES IN SOMERSET (ISiS)

EXECUTIVE SUMMARY

The purpose of this report is to request the Executive and Full Council to approve the “cashflow” funding requirement of the final negotiated deal on the Improving Services in Somerset (ISiS) programme.

Group Leaders, and Members of the ISiS Joint Members Advisory Panel were fully briefed, and supportive of this position prior to contract closure.

1. Background and Introduction

- 1.1 Members have been briefed on progress of the programme at regular intervals over the last 2 years. The most recent report was considered by both the Executive and Full Council of Taunton Deane Borough Council and Somerset County Council in July 2007.
- 1.2 The recommendation from these meetings was to proceed to contract closure “subject to” the financial formula set out in the report being satisfied. The final approval was delegated to Group Leaders, the Portfolio Holder, and the Chief Executive.
- 1.3 This group met on 26th September and were briefed on the final negotiated deal position. The unanimous decision of this group was to proceed to contract signature – which happened on 29th September 2007.
- 1.4 In order to finalise this Councils internal arrangements supporting the deal, there are some financial approvals required, as set out below – in section 3 of this report. The next section of this report is simply a reminder of the deal headlines.

2. The Deliverables

- 2.1 As set out in earlier reports to Members, the commercial offering is subdivided into elements which focus on delivering enhanced support services, a major project to transform procurement across both authorities and a “menu” of transformation projects which effectively “translate” the aspirational elements of the Councils’ ambitions into projects which can be funded from procurement savings.
- 2.2 Service commencement on the core deal (back office and transactional services) is 1st November 2007 for IT services, with 1st December 2007 for all other in-scope services.
- 2.3 The final negotiated contract is for a fixed price deal for four “core” transformation projects (known as Wave 1 Transformation Projects). These projects are:
 - a) Enterprise wide SAP ERP implementation (and enabling projects)
 - b) Replaced Customer Relations Management systems and piloted Customer Access improvement
 - c) Roll-out of the People Excellence Model throughout the JVCO, hopefully as a precursor to organization wide roll out.
 - d) Procurement transformation
- 2.4 The report in July included a 5th transformation project (Property Transformation Strategy). Through the negotiations, this has effectively been mainstreamed, and will be delivered as part of the core deal.
- 2.5 Future transformation projects will be commissioned and approved on a business case by business case basis. There will be a regular process of refresh and review of the developing transformation project portfolio to ensure it is aligned with Councils’ priorities and ambitions.
- 2.6 A key component of the transformation programme is the transformation of our procurement processes. The savings generated will provide the funding stream for our transformation programme.

3. Financial Approvals

- 3.1 The negotiated deal is affordable for Taunton Dean Borough Council, and fully meets the financial formula requirements set in July 2007.
- 3.2 However, there is a slight timing issue on the funding of the transformation projects. Whilst work on the procurement transformation project is already underway, it will clearly take a little time for the procurement savings to materialise. Meantime, there is a need to start work on the other transformation projects – particularly the SAP project – in order to deliver the service improvements and transformation capability so required by the Councils.

- 3.3 This means that there is a requirement to cover a “cashflow” position. There is no requirement for the Council to take on any permanent debt or to permanently fund from reserves.
- 3.4 Cashflow issues arise as part of the normal day to day business of the Council, and the Chief Finance Officer has the authority and responsibility in the Financial Regulations to manage this position. This can mean taking on borrowing.
- 3.5 The cashflow issue resulting from the transformation projects is partly capital and partly revenue.
- The capital cashflow requirement is £2m for a period of 5 years. This will be funded by borrowing, with the debts costs being funded from the procurement savings. This can be done within the existing Treasury Management Strategy.
 - The revenue cashflow requirement is £0.7m for a period of 2.5 years. This is effectively an “invest to save” initiative and will need to be funded from reserves. Again, this is a temporary “use” of reserves to fund an initiative that will fully repay the reserves within 2.5 years. This requires approval and is the substance of the recommendation below.
- 3.6 The revenue funding requirement of £0.7m could be funded from any of the Councils reserves. The transformation projects being delivered benefit all areas of the Council – affecting both General Fund and Housing areas. I therefore recommend that the £0.7m is supported from the following sources:-

General Fund Reserves	£200k
Housing Revenue Reserves	£200k
Self Insurance Fund	£300k

- 3.7 As mentioned above, this is a “cashflow” issue and not a permanent funding requirement. These amounts will be fully repaid to the above reserves within 2.5 years. As the Councils Chief Finance Officer I am satisfied that the above proposal is effective in using the Councils resources, and is prudent in leaving all reserves in an acceptable position.

4. Recommendations

- 4.1 a/ The Executive is requested to recommend to Full Council that the revenue cashflow funding requirement is resolved by way of supplementary estimates from the reserves. These will be approved on an invest to save basis and repaid within 2.5 years. The reserves are:-

General Fund Reserves	£200k
Housing Revenue Reserves	£200k
Self Insurance Fund	£300k

- b/ The Executive and Full Council are requested to note the capital cashflow funding requirement, and the proposed solution outlined above.

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Background Papers:-

Executive 24 May 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 22 June 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 20 July 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 24 August 2005– “Joint Venture Arrangements For Corporate Services”

Executive 5 April 2006 – “Improving Services In Somerset – Business Case Update”

Executive 10 January 2007 – “Improving Services in Somerset – Progress Update”

Executive & Full Council 20 March 2007 – “Improving Services in Somerset Programme”

Executive & Full Council 18 July 2007 – “Improving Services in Somerset”