

HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

JOINT COMMITTEE

13 February 2015

Subject heading:

oneSource Transformation Update

Report author and contact details:

Tony Huff, 01708 434155,
tony.huff@oneSource.co.uk

Financial summary:

The oneSource Business Case identified that savings of £4.1m could be achieved in 2014/15. This report identifies that to date projected savings from transformation reviews and other restructures have identified savings of £2.4m in 2014/15 and £5.2m of the required £10.6m savings by 2018/19. Other transformation reviews are currently in progress or still to be commenced in 2014/15 that will contribute to the target. The overall budget monitoring report shows that oneSource is on target to deliver the required savings.

Is this a Key Decision?

No

SUMMARY

This report looks at the transformation projects being undertaken to deliver the oneSource savings as outlined in the shared service business case approved by both councils. The report outlines the processes used for transforming services within oneSource and provides an update on progress to date.

Overall benefit realisation is being managed by the Business Services Team.

RECOMMENDATIONS

The Joint Committee is recommended to note progress on delivering the required savings from oneSource in 2014/15.

REPORT DETAIL

1. Background

1.1 The business case approved by Newham and Havering Councils in November / December 2014 set out challenging and substantial savings to be delivered by oneSource over a 5 year period. The saving targets are set out in table 1 below.

	Estimated Savings				
	Year 1 2014/15 (£000)	Year 2 2015/16 (£000)	Year 3 2016/17 (£000)	Year 4 2017/18 (£000)	Year 5 2018/19 (£000)
Havering	1,460	2,829	3,314	3,566	3,904
Newham	2,652	4,961	5,629	6,182	6,708
Total	4,112	7,790	8,943	9,748	10,612

Table1. OneSource Business Case savings

1.2 The business case savings were predicated on a complete review of services provided by oneSource within an overall timetable. This timetable was revised and noted by the Joint Committee at its last meeting. The revised timetable is shown in table 2 below.

Year 1 (2014/15)	Year 2 (2015/16)	Year 3 (2016/17)
<ul style="list-style-type: none"> • NNDR • Facilities Management • Health and Safety • Management of School Capital • Property • Technical Services • Audit, Insurance and Risk • Pensions (contract at LBN) • Procurement • Democratic Services • Election Services 	<ul style="list-style-type: none"> • Payroll • Transactional Finance • Transactional HR • Operational / Strategic Finance • Operational / Strategic HR • Debt Management / Recovery team 	<ul style="list-style-type: none"> • Benefits • Council Tax

Table 2. Transformation Programme timetable

- 1.3 The transformation programme is lead by a team within Business Services. The Business Improvement team consists of 5 permanent posts topped up with 7 further temporary posts (funded for 2 years). There are 4 teams of 3 people in each team. Each team works on a service project in conjunction with the relevant Director / Manager. Transformation projects can take up to six months to fully analyse the functions and to make their recommendations.
- 1.4 A number of business improvement techniques are used depending on the nature of the service being reviewed. Techniques used include LEAN systems thinking techniques such as value steam mapping, process waste analysis and other techniques such as “rough cut” activity based costing. In addition consultation is undertaken with internal customers of the service (and external customers if relevant).
- 1.5 Outputs of the transformation projects include:
- An executive summary report
 - A savings profile
 - An implementation plan
 - A business case for the recommended restructure
- 1.6 During the review key products are produced that are discussed and agreed at checkpoint meetings with the relevant Director and lead officers. These include:
- An As-Is report – current operating model of LBH and LBN
 - A To-Be report – new model for oneSource
- 1.7 The objective of these projects are to analyse the current operating structures and process models of both council's back office functions in scope in order to produce the new target operating model for oneSource.

2. Transformation Project / Other Restructure Updates

2.1 ICT

- 2.1.1 The ICT transformation project commenced in the summer of 2013 to test the assumptions in the oneSource business case. By April 2014 final proposals were in place to consult with staff during May / June 2014. The final restructure was implemented over the summer of 2014. Full details were provided at the last meeting of the joint committee. The total savings identified are shown in Table 3 below.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Restructure Saving	485	880	880	880	880
License Savings	100	100	100	100	100
Income from CCTV	100	100	0	0	0
Income from 6th Form College	145	145	145	0	0
Network Savings	80	80	80	80	80
Data Centre Savings	60	285	285	285	285
Total	970	1,590	1,490	1,345	1,345

Table 3. Savings identified in the ICT transformation Review.

2.2 Legal Services

2.2.1 The Legal Services transformation project commenced in December 2014 and at this moment in time has a number of draft proposals. These proposals are as yet provisional as the consultation process that had started with staff over the proposed revised staffing structure was suspended due to the departure of the Director of legal Services in the autumn. The proposals are currently being reviewed by the Managing Director and the Acting Director of Legal Services with a view to recommencing the staff consultation process.

2.2.2 The provisional savings are shown in table 4 below.

Legal Services Savings	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Minimum	248	612	711	711	711
Maximum	248	612	1,120	1,220	1,220

Table 4. Provisional savings identified.

2.2.3 The minimum savings represent guaranteed savings from the service review process. Savings come from a restructure of the function to maximise legal output from lawyers and reduce / eliminate administrative functions. The purchase of a legal case management system is key to this to reduce administration tasks. The cost (£60k) was funded from the Business Services budget. The case management system allows for the standardisation of processes and the removal of any duplication within the service. The new structure will deliver a single legal function able to provide high quality services to the two councils and be scalable for future partners / customers.

2.2.4 Savings can be maximised from reducing external commissioned work at both councils. This proposal will need further consultation with the two councils and will be dependent on capacity building within the legal services function.

2.3 Asset Management

2.3.1 The Asset Management reviews are currently in process and have been broken down into the following separate reviews (progress shown in parentheses).

- Health & Safety (report being finalised)
- Schools Capital Programme (final savings being calculated & report being finalised)
- Facilities Management (report being finalised)
- Property Services (review commenced)
- Capital Programmes (review commenced)

2.3.2 It is expected that consultation with staff will commence in early March on the proposals for savings in the areas where the reviews have been completed. The facilities management review is expected to deliver savings up to £481k by 2018/19 and the health and safety review to deliver savings of up to £310k. Full details of the review will be reported to the next Joint Committee meeting.

2.4 Internal Audit, Risk, Insurance and Counter Fraud

2.4.1 The Audit review was completed in November 2015. Much of the counter fraud service is due to transfer to the DWP in April 2015 which has meant that this area has had to be dealt with separately as a number of posts in Havering will be transferring to the DWP (Newham had already allowed for this in its structure). The final report for the remainder of the service is currently being finalised.

2.4.2 The final report is ready to commence consultation with staff and stakeholders within the next few weeks. Consultation with the Audit Committee of each council will also need to be undertaken. If the report remains unaltered then savings of up to £1.2m can be delivered within this service. Full details of the proposal will be reported to the next Joint Committee Meeting.

2.5 Exchequer and Transactional Services

2.5.1 Details of this review were provided to the last Joint Committee meeting. Savings identified to date are shown in table 5 below:

Transformation Projects / Restructures to Date	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Transactional & Exchequer Senior Management Restructure	0	65	65	65	65
NNDR	0	119	119	119	119
Transactional	240	240	240	240	240
Transactional / Exchequer	240	424	424	424	424

Table 5. Provisional savings identified

2.6 Procurement

2.6.1 In advance of the transformation project of the Procurement function across both councils a restructure has been proposed in advance. The proposed restructure removes currently vacant post but also introduces category management into Havering Council and creates a single team across both councils. The restructure delivers £249k in 2014/15 and £343k in following years. There are no proposals for any other changes until the transformation review has taken place. This review will commence late 2015/16 or early 2016/17. Staff have been consulted and the proposals are in the process of being implemented.

2.7 Democratic Services / Election Services

2.7.1 Democratic Services will be reviewed by the Interim Director of Legal and Governance Services in consultation with Lead Members / Leader / Mayor once the legal services review has been finalised and implemented. It is unlikely that the review will commence before the summer of 2015.

2.8 Pension Services

2.8.1 The review of pension services is in the process of being started. Due to the specialist nature of this service an external review will be undertaken. The review will look at the

in-house service at Havering and the contract in place at Newham. The final proposals will need to report into both council's Pension Committees.

2.9 Summary of savings to date

2.9.1 A summary of the savings delivered by the transformation projects are shown in table 6 below. Also included are the proposed restructures proposed by Directors outside of the transformation project process.

Transformation Projects / Restructures to Date	Where in process	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Finance		343	1,152	1,465	1,548	1,548
Audit, Insurance, Risk & Counter Fraud	Finalising Report	94	809	1,122	1,205	1,205
Procurement	Consultation closed	249	343	343	343	343
ICT / Business Systems	Implemented Shared Service	970	1,590	1,490	1,345	1,345
Transactional / Exchequer		240	424	424	424	424
Transactional & Exchequer Senior Management Restructure	Consultation closed	0	65	65	65	65
NNDR	Consultation closed	0	119	119	119	119
Transactional	Consultation closed	240	240	240	240	240
Legal (Minimum savings)		248	612	711	711	711
Legal (Maximum savings)	Consultation Paused	248	612	1,120	1,220	1,220
Asset Management		141	639	695	791	791
Facilities management	Finalising Report	19	425	481	481	481
Health & safety	Finalising Report	122	214	214	310	310
oneSource Senior Management Restructure	Implemented Shared Service	423	423	423	423	423
Total Savings (includes min savings where relevant)		2,365	4,840	5,208	5,242	5,242
Savings delivered through budget management / To be completed /signed off reviews		1,747	2,950	3,735	4,506	5,370
Business Case Savings		4,112	7,790	8,943	9,748	10,612

Table 6. Provisional savings identified

2.9.2 It can be seen from table 6 above that to date savings amounting to £2.4m have been either delivered (ICT) or identified in 2014/15. Ongoing savings by 2018/19 of £5.2m have been identified – nearly half of the required target. This excludes savings that will come out of the reviews currently in progress or to be finalised. Further savings are being delivered by the oneSource Management Team through budget management through vacancy management and other budget savings. The budget report elsewhere

on the agenda identifies that oneSource is on target to spend within budget and on course to deliver total savings of £4.1m for 2014/15.

3.0 Year 2 (2015/16) Reviews

3.1 Work has commenced on a number of transformation reviews timetabled for year 2 (2015/16). These are as follows:

- Payroll
- Transactional Finance
- Transactional HR
- Operational / Strategic Finance
- Operational / Strategic HR
- Transactional Procurement (from Oracle implementation).

The delivery of some of the savings in line with the savings profile in the business case is dependent on Newham Council Go Live on the 1-Oracle ERP system in April 2015. The timetable for this is challenging but the council is on track to go live in April. At this point in time there is little reason for this not to happen. There will be a verbal update at the meeting. Due to the complexities of the services involved and the linkages between them is anticipated that the reviews will take up to 12 months to complete.

4.0 Benefit realisation

4.1 The benefit realisation process is undertaken by the Business Services team. All proposed savings are monitored by the team and finance to ensure that the savings are delivered in line with the proposals. This will enable actual savings delivery to be monitored against the business plan target and not potentially masked by other one off or unplanned savings within service budgets. In addition non financial benefits are captured to demonstrate gains for oneSource and the two councils such as the creation of resilience within functions.

REASONS AND OPTIONS

Reasons for the decision:

This report is for information only and does not directly require a decision by the Joint Committee.

Other options considered:

Not applicable.

IMPLICATIONS AND RISKS

Financial implications and risks:

The delivery of the transformation programme directly relates to oneSource delivering the required level of savings as per the oneSource business case agreed by both councils. Table 6 above identifies the savings made so far from transformation and other restructures. Transformation projects currently in process will deliver further savings. The oneSource senior management team is managing the overall delivery of savings and management of the overall oneSource budget. The budget monitoring report reports that oneSource is on course to outturn at budget.

Legal implications and risks:

There are no legal implications identified for this report.

Human Resources implications and risks:

The restructure reports that result from the transformation projects are subject to consultation with staff through each council's managing change policies.

Equalities implications and risks:

There are no equality implications identified for this report.

BACKGROUND PAPERS

OneSource Business Case