

Against a backdrop of union concerns and leadership instability, the UK's Essex County Council has embarked on a radical plan to transform its services and savings. **Jo Cooper** reports on the journey.

CARDS ON THE TABLE

You're running a council but finances are getting tight. You can see the writing on the wall: if drastic action is not taken services will soon need to be cut.

Essex County Council in the UK recently faced this problem, one familiar to governments everywhere.

"In the UK we're no different to the global situation whereby every single government is struggling to make ends meet at the moment," says Essex's deputy chief executive Nick Bell.

"The government has put a lot of money into quantitative easing, basically injecting money into the economy to try and stimulate the economy over the period of the recession. That means that moving forward there's going to be an awful lot less money available for public services generally."

Bell says Essex knew it needed a radical overhaul of the way it operated to ensure it could continue to provide services that are important to its residents, "and to try and find different ways of being able to do everything we do, which means that we can do it cheaper, we can do it in a more cost-effective way, but maintain the same level of quality".

What's different about this story is Essex's next move. Instead of frittering around at the edges of the problem it took quite a plunge, partnering with global giant IBM in a deal reportedly worth up to 5.4 billion pounds to transform its services and bottom line.

The deal, signed last December, is extraordinary – an eight-year strategic transformation services agreement that will see IBM examining, and possibly reforming, myriad aspects of the Conservative council's operations, with a more immediate view of saving 20 per cent of the council's 1.5 billion pound annual budget by the end of 2012.

ROCKING THE BOAT

Essex County Council, which is the principal local authority for the county in the east of England, was formed in 1889, and serves a population of more than 1.3 million, making it the second-largest

county in England in population terms.

It has not been without controversy. Just this month its leader Lord Hanningfield was replaced by Peter Martin, a Conservative, following Lord Hanningfield's resignation as leader after he learned he would face criminal charges in relation to his House of Lords expenses.

There are indications that the latest troubles for Essex could come from the IBM deal, which is seen as supportive of Conservative leader David Cameron's privatisation agenda. It is already causing concern in the union movement, with local media reporting the transformation will see hundreds of managerial posts slashed in voluntary redundancies, retirements and courtesy of not replacing vacant positions.

Bell says the county council has worked very closely with the unions, particularly Unison, which represents most of the public sector workers in the UK, and he acknowledges they may be concerned about impacts on their members. He says the unions want "early engagement" on issues and ideas relating to the IBM project and they have been promised that.

"They understand fully the need for us to change and if we didn't change and deliver the savings we want to do, then a lot of the services currently provided at the moment, and a lot of the things that are really important to our residents, would be untenable in the future because we simply wouldn't have the money to do it," he says.

Online reader comments on the deal to the *Times Online* were mixed, from "What does IBM know about running Council Services Mr Cameron?" to "this is real positive action to tackle our massive deficit. Slightly more effective than relying on lala land growth estimates".

Bell stresses that the deal with IBM is a flexible contract that "initially guarantees them very little".

"It's done via a series of business cases. So each time we look at a different area of



"PROCUREMENT IS ALSO A KEY AREA BECAUSE [ESSEX] ALREADY OUTSOURCE OR COMMISSION 800 MILLION POUNDS WORTH OF SERVICES, MAINLY IN THE HIGHWAYS AREA."

IBM strategy and change leader Sara Longworth

the organisation, they will provide us with a business case [detailing] either working with us to drive out cost or potentially taking on the services – how much they'll be able to do it, what quality level – then it's up to us to actually decide whether to move ahead with that business case."

"What we didn't want to do was end up in an enormous contract from day one and then suddenly find a year or two down the track it was all going wrong."

PROCESS BEGINS

For IBM's part, the Essex contract is a significant one, one of the largest of its kind in the UK. Lead partner on the account, IBM strategy and change leader Sara Longworth, told *Government News* the tendering process took more than 12 months.

"Essex has a very transformational vision and they maybe want to go further down the commissioning route – commissioning outcomes – than other organisations have," she says.

IBM has already started work, commencing with three projects in the procurement, IT and back-office areas.

"It's very much the focus over time to shift resources into frontline services rather than supporting an inefficient back office.

"Procurement is also a key area because



Clockwise from left: Essex Council, where IBM has already started work to make considerable savings; a windmill in the county area; and, a classic coastal scene in Britain.

[Essex] already outsource or commission 800 million pounds worth of services, mainly in the highways area. And we feel they could do that more efficiently."

The third big area of work involves all customer-facing processes, with a view to creating a more efficient web presence and enabling residents to access more services over the internet such as adult education courses and the payment of council taxes.

She says Essex itself is also running some big cost-saving processes in tandem with the three initial IBM endeavours, and Longworth is confident IBM will help Essex save money.

"In some of the areas, the improvement is very clear – county councils have not been as quick as some commercial organisations to adopt digital channels.

"So by adopting some of the practices that the private sector has been running for many years there are considerable savings to be achieved."

ROAD AHEAD

Another area Essex would like to focus on is increasing productivity in the workforce, according to Bell, who says IBM is currently working on a business case for this aspect of operations.

He cites an example of possible savings that could be made by moving from a traditional IT environment to cloud computing: "That would take about 50 to 60 per cent off our cost base of running IT."

Longworth says another saving could be in making case workers more effective by enabling them with new technologies so they do not need to visit the office but can input their information from the road.

Pulling together the threads of this change, while focusing on its vision 'to deliver the best quality of life in Britain' for its residents will no doubt test Essex County Council. **GN**



G

N

GovernmentNews

UPCOMING ADVERTISING FEATURES:

APRIL/MAY

- Public Works
- Workplace Health & Safety

JO LE VENE
Government News
National Sales & Marketing Manager
d: 02 8586 6162
e: jlevene@intermedia.com.au

JUNE/JULY

- ICT & Smart Office
- Green Procurement Guide 2010

BRAD LAWSON
Government News
National Accounts Manager
d: 02 8586 6197
e: blawson@intermedia.com.au

Contact