

MEMORANDUM TO CHIEF MINISTER AND MEMBERS OF THE POLICY COUNCIL

FTP - Portfolio Definition and Baseline

1. The Purpose of this Paper

The purpose of this paper is to:

1. Provide Policy Council with a formal update on the outcomes of the five step FTP Portfolio Definition exercise endorsed by the Policy Council at its meeting on 17 September 2012.
2. Seek approval for the projects contained within the baselined portfolio (as set out in Appendix 1) to be formally recognised as “FTP” projects

2. Background

At its meeting on 17 September 2012 the Policy Council approved a 5 step process to effectively baseline the Portfolio of Projects and Programmes that had the potential to meet or exceed the outstanding FTP benefits. The process was co-ordinated by the FTP Programme Management Office (PMO), but involved extensive engagement with Departments in order to:

- **Understand** each of the projects being proposed
- **Categorise** the projects in order to split the portfolio into important groups and segments such as project size and benefits type
- **Prioritise** the projects based on criteria such as timescales, benefits value, difficulty etc
- **Balance** the portfolio ensuring it contains the right mix of projects and initiatives
- **Plan** the co-ordination of delivery and the management of benefits.

This process has now been completed with 8 of the 10 Departments. In Culture and Leisure, the draft portfolio agreed with the Department in November 2012 is understandably being reviewed by the newly appointed Chief Officer who wishes to satisfy himself that all opportunities for savings have been explored. No negative impacts on the portfolio are anticipated and confirmation of the portfolio’s composition is expected shortly. Similarly the HSSD portfolio submitted in November has now been re-assessed by

the Department following the changes to the Political Board in December. The Department has now submitted a revised Portfolio but is yet complete the 5 step definition process with the Programme Office. As a result the values associated with HSSD projects included Appendix 1 of this report are currently un-moderated and may change.

3. Outcomes of the Portfolio Definition Process

Following the five step process set above has enabled the Portfolio Director to establish a clear picture of the projects and initiatives departments are considering in order to meet their FTP targets. This holistic approach has enabled the Portfolio Director and FTP Sponsor to make an informed assessment of the suitability of projects for inclusion within the FTP and the level of benefits they may generate.

The headline outcomes of this process were a proposed portfolio which included 210 department specific projects with a moderated value of £15.5m derived as set out in Table 1 below. Whilst it is acknowledged that the re-submitted HSSD portfolio is yet to be moderated it is unlikely that this will have a material impact on the headline numbers below. Any significant changes will be reported to Policy Council as soon as the moderation process has been completed.

Table 1: FTP Portfolio Definition Outcomes

Comment	Number of Projects	Adjustment (£m)	Portfolio Value (£m)
Max possible saving forecast	271	-	34.6
Moderated forecast	271	- 15.9	18.7
Non recurring savings removed (46 projects)	225	- 2.4	16.3
Cuts removed (15 projects)	210	- 0.8	15.5

Proposals that did not generate annually recurring savings, or derived their benefits from an unjustified reduction in the services provided have been removed from the portfolio. They are not recommended for inclusion in the FTP at this stage and are not included in the moderated value shown above.

The remaining projects create a Portfolio within which 85% of the initiatives have been classified as tasks or small projects, 50% of the benefits come from projects that sit within

the high attractiveness/low difficulty quadrant of the prioritisation matrix shown in Figure 1.

A combination of factors contributed to the attractiveness/difficulty score each proposal earned. The difficulty score is driven by the extent to which the Programme team can influence the outcomes. This includes the scope of the project, technical feasibility, need for resource, whether subject matter expertise is required and the level of political approval required along with the likelihood of earning approval.

The attractiveness score is driven by alignment to the FTP objectives. This includes factors such as the project type (efficiency, income generation or cut), level of annually recurring saving, impacts on service outcomes, impact on strategic priorities and the speed of benefits

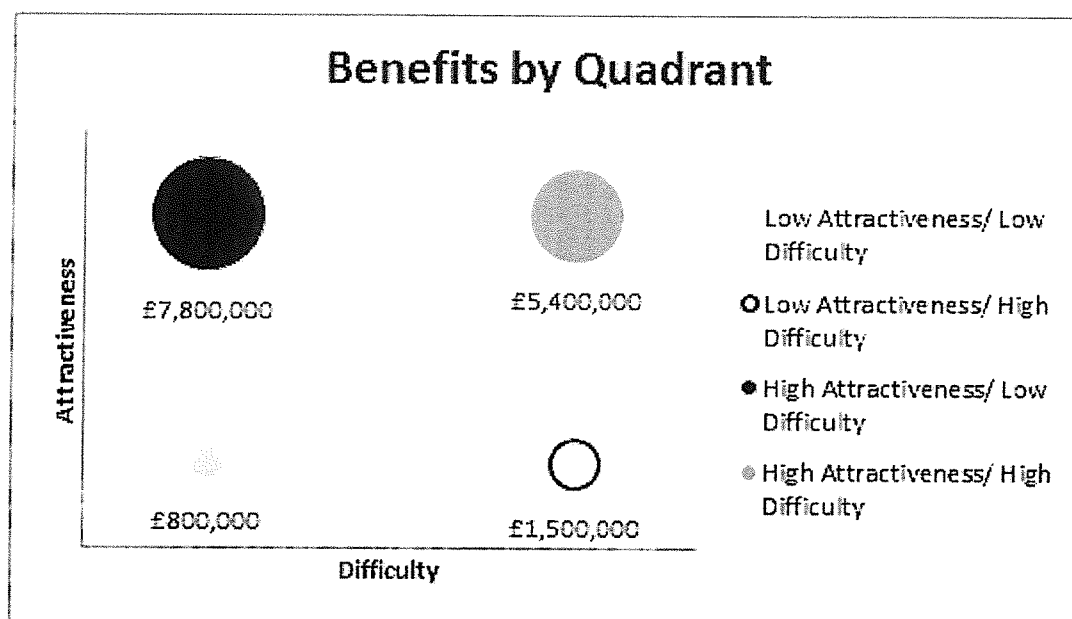


Figure 1: Prioritisation Matrix

With cuts in service removed at this stage, the proposed portfolio is also balanced in terms of the split between efficiencies and income generation with 80%, or £12.5m, coming from efficiencies and £3m from income generation.

A full list of the projects recommended for inclusion in the portfolio can be found at ***Appendix 1**. Despite this being a full list of the projects to be included in the FTP, there is very little information here for Council to fully understand the projects, their consequences and dependencies making it difficult for Members to 'sign up' to driving their delivery. It is therefore recommended that the Council take some time out to understand the list more fully, question each other on Departmental projects, offer challenge and political advice and therefore be able to really 'own' the list. If Members agree to this, this will be diarised within the next few weeks.

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In addition to these Departmental projects, the FTP’s cross cutting programmes are currently expected to release £5.8m of benefits which, combined with the savings made to date and the moderated value of the Departmental projects gives a total forecast value for the FTP of £32.5m as shown below:

Savings signed off as at 31 st January 2013:	£12.4m
Moderated value of Departmental projects:	£14.3m
Moderated value of remaining cross cutting benefits:	£5.8m
Total Forecast Value of FTP by 31st December 2014:	£32.5m

4. Management of Benefits

The dialogue with departments and the portfolio definition work has enabled the PMO to establish an initial picture of the profile for the release of the remaining FTP benefits which is illustrated in Figure 2 below:

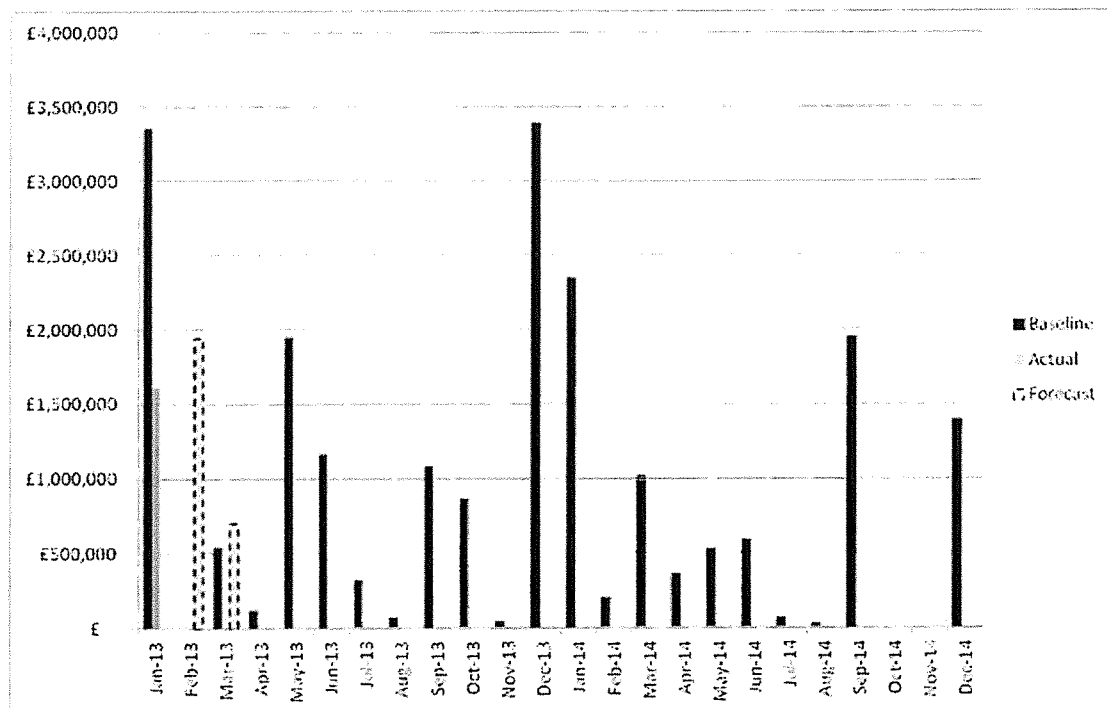


Figure 2 - Forecast benefits profile

Given the immaturity of many of the initiatives in the proposed portfolio it is inevitable that both the value and timing of the benefits associated with the FTP will flex as its component projects move through their lifecycle. It is therefore essential that benefits are monitored and managed rigorously and consistently across the programme and any changes reported accurately and quickly so that informed, evidence based decisions can be made where intervention is required.

In order to achieve this, the Portfolio Director is rolling out a formal Management of Benefits (MOB) framework which will be applied to all departmental and cross cutting projects and programmes. The basic MOB cycle is illustrated in Figure 3 below:

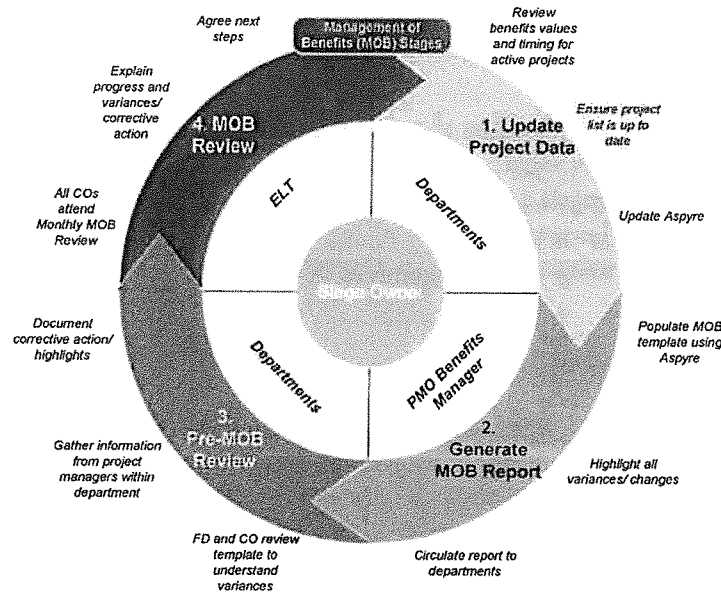


Figure 3 - Management of Benefits Cycle

Appropriate tolerance levels for reporting the inevitable changes from the currently forecasted benefit levels and timeline, as well as any changes to project lists, will be applied to ensure that the overall delivery of portfolio benefits remains on target and where necessary appropriate mitigation plans are put in place.

A series of monitoring meetings are being put in place which will include any issues being raised by exception to the ELT and Policy Council on a monthly basis through an updated Status Report.

5. Risks and Issues

Whilst the current forecast marginally exceeds the £31m target for the FTP, there are a number of high level risks associated with its delivery. The most significant of these are summarised below.

Approximately £7m of benefits are associated with projects that have been assessed as being in the “High Difficulty” category of which £1.5m is also categorised as “Low Attractiveness”. It is important to acknowledge the risk that some of these may not release their benefits within the lifespan of the FTP or may not be progressed to implementation.

Over £5m is also associated with 11 projects that have been assessed by Departments at this stage as requiring approval from the States of Deliberation (note that no HSSD projects are included at this stage) before they can be implemented, again there is no

guarantee that such approval will be forthcoming in every instance and indeed it would be presumptuous to assume it would.

It is important to be cognisant of the fact that many of the projects currently in Departmental portfolios are at the earliest stages of their development and therefore certainty as to their viability, timescales and benefits is at its lowest. It is unlikely that all of these projects will be progressed to completion or that those that do will all meet the current forecast of benefits.

In short, the apparent cushion, that the size of the current portfolio provides, is simply not large enough if we really want to achieve or exceed the £31m target and are prepared to acknowledge the challenges we will face in doing so. As a result there is a need to ensure this forecast does not become a source of complacency, and to continue to push hard for the identification and release of additional benefits.

6. Potential FTP Benefits from Housing Department

Policy Council is already aware of the potential to accept an additional £2m of benefit into the FTP as a result of a review of the medium to long term funding of the Corporate Housing Programme undertaken by the Housing Department. The Department has been extremely pro-active in reviewing their actual requirements and identifying this potential saving, which far exceeds the FTP "target" required from them.

This opportunity enables an annually recurring and sustainable reduction in the Department's Cash Limit of £2m without any reduction in the services the Department provides or the entitlement of its tenants.

For clarity, the Housing Department has reviewed its funding requirements to meet the Corporate Housing Programme objectives. It has concluded that, even allowing for the significant outgoings associated with major projects such as two new extra care schemes, the second phase of the Grand Bouet redevelopment and the redevelopment of the former Boys' Grammar School at Brock Road, it can significantly reduce the amount of money it requires. Therefore the annual transfer to the Corporate Housing Programme Fund has been reduced by £2m per annum to £6m per annum with effect from 2013. This will enable the States to spend £2m per annum less from this year and is not, as described by several States Members, simply a transfer between General Revenue and the Corporate Housing Programme Fund.

If accepted as an FTP project, that £2m reduction in budget would be £2m per year, every year going forward. However, its acceptance would necessarily trigger a one off payment of £130k to Capita.

Whilst the current Portfolio shows the potential to exceed our target £31m by the end of 2014, we cannot afford to be complacent about this, for the reasons set out in Section 5 of this paper. As a result the Executive Leadership Team (ELT) would normally be recommending the acceptance of this benefit as an FTP saving, in order to offset any future losses of benefits. However, the ELT has discussed this matter in some detail and concluded that including this item in the FTP would be almost certain to create unacceptable Political consequences. Therefore, it is the team's recommendation that this £2m is *not* accepted as part of the FTP despite the increased risk of missing the target that this creates.

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There are numerous cost pressures arising from work currently being undertaken within the FTP and attached to the wider Transformation which the Policy Council and ELT wish to see progressed in the near future. Therefore, ELT suggest that this money is ring fenced at this stage, not allocated to any other projects and that they will come back to the Policy Council with a paper outlining the options for effective use of these funds (including the option to simply use it to reduce the deficit).

7. Decisions

Policy Council is asked to;

- 1) Note the outcomes of the Portfolio Definition process.
- 2) Support the introduction of the Management of Benefits framework and ensure their Departments participate fully.
- 3) Approve the granting of FTP status to the projects and initiative listed in Appendix 1.
- 4) Agree that a workshop be set up to understand the projects in more detail.
- 5) Agree that the £2m Housing saving is not admitted to the FTP but that these funds are ring-fenced for the time being.

Bethan Haines
States Treasurer

February 2013

Appendix 1

PAGES 8 TO 25 REDACTED

Pages redacted under exception 2.4 (internal discussion and policy advice)

