

**Deloitte.**

# Achieving more with Less

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# Conditions precedent' for a successful efficiency programme

*Our experience has taught us and our clients that there are six key factors which must be in place*

<b>Accountability</b>	Set clear targets and align accountability to it
<b>Leadership</b>	The programme must be led & empowered by the very top of the organisation
<b>Benefits</b>	Include tactical AND strategic cost saving initiatives
<b>Engagement</b>	Engage and involve the business functions and finance in designing and delivering cost savings
<b>Rigour</b>	Ensure robust project management approach to drive the programme
<b>Culture</b>	Embed a culture of continuous cost management improvement

## The Cost Reduction Challenge

**How do you mobilise and coordinate the organisation to identify, validate and deliver sustainable, enterprise-wide savings whilst investing in future growth?**

## Simple message

**If you want to cut significant costs then you have to:**

- **Reduce your external spend on goods, services and contracts**

*Typically this will account for 20% - 30% of an efficiency programme savings*

***and***

- **Reduce headcount**

*Typically this will account for 70% - 80% of an efficiency programme savings*

**The key is to do this on a sustainable basis in a way that doesn't damage the future organisation**

# Where to focus

# Where to look

Procurement Related		People Related			
Supply chain	Review of major outsourced contracts	De-layering and reducing management bureaucracy	Increased productivity through performance management	Reducing the cost of support services	Major service area re-design
<p><b>RELEASE VALUE</b> Local Government spends approximately 50% of its revenue on goods and services purchased from third parties. Improving the specification, negotiation, compliance and management information associated with this spend will release value.</p>	<p><b>DRIAVE BETER VALUE</b> Significant efficiencies are available from major outsourced contracts which are typically 2 – 4 years into an 8 year+ deal. Quick wins can be taken which offer an uncontroversial route for the Council to take and the level of cashable efficiencies are significant</p>	<p><b>BE BEST IN CLASS</b> Through historical growth, structural shapes have changed resulting in increased costs with no increased productivity on the front line. It is not uncommon for less than 40% of total front line service budgets to be spent on service delivery. The issue is rarely about service costs but how people are deployed, what they do and how they are adding value to front line services.</p>	<p><b>INCREASE PRODUCTIVITY</b> It is very rare for a local authorities performance management regime to stand up to best in class. Performance management remains one of the untapped areas of efficiency for local government. Addressing poor performance and rewarding the right behaviours will improve the alignment of effort to strategic goals and release significant capacity.</p>	<p><b>LOWER UNIT COSTS</b> Centralising transactional support functions to create an internal shared service based on defined outputs, increased use of self-service and lower unit costs. Building greater trust in the strategic core and removing duplication between the centre and directorates will drive lower costs and release resources</p>	<p><b>IMPROVE VFM</b> Focusing on the large spend areas using Lean thinking to continuously challenge the current delivery model based on leading practice, and working with directorates to implement new operating models to improve quality and reduce cost – particular focus should be on elements of Social Care, Customer Contact and Highways and Transport</p>

# Where do the savings come from?

*The starting point should be to challenge these areas*

Procurement Related		People Related			
Supply chain	Review of major outsourced contracts	De-layering and reducing management bureaucracy	Increased productivity through performance management	Reducing the cost of support services	Major service area re-design
<p><b>RELEASE VALUE</b></p> <p>BY TARGETING:</p> <ul style="list-style-type: none"> <li>Category management</li> <li>Commissioning</li> <li>Procurement spend on agency staff, ICT, social care procurement, transport</li> </ul>	<p><b>DRIAVE BETER VALUE</b></p> <p>BY TAREGTING:</p> <ul style="list-style-type: none"> <li>Contract non-compliance</li> <li>Duplication between Council and Supplier</li> <li>Services you are paying for and not receiving</li> <li>Services you are receiving and don't need</li> <li>Change Control</li> </ul>	<p><b>BE BEST IN CLASS</b></p> <p>BY TARGETING:</p> <ul style="list-style-type: none"> <li>Cost of managing out all risk</li> <li>Management efficiency</li> <li>Organisational layers and spans of control</li> <li>The retention of functions that are no longer required</li> </ul>	<p><b>INCREASE PRODUCTIVITY</b></p> <p>BY TARGETING:</p> <ul style="list-style-type: none"> <li>Implementation of a robust perf mgt system</li> <li>Addressing poor performance</li> <li>Introduction of competency based promotion</li> </ul>	<p><b>LOWER UNIT COSTS</b></p> <p>BY TARGETING:</p> <ul style="list-style-type: none"> <li>Duplication between centre and depts.</li> <li>Shared services for transactional processing</li> <li>Waste in processes</li> <li>Cost of system inefficiencies</li> </ul>	<p><b>IMPROVE VFM</b></p> <p>BY TARGETING:</p> <ul style="list-style-type: none"> <li>New operating model for Social Care</li> <li>Streamlining Highways/Environ. management</li> <li>Fully integrate transport</li> <li>Better management of customer contact and handoff</li> <li>Mobile and Flexible Working</li> </ul>

# Some quick wins can help to fund the change programme

*These should already be in place*

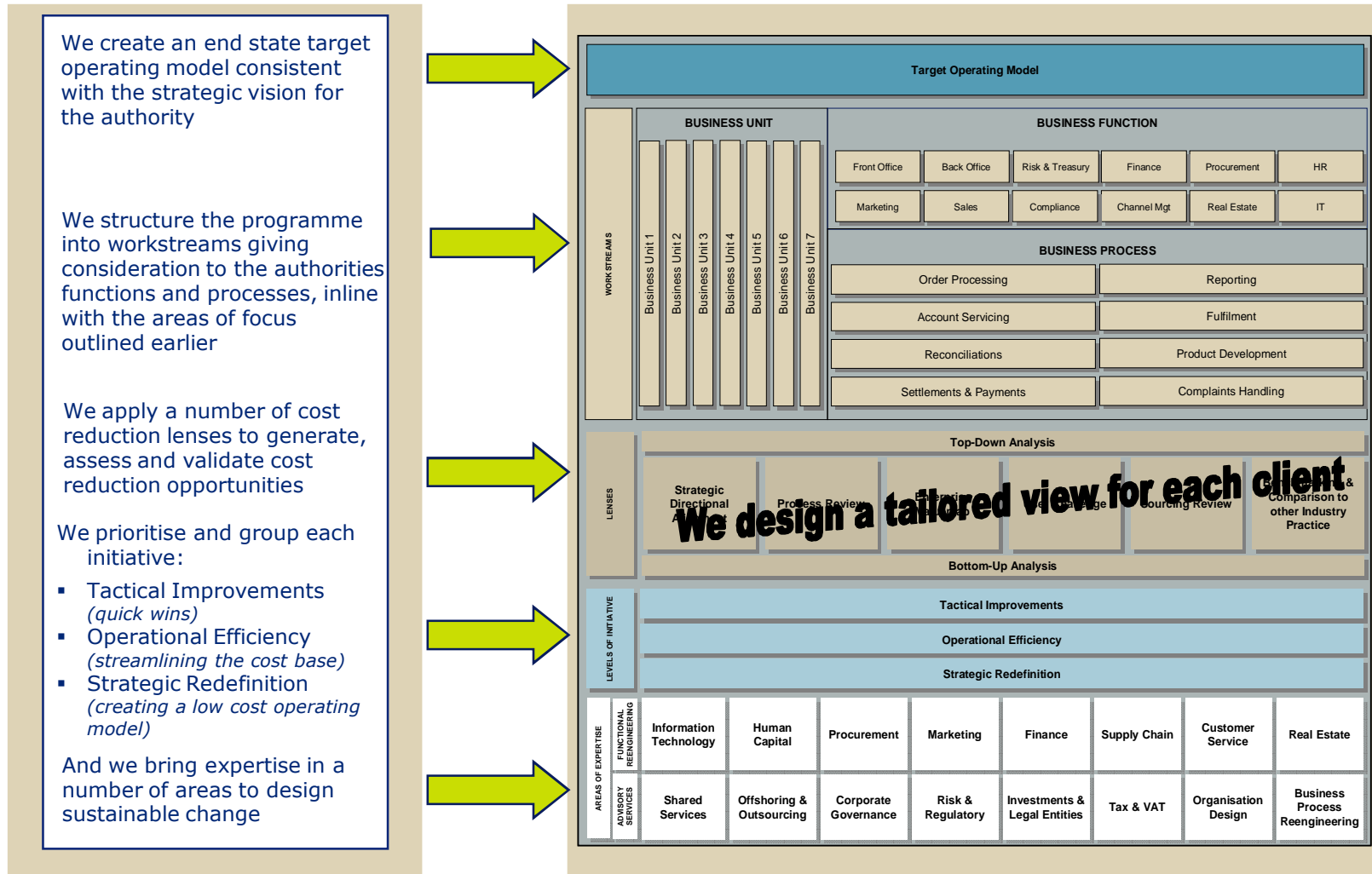
1. Tight management of the cost base – control true spend, not budget
2. Process simplification
3. Review existing project management portfolio
4. VAT/Tax reclaim opportunities
5. Outsourced contracts review
6. Remove budget for vacant posts
7. Reduce agency spend
8. Improve procurement governance
9. Confirm all income opportunities
10. Set a tone for continuous improvement

***The first stage is to test the extent to which these have already been realised***

# Our approach

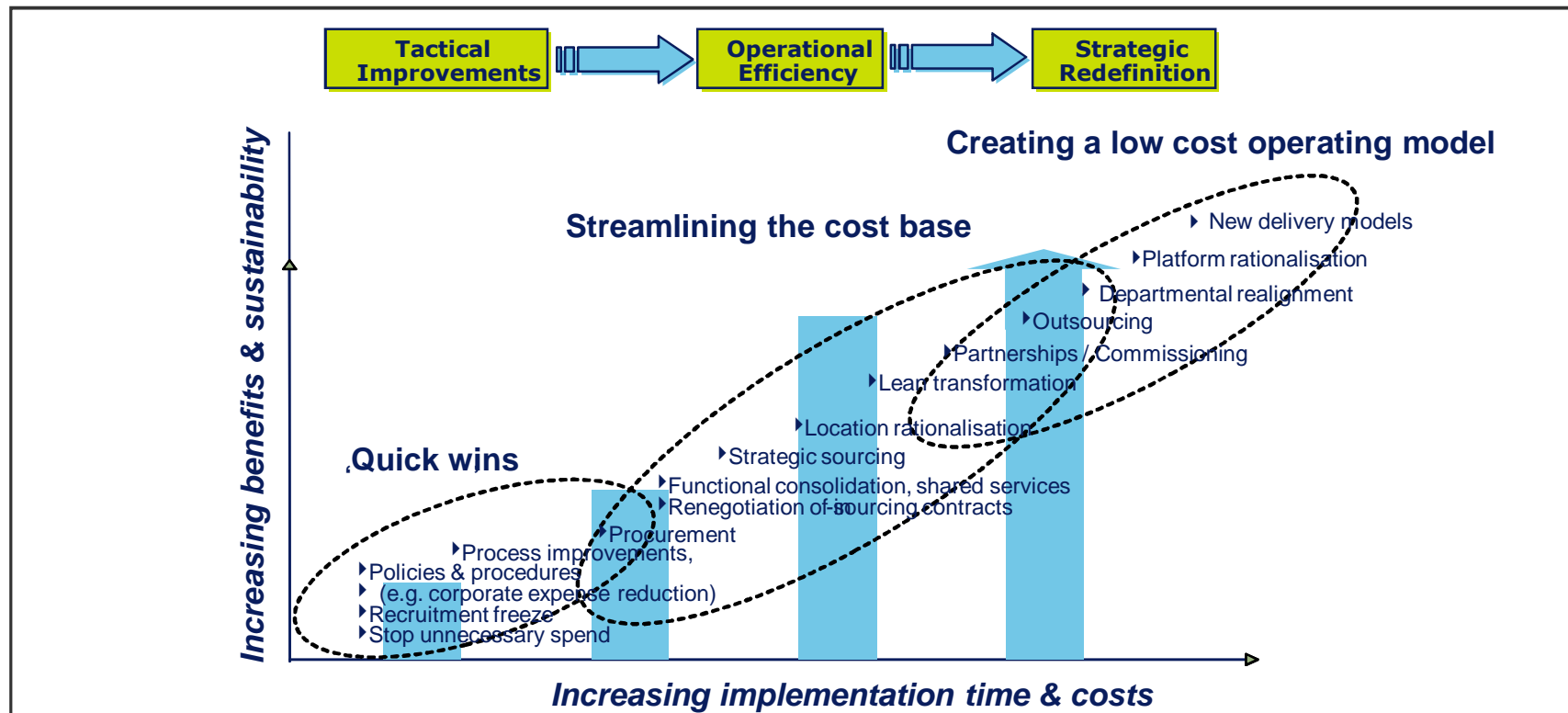
# Approach: Initiative Identification and Validation

*Our overall approach is built on our expertise in identifying initiatives that are consistent with your strategic vision*



# Approach: Engagement Progress

*We understand the importance of balancing strategic opportunities with tactical improvements to realise rapid, sizeable and sustainable benefits*

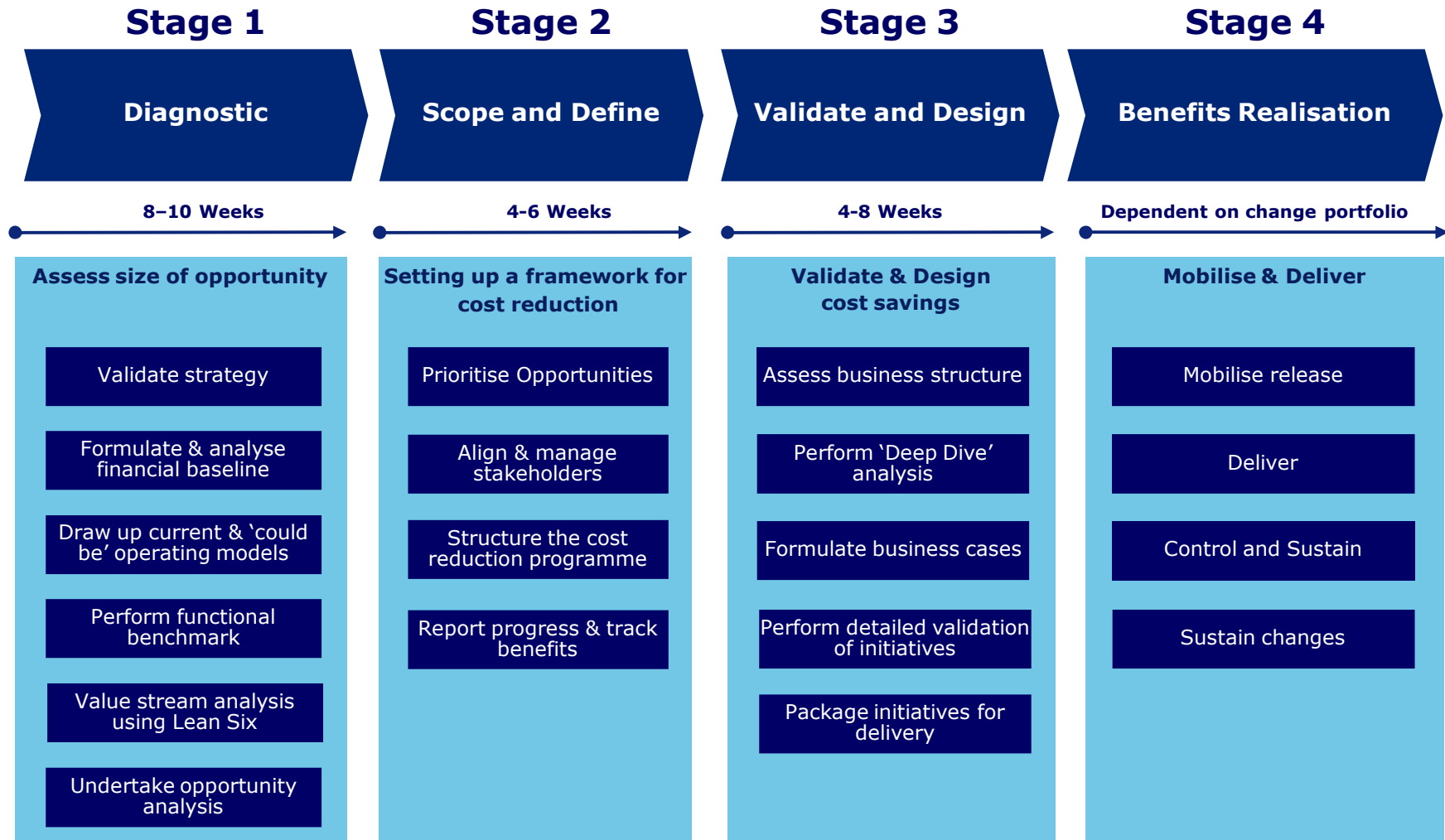


## Our Guidelines to Realisable Savings

- At least 30% more £s of initiatives need to be identified to achieve overall target saving
- Benefits are normally overstated, implementation costs are understated (typically 75p to 125p per £ of benefit)
- A raw set of initiatives will typically contain up to 25% £ double counts / errors
- Allocate run rate targets, not target reductions
- Clear consistent approach for known difficult areas where executive and budgetary responsibility may be shared
- Benefits will not be achieved unless driven through as a key part of the executive team agenda

# Methodology

*We use a four stage end to end methodology to deliver the approach*



# Contact

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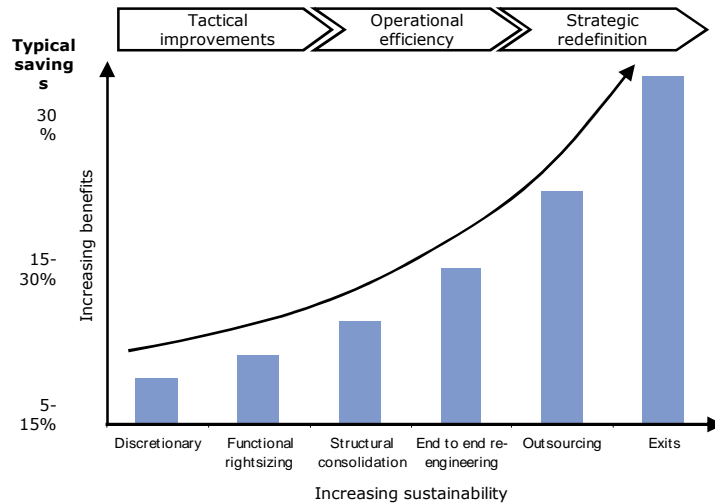
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# Additional Slides

# Approach: Realising Sustainable Savings

*In practice, cost saving initiatives should achieve a balance between strategic redefinition and tactical improvements to realise sizeable and sustainable benefits*

**The nature of sustainable savings**



**Key savings levers**

<b>Discretionary</b>	- Quick wins – spend reduction and demand management
<b>Functional rightsizing</b>	- Rationalisation of teams and structures and rebalancing workloads
<b>Structural consolidation</b>	- Centralisation and rationalisation of similar functions
<b>End to end re-engineering</b>	- Efficiencies through de-duplication and process improvement
<b>Outsourcing</b>	- Non-core processing and platforms provided by third parties
<b>Exits</b>	- Stop doing things or get others to do them in the future

## Analysis of budgeted savings (£000s)

		Customer Services	IT	Central Functions	Front line	Facilities	Other Ops	Central Items	Total
<b>Discretionary</b>	Number of initiatives	8	8	11	14	8	2	22	73
	Value of initiatives (£000s)	3,850	3,700	3,300	3,789	1,995	135	12,810	29,579
<b>Functional rightsizing</b>	Number of initiatives	5	4	4	16	2	11	3	45
	Value of initiatives (£000s)	1,400	1,400	1,400	1,400	1,400	1,400	1,600	19,822
<b>Structural consolidation</b>	Number of initiatives	1	1	1	1	1	1	1	20
	Value of initiatives (£000s)	2,300	2,300	2,300	2,300	2,300	2,300	2,300	15,581
<b>End to end re-engineering</b>	Number of initiatives	3	3	3	3	3	3	3	8
	Value of initiatives (£000s)	3,200	3,200	3,200	3,200	3,200	3,200	3,200	4,090
<b>Outsourcing</b>	Number of initiatives	2	2	2	2	2	2	2	13
	Value of initiatives (£000s)	2,290	6,700	1,000	500	500	500	500	10,490
<b>Exits</b>	Number of initiatives	1	1	1	1	1	1	1	1
	Value of initiatives (£000s)	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220
<b>TOTAL</b>	Number of initiatives	32	15	18	37	17	16	25	160
	Value of initiatives (£000s)	13,640	11,700	6,100	21,676	7,711	5,545	14,410	80,782

# Approach: Realising Sustainable Savings

*We bring quantitative, qualitative and industry leading practice data, together with our focused approach and hypotheses to accelerate the process*



## Key Points

- **A hypothesis-driven approach**

This approach to benchmarking helps validate strategy, **identify the best opportunities**, and **build the case for change**

- **Breadth and depth of data**

We bring a **range of datasets and leading practice**, far in excess of simple benchmarks, to identify real opportunities

Our review is designed to be both **broader and more likely to deliver real value** than a narrow benchmarking exercise

- **Subject Matter Expertise**

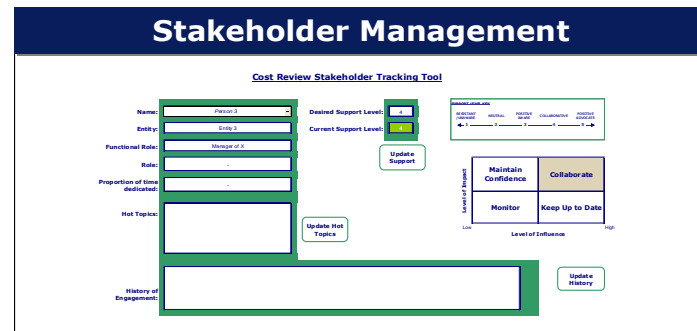
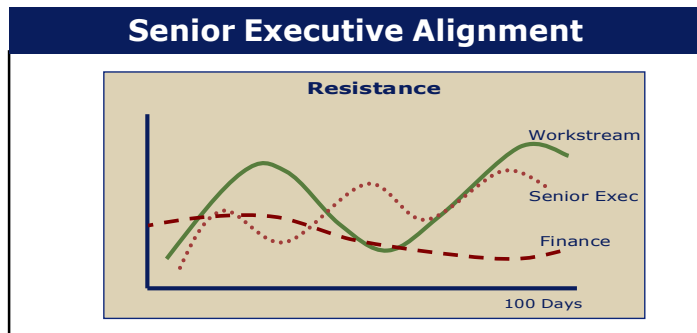
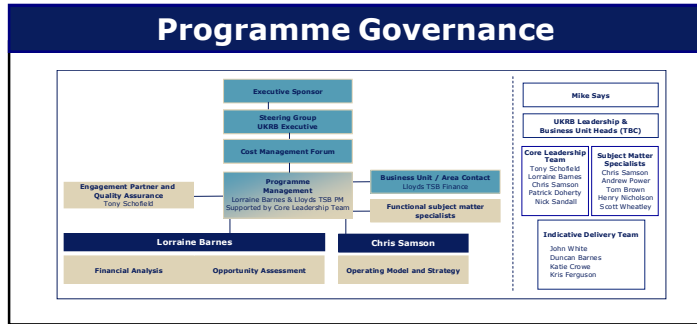
In addition to a **wealth of research**, we offer immediate availability of deep **subject matter experts** who have knowledge of cost reduction by functions and key processes in retail banking

- **Realisable Opportunities**

Only through our breadth of data, research and specialist experience can we identify where realistic cost reduction opportunities exist

# Approach: Realising Sustainable Savings

Success will depend not just on 'having the answer' but will require significant senior executive engagement and alignment



## Key Points

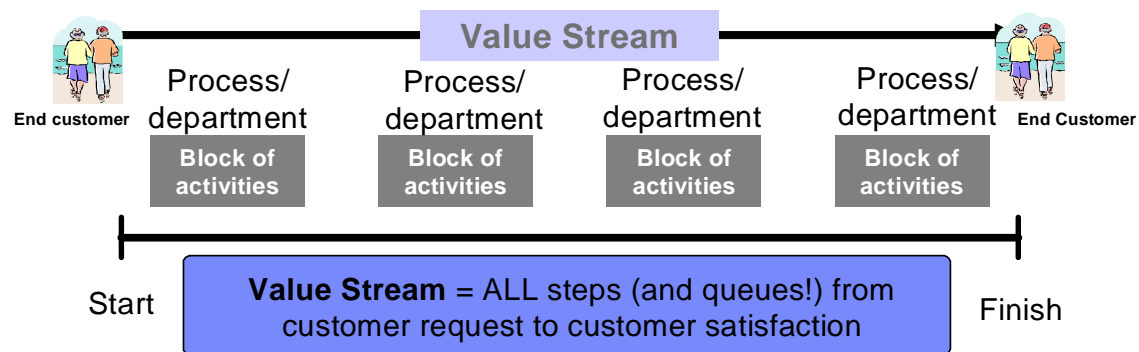
- Client Role**  
 Without full executive support, this project will not succeed
- Effective programme governance**  
 Driving the **right outcomes** with a minimum level of bureaucracy and administration  
 Ensuring **collaboration** through working with a senior [client] project leader and regular reporting to Steering Group
- Senior executive engagement and alignment**  
 Deloitte project team is experienced in anticipating fluctuations in activity and bringing **impartiality in a political environment**  
 We bring **continuous change management analysis** to address resistance  
 Top level leadership is essential – we will work with you ensure **visible executive commitment**
- Effective communications and stakeholder management**  
**Communications must be coordinated** across functions for consistency  
 We understand that the **rules of engagement** must be clear to key stakeholders at all times

# Approach: Use of Lean Six Sigma within the diagnostic

- Identify Value Streams (both internal and external)
- Prioritise
- Perform assessment and understand
  - Rigorous measurement
  - Identify issues AND causes of issues
- Re-design out causes
  - Short/Medium/Long term
  - Utilise known solution set
- Support implementation

Delivered in five workshops:

- Mobilise and simulation
- As is – plan for information collection
- As is – Analysis
- Future State design
- Implementation plan





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