

Sharing Services Business Case

Options for Havering and Newham Councils to share services, developing an innovative model which achieves significant savings



Sir Robin Wales
Mayor of Newham

“Working together to share the cost of bureaucracy provides us with an exciting opportunity to take the best parts from each organisation to create innovative and outstanding support services.

By being creative in our approach to organising our Councils and saving money, we will be able to protect our frontline services which are so vital to our residents.

We are excited to be at the forefront of service innovation and to be working together to become more efficient and deliver a better deal for taxpayers.”



Councillor Michael White
Leader of the London
Borough of Havering



Andrew Blake-Herbert
Group Director of Resources
London Borough of Havering

“Havering and Newham have already started this journey by successfully working in partnership to provide a shared ICT service and with collaborative procurement. We need to continue to look at these sorts of ground-breaking measures to save money as we go forward.

This is a really exciting opportunity for us. It's not going to be easy, but if we drive it in the right way, it will be an inspiring project for both Councils to be part of and we will have much to share with others when they start their shared services journey.”



Chris Pope
Executive Director
Resources and Commercial Development
London Borough of Newham

1 Document control

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3 Introduction

- 3.4 The purpose of this document is to provide a case for formally sharing services between the London Borough of Havering and the London Borough of Newham. It provides an assessment of the financial and non-financial benefits, scopes the services which could be shared and discusses the implications of delivering such an initiative.
- 3.5 Initial work to consider the option of sharing back office functions began in October 2012, with commitment from the Mayor of Newham, the Leader of Havering, both Chief Executives, the sponsoring Directors and the Section 151 Officers to the concept of sharing support services. This has led to the establishment of the Programme which is managing the programme activity to make this aspiration a reality.

4 Executive summary

*'It is estimated that the shared service will achieve
£41.2 million in savings over five years.
£4.1 million in savings in its first full year (2014/15)
rising to £10.6 million by 2018/19.'*

- 4.1 Both Newham and Havering Councils have faced considerable financial pressures in recent years. Recognising that reductions in local government funding will continue but with little room as individual authorities to make further reductions in support service costs, the two Councils agreed, in October 2012, to work together to share back office services. The aim was to drive down costs and make savings which will help protect frontline services for residents.
- 4.2 The two Councils are building on a successful history of joint service transformation work. The Head of ICT is already shared as are some of the ICT services and there is collaboration on procurement.
- 4.3 Havering and Newham are working quickly to develop the shared service in order to maximise the savings it can achieve. The go live date for sharing services is expected to be April 2014, with full redesign and transformation of services completed by 2018/19. The two Councils are ambitious to market the shared service to other councils and public and third sector organisations, creating a preferred model for support services and generating additional income for both Councils.
- 4.4 **Benefits of the shared service** (see section 8)
- 4.4.1 Havering and Newham see the main benefits of the shared service as:
- Improving the customer experience
 - Increasing operational efficiency
 - Reducing the costs of support services by sharing staff and assets
 - Resilience and flexibility through standard systems and a pool of resources

- Building on best practice service delivery in either Council
- Pooling scarce specialist resources and creating additional capacity
- Savings through common procurement strategies and sharing expertise
- Reducing the cost of transformation for each Council by doing things only once

4.5 **Scope and scale** (see sections 9 and 10)

4.5.1 The proposed shared service will include 21 separate services across the two Councils. The services include:

- | | |
|--|---|
| • Human Resources | • Procurement |
| • Payroll | • Business Improvement |
| • ICT | • Property, Asset Management and Facilities |
| • Finance | • Health and Safety |
| • Council Tax, Benefits and Business Rates | • Audit, Insurance and Risk Management |
| • Legal Services | • Transport |
| • Democratic Services | |

4.6 **The delivery vehicle** (see sections 13 and 14.1 to 14.12)

4.6.1 The shared service will be delivered through a Joint Committee model, with three members of the Executive from each Council making up the Joint Committee. The Joint Committee was chosen over other models, such as simply outsourcing all the services, as it enables retention of all the savings, provided a more flexible approach to developing the shared service and will allow marketing of the service to take place to additional users. The Joint Committee will go live some time during December once both Councils have given approval.

4.7 **Joint Committee and Delegation Agreement** (see section 14 and Appendix 2)

4.7.1 A Joint Committee and Delegation Agreement has been developed and is included in Appendix 2. This agreement sets out the legal framework that the Joint Committee will work within.

4.7.2 The actual delegation of powers to officers is proposed to take place when the shared service goes live on 1 April 2014.

4.8 **Staff impact** (see section 14.13)

4.8.1 Under the proposed model for the shared service all of its staff would continue to be employed by one of the two Councils; the shared service itself would not employ anyone. This means that there would be no need for a TUPE transfer of staff and the impact on the two Councils' pension funds would be negligible. Staff will remain on their existing terms and conditions.

4.8.2 The first stage of developing the new shared service structure will be the development of a shared management structure, starting later in 2013/14, followed by a redesign of all of the services in the new shared service over the

next three years. Any redundancies will be managed through each Council's usual policies and procedures.

- 4.8.3 Staff working in the shared service will be located at one or other of the Councils, whilst remaining employed by their current Council.

4.9 Financial savings (see section 15)

- 4.9.1 A funding formula has been developed to share the savings and costs of the shared services.

Type of Savings	Agreement
Senior Management	Pro-rata to the respective relevant 2013/14 Baseline Budget
Duplication (9%)	50 : 50
Process Efficiency (11%)	Pro-rata to the respective relevant 2013/14 Baseline Budget
LBN Oracle Implementation	Newham only
Customers	50 : 50

- 4.9.2 Based on current budgeted costs this results in a split of 64% for the London Borough of Newham and 36% for the London Borough of Havering in 2014/15 and 63% and 37% from 2016/17 onwards.

- 4.9.3 It is estimated that the shared service will achieve £41.2m in savings over five years. £4.1m in savings in its first full year (2014/15) rising to £10.6m by 2018/19. The split of savings is as follows: Havering will receive £15.1m and Newham £26.1m. These figures do not include any additional savings from accommodation or future joint procurement, or any income from other organisations joining the service.

- 4.9.4 The profiled savings for the shared services are as 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

- 4.9.5 The breakdown of the savings for each Council net of investment (excluding possible redundancy provision) is shown in section 15.19.

4.10 **Alternative options considered** (see section 13)

- 4.10.1 It is considered that minimal further savings in the back office functions could be made without considering alternative arrangements. This Business Case considers alternative delivery vehicles to that of a Joint Committee but it is considered that the alternatives at this moment in time do not deliver the same level of savings in the required timescale.

4.11 **Main recommendations in this Business Case**

- 4.11.1 This Business Case is recommending the creation of a Joint Committee between the London Borough of Havering and the London Borough of Newham to create a shared back office function with an effective date of December 2013. The shared service is anticipated to save the two boroughs £10.6m per annum by 2018/19.
- 4.11.2 Also to enable the Joint Committee to determine and recruit to the senior management structure the two Councils are recommended to delegate this function to the Joint Committee to enable them to recommend back to the relevant Council Committee the required appointments.

5 **Background - sharing services**

- 5.1 It's clear that funding cuts across the public sector will continue for some years and that councils will need to find new and different ways to reduce their running costs in the future. The exact scale of the reductions from 2014 onwards is not yet known, but it would be reasonable to assume that they will again be significant; therefore to protect frontline services, creative ways of achieving savings need to be adopted.
- 5.2 Sharing the way local authorities provide their services to the public is rapidly becoming a common approach in the current age of austerity and spending reductions.
- 5.3 Authorities working together can increase efficiency and value for money by removing unnecessary overheads and duplication in whatever service is delivered. A successful shared service programme can deliver both cashable and non-cashable efficiency gains. This can lead to a win-win situation as combining existing expertise and experience can also raise standards and the quality of service delivery as we look to do more with less.
- 5.4 Generally when the term shared service is used in the public sector it is to describe sharing of service across two or more authorities either jointly or where one partner delivers on behalf of the others. Within this broad definition of sharing there is a whole spectrum of collaboration from informal sharing of expertise through to fully integrated service delivery.
- 5.5 Approaches to joint service transformation in their support service functions have already paid dividends for Havering and Newham Councils. The introduction of self service, new ICT arrangements and collaborative procurement have saved money and have changed the way we do business. These partnerships have resulted not only in savings, but also in more focussed and flexible support functions for both local authorities.

6 Council overview

- 6.1 Havering and Newham are quite different boroughs. We have distinct demographics, our councils have different political control and, unlike many authorities who have shared service arrangements already, we are a few miles apart. We have put these differences aside to focus on doing the right thing for our residents: driving down our costs to protect our frontline services.



Figure 1 – a geographical representation of Havering and Newham in London

	London Borough of Havering	London Borough of Newham
Population (2011 Census)	237,232	307,984
Political control	Conservative controlled	Labour controlled
Number of wards	18	20
Election cycle	4 years	4 years
Number of staff	2,641	5,269
Revenue budget	£169,525,853	£275,571,000

Figure 2 – a macro level comparison of Havering and Newham Councils

7 The partnership journey

- 7.1 Both Councils are be proud to be leading the way in joined up thinking and protecting front line services with this programme.
- 7.2 Both Havering and Newham are totally committed to this initiative, informally agreeing the approach back in October 2012. This has been developed into an

agreed Shared Vision for sharing back office support functions which the Mayor of Newham and the Leader of Havering have endorsed and which opened with a joint statement of their commitment to the approach.

- 7.3 Our Chief Executive Officers and our lead Directors have all signed a Memorandum of Understanding stating their commitment for the Councils to work together and create a shared back office support service.
- 7.4 The programme's Outline Business Case was approved by both Councils' Management teams, with both agreeing that this is a valid programme that should continue and a great opportunity to improve and generate savings that we would not be able to achieve alone.

8 Our vision for sharing services

- 8.1 The Havering and Newham partnership want to show others that they can breakdown authority boundaries and differences, to deliver better, more efficient back office services. We are very different, but we know party politics and geography need not be a barrier. We have distinct demographics, our councils have different political makeups and use different governance models (Havering having a Leader and Cabinet and Newham an elected Mayor).
- 8.2 Working together to share the cost of administration provides us with an exciting opportunity to take the best parts from each organisation and to look externally at other models to create an innovative and outstanding back office support service. When we get this right it will be the model for London.
- 8.3 Often such large scale shared service projects are approached with trepidation and the belief that large scale external private sector involvement and financing is needed to deliver these projects in local government. We are doing it differently. We know we have a wealth of talent in our Councils and are doing it ourselves. We have also given ourselves a challenge to set the shared service up quickly, starting operation in April 2014 and phasing the implementation of efficiencies, showing that when we work together we can get things done.
- 8.4 We are being innovative in everything we do from the business delivery model to the service design. We will re-engineer all of our services together, using a range of improvement methods including standardisation of the ICT platform, Lean methodology to remove any waste in processes and optimisation techniques to ensure we use our assets in the best way, making the best use of our experts and resources.
- 8.5 An integral part of our project has been the development of a common shared service enabled ICT platform with seven councils, in the form of One Oracle, which we are currently implementing. This project gives us a standard IT system for our human resources, finance, procurement and payroll tasks. The next phase of our project is to develop these further, developing new modules to improve our services, creating a standard system for those who want to do this next.
- 8.6 We understand our business and want to create a quality service that enables the services we support to concentrate on their professional area of expertise. We will make sure they have all the information they need at their fingertips, accessible when and where they need it. Our shared service will be business

focused; responsible and flexible, ensuring the services we support can do their job more efficiently and effectively. We will provide the right service, at the right time for the right cost.

- 8.7 The two Councils will see the service adapt to their changing demands and empower the rest of their business to do their job. They will have a service which is in a great position to grow, by providing services to other partnering local authorities and organisations.
- 8.8 Not only will we be creating a great service for ourselves but one we can look to provide to others, creating efficiencies and savings for the rest of the public sector community with potential for a further income stream to ourselves.
- 8.9 We aim that our staff in the new shared service will have opportunities to learn and develop in a different environment. Their customers matter and they will endeavour to provide them with a seamless service. They will be able to work flexibly to provide a quality service.
- 8.10 The vision for the shared support services between Newham and Havering is to provide:

‘an efficient and fully integrated support services model that promotes resilience and achieves savings’

8.11 **The benefits of sharing our back office services**

- 8.11.1 Organisations that have already shared services have reaped many benefits. Alongside being able to do more with less and enabling the sharing of expertise, sharing services can:
- 8.11.2 ***Improve the customer experience*** by building an outstanding service, with focussed experts, best practice business services, the latest Enterprise Resource Planning (ERP) system and a strong customer management focus
- 8.11.3 ***Reduce the cost of support services*** by sharing assets (IT, buildings, resources, management) and reducing process cost through economies of scale
- 8.11.4 ***Improve services*** by freeing the departments to focus on their core objectives, taking the best from each other to capitalise on our strengths and reduce our weaknesses
- 8.11.5 ***Increase operational efficiency*** through improved delivery, better systems and management information
- 8.11.6 ***Create new opportunities*** by using our own talent to redesign our business, creating an excellent service which others will want to use and learn from
- 8.11.7 ***Give resilience and flexibility*** by using standard systems where a pool of resources is able to cover unexpected resource shortages. Working together also means we are at the forefront of the changing world of local government and ready to help others work differently.

8.12 The challenges of sharing our back office services

- 8.12.1 As with all large projects there will be challenges ahead. The pressing need to continue to make savings has already helped us to break down political barriers, yet there's still a lot of work to do. Practical issues such as departments having different policies and procedures, our staff having different terms and conditions, what opportunities for staff will be available or how we will operate a new business will all need to be considered.
- 8.12.2 We see these challenges as an opportunity where we can address all the issues involved with collaboration whilst learning from the best parts of each organisation to create an excellent new service.
- 8.12.3 Havering and Newham already have a track record of working together. We have shared our ICT function by appointing a joint Head of ICT and are sharing some of our technology. Already we are getting better together.

9 Scope of the shared back office service

- 9.1 Havering and Newham are ambitious about their new shared back office service and want it to be the best service available.
- 9.2 This shared service journey has been started with an open mind and a shared belief that anything is possible and all support functions can be considered for inclusion in the programme.
- 9.3 The new shared service will be created by combining the services from all of Havering's Resources Directorate and most of Newham's Resources and Commercial Development Directorate.
- 9.4 It is not expected or assumed that Havering and Newham are going to behave in the same manner. Customer delivery will be done in broadly in the same and best way - however this delivery will be fit for purpose meeting a different set of requirements from the clients and customers.
- 9.5 This programme has considered where Havering and Newham Councils could work really well together and areas where the economies of scale will really help our businesses. Therefore the programme scope is to include the support service functions; those illustrated below are currently included within the scope of the programme.



Figure 3: Services currently in scope

- 9.6 As well as the services which are currently in scope for sharing, a number of other areas have been identified as having potential for sharing or for one council to put the service into the new vehicle either now or at a later stage of the programme. These are:
- Debt Management (where not included in the services above)
 - Rent Accounting (if both Councils end up using the same housing management system)
 - Corporate Transformation.
- 9.7 There may be further services for which it makes sound business sense to share particularly to facilitate business growth to others or where expert resources are difficult to secure which may be included in the programme in the future.

10 A description of the partnering activity

10.1 This section describes the services that will be delivered by the new shared service. A full description of the services' current activity is contained in the Service Catalogue which is attached in Appendix 1. These services combined currently have 1360 full time equivalent (fte) staff.

10.2 Summary of services

London Borough of Havering	London Borough of Newham
Resources Directorate	Resources and Commercial Development Directorate
Legal and Democratic Services <ul style="list-style-type: none"> Monitoring Officer role Legal Services Democratic Services Electoral Services Leader's and Mayor's Offices 	Legal <ul style="list-style-type: none"> Monitoring Officer role Legal Services Democratic Services, Committees and Partnerships Scrutiny Electoral Services
Internal Shared Services <ul style="list-style-type: none"> Operational Finance and Human Resource Operational Procurement Human Resources, Payroll Pensions and Finance Administration Customer Relationship and Improvement 	Human Resources <ul style="list-style-type: none"> Shared Service Centre Strategic Human Resources Employee Services People, Projects and Participation Talent Leadership and Organisational Development Health and Safety
Strategic Human Resources and Occupational Development <ul style="list-style-type: none"> Human Resources Business Partners Corporate Human Resources and Change Strategy Organisational Development 	
Finance and Procurement <ul style="list-style-type: none"> Section 151 role Corporate Finance Strategic Finance Business Partners Internal Audit, Risk, Insurance and Fraud Strategic Procurement Business Partner 	Finance <ul style="list-style-type: none"> Section 151 role Strategic Finance Financial Control Revenue and Exchequer Services Finance Business Partnering Internal Audit, Counter Fraud, Risk and Insurance Procurement Council Tax and Benefits
Exchequer Services <ul style="list-style-type: none"> Benefits Council Tax and Business Rates Corporate Debt Recovery 	Property and Commercial Development <ul style="list-style-type: none"> Programme Management Office and Business Improvement Facilities Management Strategic Property Capital Strategy and School Organisation Management of Schools Capital
Asset Management <ul style="list-style-type: none"> Corporate and School Premises Management Transport and Fleet Services Technical Services (Design and Maintenance) Health and Safety 	
Business Systems <ul style="list-style-type: none"> ICT Strategy and Operations Support Centre Information Governance Print Unit 	Business Systems <ul style="list-style-type: none"> Information Governance and Corporate Systems Support Centre Print Services Unified Communications Architectural Management Contract and Supplier Management Portfolio Management and Business Analysis

Figure 4 – a summary of services in the Programme

11 Designing the new service

- 11.1 In order to design the new service we have developed with support from PwC, a business model framework, a target operating model and a set of design principles.
- 11.2 The business model framework identifies the key elements we need to consider what we do and helps define the strategic direction for the service.
- 11.3 The target operating model (TOM) describes the desired end state of business. The TOM anticipates the changes that the business will make to adapt to its environment and meet the changing demands of all stakeholders. The TOM is a blueprint for the new service enabling more detailed plans to be developed in order to achieve our desired service. The TOM has been shaped by the businesses' vision of what the shared service aspires to be and starts to set out how we will achieve our aspirations.
- 11.4 We have also put in place a set of design principles which flow from the original shared vision and helps ensure that the TOM fully meets our vision.

11.5 Business model framework

- 11.5.1 In order to identify our target operating model the key elements of the business model framework were considered at a workshop with key stakeholders which included members of each Corporate Management team, Section Heads of the in scope services and customers.
- 11.5.2 It is important to define the key elements of our business model framework as it helps us to design “what we do” by identifying each of the key elements which will then drive the strategic choices. These choices will then help shape “how we do it” in the form of the shared service target operating model.
- 11.5.3 The key elements we used to find the right business model framework and shape it are:

Key elements	Definition
Customer segments	The customers that the organisation serves
Value proposition	What the organisation does to add value to a customer
Channels	The way in which value propositions are delivered to customers
Customer relationships	How the organisation establishes customer relationships and maintains them for each customer segment
Revenue streams	The revenue streams that result from the value propositions that the organisation successfully offers to a customers. In the public sector this is likely to be a combination of funding and revenue streams
Key resources	The key assets the organisation uses to deliver its value proposition
Key activities	The key activities that the organisation goes through to its value proposition
Key partners	How the key activities are procured and delivered, i.e. some may be commissioned/sourced /or delivered in partnership with others
Cost structure	How the key elements are described in the cost structure of the organisation

Figure 5 – the key elements used in the business model framework (PwC)

11.5.4 These have been populated by key stakeholders of the programme to give us our business model framework below:

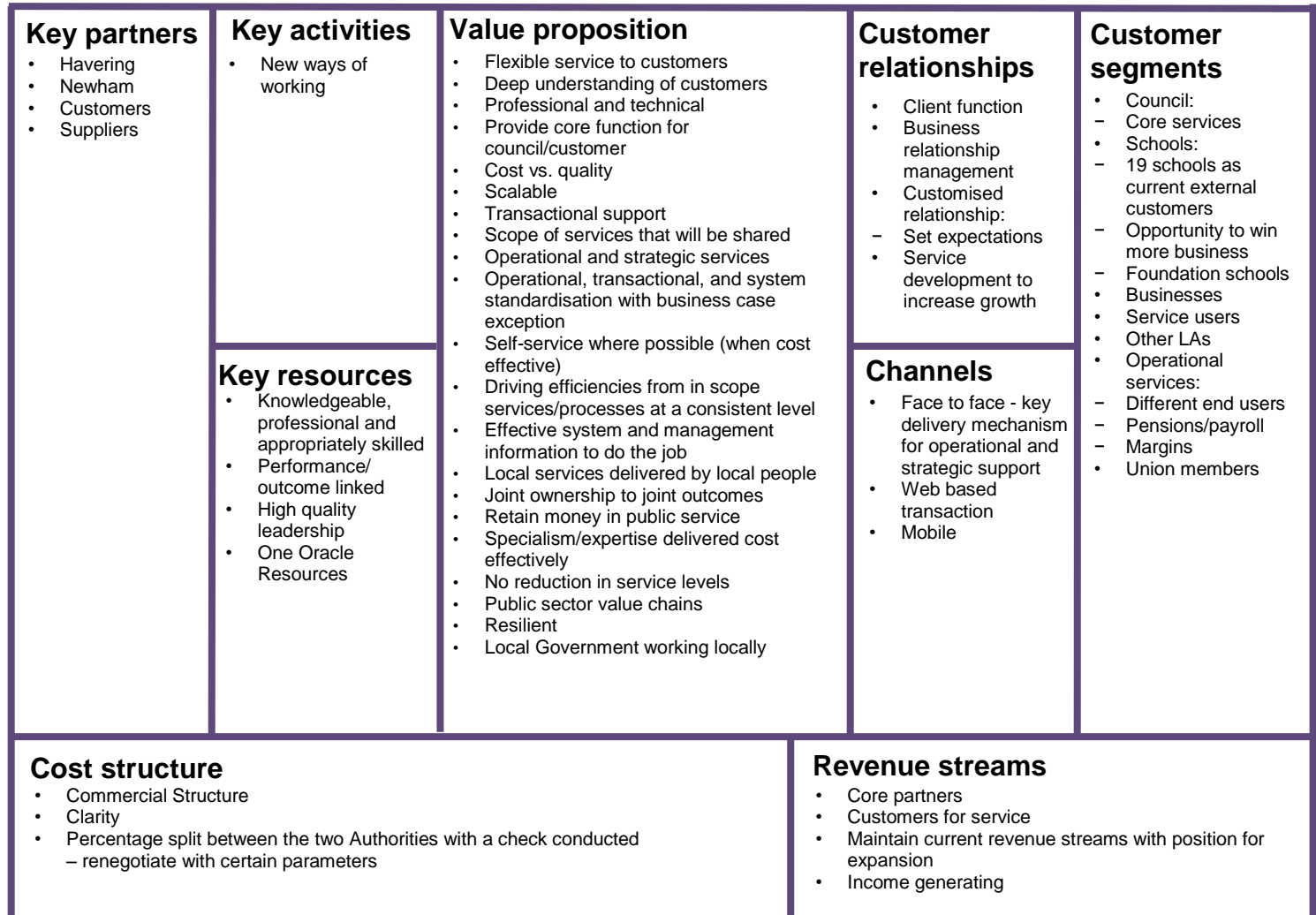


Figure 6 – the programme’s business model framework (PwC)

11.6 Target operating model

11.6.1 Now we understand what we want to do we can work out how to do it. Shared service initiatives have been seen in a number of forms and have been branded as 1st, 2nd or 3rd generation depending on how advanced their design is and if organised around structures, process or outputs.

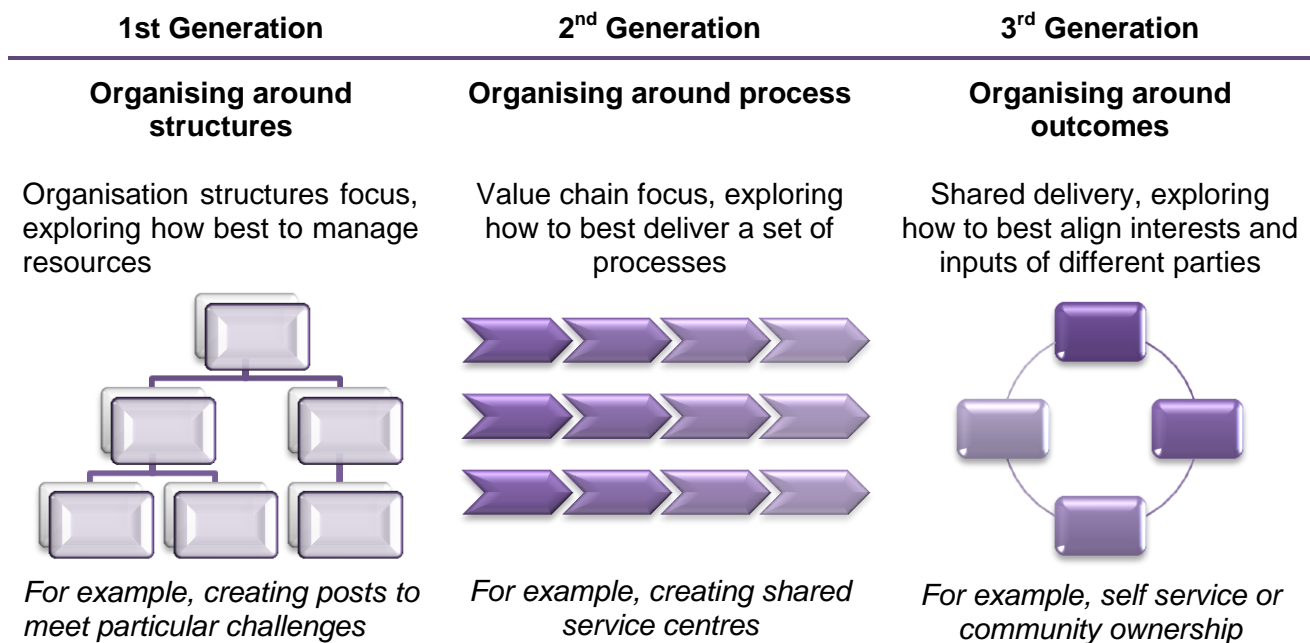


Figure 7 – the shared services generations (PwC)

- 11.6.2 The Programme will be using a combination of the shared service generations, making the best business decision for each service.
- 11.6.3 There are a number of principles the Programme has adopted for it's TOM. Firstly, that where possible customer transaction will be self service using the One Oracle IT platform. This will be particularly evident for transactions relating to Human Resources, Payroll and Finance. Secondly that, where possible, the new service will be designed around process and outcomes, split by strategic, operational and transactional functions. This will allow for efficiencies of scale to be achieved for the highly repeatable volume based transactions, whilst retaining and building our professional services who provide operational and strategic support to our customers. It is expected that the full target operating model will take up to three years to fully implement across all the services in scope, to manage the impact on business as usual (BAU) service delivery.



Figure 8 – the strategic, operational and transactional split in the target operating model (PwC)

11.7 Design principles

11.7.1 A set of design principles have been created, these support the business transition and helps prioritise the Programme's requirements to ensure the design aligns with the vision and the return on investment is optimised.

Processes	Standardise processes until they need to be different
	Target operating model will be self-service where possible (when cost effective) and have a transactional and operational/strategic split
	Greater efficiency of process – faster – better for customers – easier – simpler
Organisation	Customer focused culture with focussed experts, freeing the department to focus on their core objectives
	Create a resistant flexible and scalable business model
	Share assets (IT, buildings, resources, management)
	Use our own talent to redesign our business, taking the best from each other to capitalise on our strengths and reduce our weaknesses
	Each council will have their own Section 151 Officer and Monitoring Officer
	Sustainable, cost effective and efficient shared services which are highly competitive and that can provide savings/economics of scale
	Attractive employer brand that attracts the right skills with balance between strategic vs. transactional job opportunities with healthy job creation
Technology and Information	Standard One Oracle ICT platform will be used and developed
	Utilise the latest ERP and standard systems – unless there is a business need to retain multiple systems for future customer growth
	Access to timely, accurate information, when and where needed
Location	Flexible on the location that the service is delivered from (Havering or Newham), which will

	be informed by the customer need. Some services will require face to face contact and staff will be located at the same place as the customer, whilst other staff will travel to the customer sites.
	Utilise new ways of working to elevate any geographic constraints e.g. conference and video calls
	Provides jobs for local people
Business Growth	Operating model is able to adapt to meet the changing needs of the organisation
	Needs to be business focussed and attractive to others
	Create a competitive advantage
	Will be the shared service model for London

Figure 9 – the programmes design principles

- 11.7.2 The draft operating model is detailed in figure 10 below. It shows how the services would be grouped to meet the aspirations for the new shared service. It is based, wherever possible, on having a strategic, operational and transactional split. Operational Finance and Human Resources are included with the strategic functions but a business partner and strategic split is maintained. This allows the professional head to determine priorities for the service.
- 11.7.3 It is recommended that the role of Managing Director is created for the shared service. This role would be an amalgamation of parts of the current role of the Group Director Resources at Havering and Executive Director Resources and Commercial Development at Newham. With the current transformation pressures on both councils neither council can afford to lose their existing Director roles. It is therefore proposed that the Managing Director role will be covered by both the current Directors with both remaining as employees of their current Council. The Chief Executive Officers of both Newham and Havering will determine the exact role of each in the shared service. This decision would be reviewed at the appropriate time as the shared service matures.
- 11.7.4 It is also recognised in the structure that there will be a requirement for a Finance Officer to the Joint Committee within the shared service; this will be considered as part of the senior management restructure process. The actual officer structure for delivering this TOM is discussed later in this Business Case (see 14.13 Employee issues).

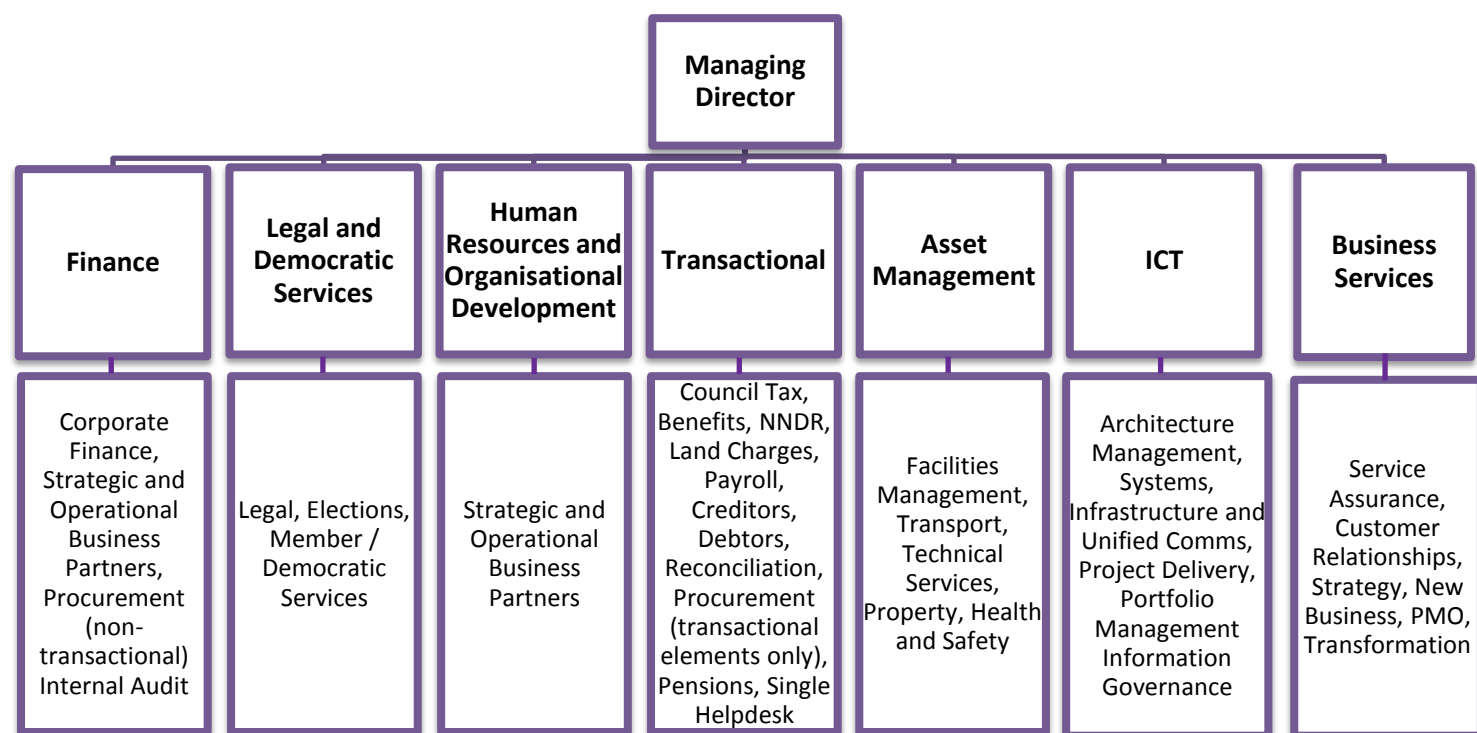


Figure 10 – the target operating model services (the services detailed are illustrative and not a complete list of services operating in the new shared service)

12 The partners' ambition and success criteria

12.8 Customer expectations and requirements

- 12.8.1 As stakeholders in the Programme, a range of consultation and information gathering exercises is being undertaken with customers to understand their business requirements for the shared service.
- 12.8.2 The information gathered to date has been used to influence the design of the new service in the TOM and will be used further during implementation to improve services, create the Service Level Agreements and our offering to our customers.
- 12.8.3 A constraint to the level of service the new shared service can provide will be the level of resources both Councils are willing to put into it.

12.9 Performance management

- 12.9.1 Performance management of the new shared service will be managed and monitored by the new Business Services division within the structure. This team will add value to the service by managing the customer relationship and monitoring the shared service's performance, ensuring it meets the expectations of the programme and needs of its customers. During the implementation stage of this programme a performance matrix and Service Level Agreements will be developed with customers. The Business Services division will then monitor and manage these on their behalf.
- 12.9.2 This division will also undertake the re-engineering of the new service, undertaking reviews to bring the services together, improving performance, creating capacity and identifying savings. As well as the work within the shared

service, Business Services will also be focused on offering a project management and business improvement service to each of the Councils to help support their transformation activities. Finally this service will be developing and growing our business, by offering our services to others and supporting our Councils through further income generation.

12.10 Demand management assumptions and level of service provision

12.10.1 In order to design a new service and map out the potential benefits of sharing we have used the current level of resources and service provision as a baseline.

12.10.2 We are aware that the current level of resources and service provision within some of our support services may not be what is required in the future. We have started to tackle these issues in the design of the target operating model, learning from Havering's experience when implementing the original Oracle programme. We have organised the strategic, operational and transactional split of services, by moving operational Finance and Human Resources into the strategic teams, but keeping them as separate teams.

12.10.3 A framework has been developed to look differently at services to make real improvements. The support services will be looked at systematically in a review programme, redesigning and improving each area to ensure we offer an excellent service to our customers. The timetable for this is detailed later in this document (see 15.5.7 Savings calculation).

12.10.4 We also recognise there will be a great demand on the new shared service to support the transformation agenda across both Councils; our Business Improvement and Programme Management Office will be crucial to this. These teams are being built upon and shaped into a cutting edge projects and transformation service to support Havering and Newham in their continued transformation efforts, as well as being available to support other external customers as new business.

12.11 Programme critical success factors

12.11.1 A number of programme critical success factors have been created by stakeholders as part of the target operating model and service design.

Critical success factor	Priority	Definition
Anticipate customer (authorities) needs	5	Customer focused shared service which highlights an understanding, cultural fit, flexible and proactive (not reactive) approach towards its customers to realise customer satisfaction as its main goal – 'can do' attitude
Provide a quality service	5	Ensuring no drop in quality while understanding what services external customers want/need/willing to pay
Resilience	5	Continuously improving and sustainable business with healthy revenue streams
Joint working	5	Across the board and location neutral
Capacity and capability	5	Recognising the two elements: BAU and projects to ensure we have the capacity and capability to deliver these
Mandatory first request/refusal	5	To prevent fragmentation and duplication of provision, the shared service should be the first port of call for all

		relevant support needs for both Councils. Alternative provision should only be agreed where requests cannot be met
Deliver low cost services	4 - 5	Sustainable, cost effective and efficient shared services which are highly competitive that can provide savings/economics of scale (i.e. ROI in 2014/15)
Provide a platform for continuous improvement	4 - 5	A flexible and scalable platform to support services by leveraging innovations in order to enhance market knowledge and self-development to gain competitive advantage (i.e. use of measurable KPIs, case management)
Investing in people and skills	4 - 5	The importance of investing in people and skills to support sustainable business
Revenue streams	4	Maintained revenue while looking for innovative ways to grow and be on the competitive edge by planning/reviewing market trends
Multi-channel	4	Transactional - nationwide, face to face - local
Governance and compliance	3	Ownership with the business that is enabling, advising, recommending, identification of non-compliance
Provide platform for delivering new services	3	The need to balance the current project
Maintain local employment	2	Attractive employer brand that attracts the right skills with balance between strategic vs. transactional job opportunities with healthy job creation

Figure 11 – the programmes critical success factors

13 The preferred option

13.1 Delivery vehicle options

13.1.1 Prior to the development of this Business Case, the Programme Board undertook an assessment of the various business delivery vehicle options available to a shared service programme. By vehicle it is meant the legal entity within which local government collaborations can be formed, for example a Joint Committee, partnership or limited company.

13.1.2 Making the right choice is based on the legal implications for both partners and the ambition of the programme, for example income generating vehicles may require a different vehicle to non-income generating.

13.1.3 The most likely options relating to local authorities in England are:

- Commercial partnerships
- Company (different versions)
- Joint Committees
- Lead authorities
- Trusts
- Unincorporated associations.

13.1.4 Following consideration of all possible vehicles, the options shortlisted by the Romulus Programme Board are to undertake the shared service enterprise through either a company setup (option 1), a Joint Committee (option 2), outsourcing (option 3) or to join another shared service (option 4).

13.2 **Keeping the status quo**

13.2.1 This Business Case has also considered the viability of not sharing services.

13.2.2 It was considered that this is not an option for either Havering or Newham as delivering services in a different way and sharing them with others is now considered the only option for each authority to make further savings within their support services.

13.3 **Option 1 - Limited Company**

13.3.1 Option 1 proposes the creation of a company wholly owned by London Borough of Havering and the London Borough of Newham. This provides the benefits of a separate organisation to focus on delivering the shared services.

13.3.2 One company approach is to set up a 'Teckal' company that just trades with the home local authorities and is still under their control. A 'Teckal' company has to do 90% of its business with the owning local authorities and have an intention to remain primarily for that purpose. The EU commission is proposing that this percentage be changed to 80% and a new directive is likely to take effect in mid-2014.

13.3.3 There are legislative constraints on the 'Teckal' company model which would restrict the ability of the shared service to trade and raise revenue from selling services to other organisations. A 'Teckal' company would need to win work from the public sector and others via an OJEU process and could tender and win up to 20% of external work (both public and private sector). Any additional work won over and above this would require a separate trading company.

13.3.4 The model can be extended to local authorities and other public sector bodies. Some other public bodies may need the consent of the Secretary of State to participate.

13.3.5 A company would need to bid for work and go through a full procurement process, except for Havering and Newham Councils. Staff would be required to transfer to the company through TUPE arrangements and there could be implications for each authority's pension funds, although the Programme has identified ways that the pension fund issue could possibly be mitigated. The company would incur overheads associated with running an independent business, such as company registration, accounts, external audit and reporting.

13.4 **Option 2 - Joint Committee**

13.4.1 Option 2 allows the in scope services to be shared between the partner authorities above and beyond existing levels through the creation of a Joint Committee.

13.4.2 Joint Committees appear to be the most popular vehicles for initiating shared services in local government. A key reason for this is that they are democratically controlled bodies, requiring in their makeup that at least two-thirds of the committee's membership be elected Members. This overcomes the issue of Members feeling their control of a service is diminished under collaboration.

13.4.3 The key elements of a Joint Committee are:

- That they are joint bodies set up, by agreement, to discharge functions and carry out activities jointly on behalf of local authorities and their executives
- All principal authorities, parish and community councils have power to set them up
- Current legislation allows councils (Joint Committee) to provide services to other local authorities/public bodies outside of an OJEU process depending on demonstrating that there is genuine cooperation
- They are attractive to local authorities because their constitutional arrangements are familiar to most people in local government.

13.4.4 However:

- This model is scalable but only within the public sector and cannot provide incidental services to the private sector, although establishing a jointly owned company to trade would resolve this issue
- They cannot employ any staff directly and usually delegate employer responsibilities to one or the other of the partner authorities. This can make cultural change slower, although this eliminates the need to TUPE staff to a new entity and minimises any pension deficit funding issues.

13.4.5 One of the key elements emerging is that a Joint Committee can be the starting point for the development of shared service relationships between partners. From that relationship partnerships can be developed which transform into other vehicles, for example, moving to a company limited by guarantee.

13.5 **Option 3 - Full outsourcing**

13.5.1 Full outsourcing is not currently considered as a viable way of delivering support services for Havering and Newham. This method does not fully support the vision for the Programme as the Councils wish to keep the savings made themselves and reinvest into services, whilst using the best methods from the private sector.

13.5.2 Although early savings could be achieved through outsourcing it is felt that this type of arrangement may struggle to deliver future savings and any savings could be retained by the provider rather than the Councils. The Programme Board also feel that there is some danger being tied into this type of contract during the current financial climate. Other models do not preclude Havering or Newham from outsourcing individual services later.

13.6 **Option 4 – Join another shared service**

13.6.1 Another option is to join an established shared service either as a partner or customer. This option offers the benefit of speed in set-up and cultural change as we would be joining an established service with an existing brand. However, this option would reduce the savings available as we would have to share an estimated 10-20% of our savings with another organisation, though we may have slightly improved transaction costs with the larger scale of business. Depending on the arrangement and terms of entry, this option could support many of the programmes vision, although sharing savings with a third party is likely to be the largest issue with such an arrangement.

13.7 **Evaluation of business delivery vehicle options**

13.7.1 These business delivery vehicle options each have distinct benefits and have been appraised against a set of criteria which were identified as key attributes for a successful venture. Each option was evaluated whether it fully, partially or did not meet the criteria, then each criterion was weighted to how important it is to the programme.

13.7.2 Key elements in assessing the delivery models were alignment with overall vision, cost and quality, ease of gaining external work, speed of delivering benefits and impact on each Council's pension fund. The rationale to the scoring is detailed in Appendix 4.

	Vehicle option				
	Weighting	Company	Joint Committee	Outsourcing	Join another shared service
Alignment with overall vision	3	6	6	3	3
Lowest cost, at agreed quality delivered consistently	3	6	6	6	6
Speed of benefit delivery	3	3	6	3	6
Ease of gaining external work	3	3	6	0	3
Pension fund issues	3	3	6	0	0
Governance effectiveness	2	4	2	2	2
Flexibility regarding service delivery	2	4	4	2	2
Resilience	2	4	4	4	4
Options for cultural change	2	4	2	4	4
Ability to provide phased approach	2	4	4	2	4
Maturity of model	1	1	2	2	2
Flexibility to evolve model	1	2	2	1	1
Local employment opportunities	1	2	2	1	1
		46	52	30	38

Scoring Key

Fully meets criteria	2
Partially meets criteria	1
Does not meet criteria	0

Figure 12 – the evaluation of the delivery vehicle options

13.8 Recommended business delivery vehicle

13.8.1 On the basis of the research and evaluation process, option 2; a Joint Committee has been selected as the preferred business vehicle for this programme and its workings explored further in this Business Case.

- 13.8.2 Pension fund issues have been a particular consideration in choosing the business vehicle as some options have a costly impact on our pension funds. This option would have negligible impact on the two Councils' pension funds as the majority of employees will remain with their present employer and pension fund.
- 13.8.3 The use of a Joint Committee will enable the shared arrangements to be put in place in a more phased basis, negate the need for a TUPE process and enable the joint arrangement to win work from the public sector without necessarily having to go through an OJEU tendering process.

14 The workings of a Joint Committee

- 14.1 The following section explains some of the legal requirements and workings of a Joint Committee; these are set out in full in the Joint Committee and Delegation Agreement in Appendix 2.

14.2 Legal powers to set up a Joint Committee

- 14.2.1 A Joint Committee can be set up using the following legal powers:

- Section 101(5) and 102 Local Government Act 1972
- Sections 9EA and 9EB of the Local Government Act 2000
- Section 123 Local Government and Public Involvement in Health Act 2007
- The Local Authorities (Committee System) (England) Regulations 2012
- Section 1 of the Localism Act 2011
- Havering and Newham can also rely on the General Power as the main function, together with specific powers arising from services transferred together with section 111 Local Government Act 1972.

- 14.2.2 The Joint Committee cannot employ any staff itself, but will have functions (and the staff associated with them) delegated by each authority.

14.3 Funding of the Joint Committee

- 14.3.1 The Finance Officer to the Joint Committee would prepare a base budget forecast for the shared service for the next three financial years referencing the approved resources within the service plans. The Joint Committee would submit its funding requirements to each Council for the following financial year.

- 14.3.2 If either Council disagrees with the amount of contribution, they would firstly pursue the dispute through a resolution procedure (see 14.8 Internal dispute resolution). In the last instance the two Councils have the option to terminate their involvement in the Joint Committee (see 14.6 Withdrawal from the Joint Committee).

- 14.3.3 The overriding principle is that Havering and Newham will share costs, expenses and savings involved in the sharing of services fairly, transparently and on an agreed share basis. There may need to be exceptions, recognising that there may be differences to the historic and future usage of each of the shared services.

- 14.3.4 Each Council would ensure that separate account is kept of all costs and expenses involved in supporting the Joint Committee and delivering the shared

services. At the end of the financial year the total costs of the Joint Committee services would be identified, each Council's share calculated and then compared to how much they had actually paid. Where appropriate an equalisation payment will be made between the Councils to bring each Council spend back in line with their agreed share of costs.

14.4 Savings from discharging the delegated functions

- 14.4.1 Any savings that are made from the delegated functions in the shared service would be split based on the agreed funding formula (see 15.7 Funding agreement).
- 14.4.2 Any saving made from joint working between the Councils on a service which is not included in these delegated functions or for a service which is delegated by only one of the Councils would not be covered by the funding agreement.

14.5 Service Plans

- 14.5.1 Each Council would need to submit to the Joint Committee Finance Officer their estimate of the funding likely to be available to the shared services for the following three financial years.
- 14.5.2 The Managing Director would prepare and submit to the Joint Committee each year an annual written service plan for the shared services for the next three financial years, encompassing the service plans for each of the shared services.
- 14.5.3 On receipt of a service plan for a shared service, the Joint Committee would review, amend if necessary and approve it together with the relevant Service Level Agreement(s). The Joint Committee would be responsible for reviewing the actual performance of the shared services against the Service Plans and Service Level Agreement(s).
- 14.5.4 The Managing Director would submit to the Joint Committee an annual report on the activities of the shared services over the previous year including an account of financial matters and explaining the main plans and activities for the coming year. The Joint Committee would consider this report before referring it to each Council.

14.6 Withdrawal from the Joint Committee

- 14.6.1 Either Havering or Newham can withdraw from the Joint Committee. If either Council wishes to withdraw from it they would need to give at least 15 months' notice to the other Council and the Joint Committee. The Joint Committee would consult the Council being given notice to identify any possible loss of funding and expenses incurred as a result.
- 14.6.2 Within the first three months of the notice period the Council who wants to leave would need to make payments which reflect the reasonable costs of the proposed separation and one off costs of setting up alternative arrangements caused by (or anticipated as a result) the withdrawal, this amount will be agreed by the two Councils. The costs to be incurred will be appropriate and on the basis of open book accounting, in the case of failing to agree this would go to a mediation process.

- 14.6.3 Any costs identified after the payment has been made remain with whichever Council has legal liability for them.

14.7 Termination of the Agreement

- 14.7.1 The Agreement can be terminated on agreement by both Havering and Newham. Each Council would at this point agree to pay a reasonable payment which reflects the obligations of that Council.

- 14.7.2 Both Councils would minimise any losses arising from the termination of the Agreement. Amongst other issues the Councils would use their best endeavours to offer priority redeployment to any staff affected, whether by redeploying the staff to provide one or more of the shared service functions for the Council or to be redeployed more generally and/or by helping to seek alternative employment for them.

14.8 Internal dispute resolution

- 14.8.1 Any dispute would, in the first instance, be referred to the Service Director of the shared service to resolve in liaison with the other Council. In the event that this could not be resolved it would be referred to the Managing Director of the shared service and if it still could not be resolved, referred to the Council Chief Executive Officers, as Head of Paid Service. If the Chief Executive Officers are unable to resolve the dispute then it would be referred to the Joint Committee for a decision.

- 14.8.2 If a dispute about the Agreement cannot be resolved through the decision making processes of the Joint Committee the matter would be referred to mediation.

14.9 Scrutiny and audit

- 14.9.1 It is proposed that the existing separate scrutiny arrangements for each Council would remain.

- 14.9.2 The relevant Committees of each Council responsible for scrutiny and audit would have the right to inspect any documents relating to the Agreement and have the Joint Committee answer any questions they raise. Both Councils are public authorities as defined by FOI Legislation and therefore information relating to the Agreement may be the subject of an information request.

14.10 Constitution of the Joint Committee

- 14.10.1 It is proposed that there should be three Executive Members from each Council to act as its nominated members of the Joint Committee. The members appointed would have full voting rights, with each Council having an equal number of votes.

- 14.10.2 Each member of the Joint Committee would serve on the Joint Committee for as long as they are appointed by their Cabinet.

- 14.10.3 Both Cabinets would need to decide who to appoint as Chair and that member would remain Chair for one year. The Cabinet that did not appoint the first Chair would then appoint one of its nominated Members as Chair for the second year. The Chair of the Joint Committee would then alternate in subsequent years. The

Cabinet that did not appoint the Chair of the Joint Committee would hold the Vice Chair position.

14.10.4 It is recommended that that the Joint Committee should meet at least every six months. A meeting of the Joint Committee would require a quorum of members of each Cabinet who are entitled to attend and vote. All questions to the Joint Committee would be decided by a majority of the members of the Joint Committee who are present and voting.

14.10.5 The Joint Committee meetings will be open to the public except when discussing confidential items.

14.10.6 Each Council could call in any decision of the Joint Committee in accordance with their overview and scrutiny provision. If a Joint Committee decision is subject to call in by either of the Councils, the Joint Committee would take no action to implement that decision unless the call in process upholds it.

14.10.7 The Joint Committee is able to delegate a function to a sub-committee or an officer.

14.11 Delegations

14.11.1 It is proposed that the Joint Committee will be set up in December 2013 in preparation for the go live of the shared service in April 2014. In this period the Joint Committee would agree the senior management structure of the shared service and consider its name and branding.

14.11.2 To enable the Joint Committee to determine and recruit to the senior management structure the two Councils are recommended to delegate this function to the Joint Committee to enable them to recommend back to the relevant Council Committee the required appointments.

14.11.3 Currently a considerable number of powers are delegated by both Councils to various officers. Work is ongoing to identify which powers will need to be delegated to the Joint Committee and which will be directly delegated to identified officers. Those delegations will require alteration to the Councils' schemes of delegation which will be reported separately.

14.11.4 These delegate powers to officers should be in place from 1 April 2014 in line with the new shared service officer structure.

14.12 Trading issues

14.12.1 The new shared Service will be marketed to other councils in accordance with the legal ability to do so.

14.12.2 A profit could be made on services provided to other organisations by the shared service, but with some restrictions. The Local Authorities (Goods and Services) Act 1970 permits any local authority to charge another local authority (or Public Body under that Act) – as they see fit. For services provided to others that are not local authorities no profit is permitted to be made under section 93 of the Local Government Act 2003.

14.12.3 Havering and Newham could set up a company to service organisations which do not fall under the 1970 Act and any other proceeding legislation and second

shared services employees to that company or have service level agreements. Profits could then be generated.

- 14.12.4 The Joint Committee may wish for another council to join the shared service. This could happen by making the other council (such as another London Borough) a full and equal member of the Joint Committee. Such an arrangement would need to be developed at the relevant time by the Councils.
- 14.12.5 The shared service may be able to sell to other councils and/or public bodies outside of a procurement process providing it was structured to comply with the 'Hamburg Waste Case' and subsequent case law. However the relevant EU case law would need to be considered carefully to ensure that such an arrangement would be legal within the EU procurement directives. The Councils could create a company for third party work and if third party business is likely to surpass the 'Teckal' threshold a group structure of 'Teckal' and 'non-Teckal' entities should be considered.
- 14.12.6 These models are scalable but with local authorities and other parts of the public sector only. They cannot provide incidental services to the private sector. If there was demand for third party work the authorities could create a company or transfer the joint arrangement into a company at a later date.
- 14.12.7 Using a Joint Committee does not stop us adopting a company model at a later date. This would enable focus to be given to getting the shared service right in the short term.

14.13 **Employee issues**

- 14.13.1 Employees who undertake work for the new shared service are employed by either Council and will retain their authority's terms and conditions. The Councils will determine their own terms. Each post in the structure is 'attached' to a council/employer; therefore there is no TUPE of staff. Current employees would remain in their current pension fund and new employees can opt to join the pension fund of their employing council, as they do now.
- 14.13.2 The Joint Committee would not be affected by equal pay issues as it has no employees itself and individual employees are employed by their relevant Council which are two different entities. It is recognised that an issue for managers will be managing staff with two different sets of terms and conditions.
- 14.13.3 Where a staff member leaves the shared service leaving a vacancy or a new post is created, the post would recruited to by the Managing Director or Service Director of the relevant shared service (unless it is a Chief Officer or Deputy Chief Officer post). Any newly appointed staff would be employed by the Council which employed the former staff member unless otherwise agreed by the Managing Director, in consultation with the Section 151 Officers of both Councils, or by the Joint Committee, taking account of a number of factors including service and pension fund requirements and the personal circumstances of the prospective employee.
- 14.13.4 In the event of a Chief Officer or Deputy Chief Officer post becoming vacant candidates for the vacancy will be interviewed by the Joint Committee and their preferred candidate will be recommended to the employing Council to appoint following its own procedural rules.

- 14.13.5 For statutory officers including the s 151 Officer and Monitoring Officer, candidates will be interviewed by the Joint Committee together with the Managing Director and a selection panel (to be agreed for each appointment which may include representatives of the Joint Committee). The Joint Committee would then propose a shortlist of appointable candidates for subsequent interview and appointment by the employing Council in accordance with its procedural rules for such appointments.
- 14.13.6 For other Chief Officer or Deputy Chief Officer posts candidates for the vacancy will be interviewed by the Joint Committee together with Managing Director and the preferred candidate will be recommended to the Councils for confirmation if required following the relevant procedural rules for appointment of Chief Officers and Deputy Chief Officers.
- 14.13.7 The Service Director of each shared service would be responsible for the day to day management of the staff in their service including where formal disciplinary action may lead to dismissal of a member of staff.
- 14.13.8 Each Council needs to ensure that all shared service staff are provided with appropriate authorisation to perform the shared services. Havering and Newham would agree to place their relevant staff at the disposal of the other, in accordance with Section 113 of the Local Government Act 1972 for the purposes of the efficient and effective provision, to the Councils, of the shared services. Any costs incurred by a Council from the secondment of staff would be apportioned in line with the funding agreement.
- 14.13.9 A senior management structure will need to be developed and put in place; no such structure is included in this Business Case. The Managing Director will develop the structure as a recommendation to the Joint Committee.
- 14.13.10 Proper arrangements will be put in place for each Council's Section 151 and Monitoring Officer roles once an appropriate senior management structure is in place. The Councils will each directly appoint and employ suitably qualified officers as their Section 151 Officer and Monitoring Officer (as per the process highlighted above in paragraph 14.13.5), who will be part of the shared service. These responsibilities will not be delegated beneath "service director" level which will be reflected in the service structures.
- 14.14 **'Client function'**
- 14.14.1 As the proposed shared service will operate as a Joint Committee, no 'client' structure is required. Havering and Newham will manage the services delivered by the programme on the basis that it co-manages the organisation, through a traditional member/officer route.
- 14.15 **Assets / contracts**
- 14.15.1 Havering and Newham will need to decide which of them will own what assets in the shared service. Both Councils would draw up an inventory of assets which will be kept and regularly updated by the Joint Committee.
- 14.15.2 Any contractual arrangements that relate to a shared service would be undertaken by one of the Councils and that Council would apply its own financial regulations and contract procedure rules until such time as the Joint Committee

adopts its own. The Service Director of the shared service that is incurring the expenditure would normally determine which of the Councils' financial regulations and contract procedure rules would apply and in the event of any dispute or uncertainty the matter will be referred to the Managing Director of the shared service to whom all of the Service Directors report.

- 14.15.3 To give further efficiencies in the future, Havering and Newham could decide to have common financial regulations and contract standing orders as well as other policies. There is no such proposal contained within this Business Case.

14.16 Office accommodation

- 14.16.1 Accommodating the services we share is an important part of bringing the new service together. The shared service will be flexible on the location that the service is delivered from (Havering or Newham), which will be informed by the customer's need. Some services will require face to face contact and staff will be located at the same place as the customer, whilst other staff will travel to the customer sites. The Programme will utilise new ways of working to elevate any geographic constraints e.g. conference and video calls, hot-desking, mobile working and use of car schemes.

- 14.16.2 Each Council would provide suitable working accommodation for those staff working within the shared services. If the Joint Committee decides that any staff should relocate from one Council's accommodation to the others, the Council where they relocate would provide the working accommodation.

- 14.16.3 No savings have been assumed in this Business Case for accommodation. Savings would only be generated if the reclaimed accommodation could be disposed of or let externally. Any savings would be shared in accordance with the funding agreement.

14.17 Risk and insurance

- 14.17.1 Each Council would be responsible for its own risks irrespective of whether advice was being taken from either Council employee. On this basis Havering and Newham will need to ensure that an adequate level of insurance is in place for support services being provided through a shared service.

15 The economic case for sharing services

15.1 Benefits and savings

- 15.1.1 Organisations who have already shared back office services have reaped many benefits. Alongside being able to do more with less and enabling the sharing of expertise, the benefits of Havering and Newham sharing services include:

- Improving the customer experience by building a comprehensive outstanding service, with focussed experts, best practice business services, the latest technology and a strong customer management focus
- Reducing the cost of support services by sharing assets (IT, buildings, resources, management) and reducing process cost through economies of scale
- Expanding current best practice service delivery models that exist
- Pooling scarce specialist resources and creating additional capacity

- Sourcing more cost effective services from third party suppliers (where it is not appropriate for the shared service to offer directly)
- Providing savings from adopting common procurement strategies and sharing expertise
- Increasing operational efficiency through improved delivery, better systems and management information
- New opportunities by using our own talent to redesign our business, creating an excellent service which others will want to use and learn from
- Giving resilience and flexibility by using standard systems where a pool of resources is able to cover unexpected resource shortages
- Creating expertise and specialism within the new service – leading to the creation of a Centre of Excellence Services
- Reducing the net cost of change for each authority – as transformation activity can be undertaken once and the outputs shared for each organisation, reducing the relative implementation costs
- Providing opportunities to help other public sector organisations be more efficient too; either as our customer, partner or by learning from what we have achieved.

15.1.2 Beyond the financial benefits, wider opportunities exist to the programme by:

- Supporting culture change – promoting manager and employee self-service and reducing the reliance on support services. Providing the tools and information necessary to enable manager and employee self-service
- Providing an opportunity to deliver services to others – the shared service could use its capacity to deliver services for other organisations
- Freeing management capacity to focus on their core business.

15.2 **Shared services implementation/investment costs**

15.2.1 Each Council will be responsible for the cost of any investment required for the delegated functions split on the basis of the funding agreement (see 15.7 Funding agreement), except where only one Council participates in the service. Where part of the investment involves staffing reductions with consequent severance costs then costs will be shared on the same basis.

15.2.2 If the Joint Committee requires further investment costs then the Joint Committee would need to agree those costs with both Havering and Newham and seek appropriate funding.

15.3 **Estimates of the programme implementation costs**

15.3.1 It has been anticipated that transition or implementation costs for 2014/15 will be £1.903m and for 2015/16 will be £1.344m these figures include development of the ICT platforms, resources to review services and implement change and an estimation of any potential staff reduction or redundancy costs. With potential staff reduction or redundancy costs of £278,000 have been factored into implementation costs for 2016/17, £194,000 in 2017/18 and £208,000 in 2018/19.

15.3.2 In preparation for the programme, we have considered opportunities to share resources early in order to reduce the impact on in scope staff. Generally any

redundancy will be managed in accordance with the terms and conditions for each authority.

15.3.3 It is envisaged that the Joint Committee will be created in December 2013 with the new shared service going live in April 2014.

15.3.4 In order to create a unified service a number of projects to integrate our services, systems and information technology infrastructure are required. As we already share parts of our ICT service, many projects have already been undertaken together which has paved the way for this programme and will make the final integration simpler.

15.3.5 During the implementation phase of the Programme we need to consider what else we need to do to operate our services together, whether that is being able to work from each other's site or working across the boroughs to provide services. These will include:

- Business Improvement
 - a programme of service reviews undertaken by the Business Improvement team –facilitated by temporary additional resources who will undertake the reviews and implement changes
- Shared service ICT development
 - development of Oracle additional modules/systems proposed including: time costing, asset management, FOI, risk management and forecasting with Hyperion link
- ICT infrastructure
 - This will include making changes to our telephone, printing, intranet, email and door entry systems, as well as purchasing new systems for our ICT Helpdesk and to manage our ICT asset.

ICT Infrastructure transition costs breakdown	2014/15 (£000)
Telephony upgrade	150
Door entry systems	30
SharePoint	80
Uniflow printing system	40
Integrations of address book / GAL / Intranet helpdesk	5
Service manager system	40
Migration of data/email	30
CMDB Provance System	80
Total	455

- 15.3.6 We want the transition to the shared service for our customers to appear seamless; these changes will allow us to offer an improved service and helps bringing together support service teams, which in turn will help create efficiencies.
- 15.3.7 The overall programme transition (or implementation) costs of £3.927m through to 2018/19 are illustrated in the figure 13. These costs are less than the estimated first year savings and include an element of investment in ICT and other infrastructure for the future.

	2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)	Total
Possible Redundancy Transition Costs	991	887	278	194	208	2,558
Business Improvement Team	257	257				514
Shared Service ICT Software Costs	200	200				400
Infrastructure Costs	455					455
Total	1,903	1,344	278	194	208	3,927

Figure 13 – Estimates of the transition costs of implementing the programme

15.4 Costs of discharging the delegated functions (operational costs)

- 15.4.1 The annual estimated cost of each shared service will be set and agreed by the Joint Committee, based on the annual Service Plan and will then only be adjusted in the event of significant differences in the levels of service required by Havering and Newham during the year. For this purpose a significant difference would be more than 1% of the total annual revenue cost of the whole shared service or of the cost of the relevant delegated function. Each Council will contribute towards the costs based on the funding agreement (see 15.7 Funding agreement).
- 15.4.2 Within the service planning process (see 14.5 Service plans) the shared service will produce a three to five year Business Plan that will include any changes in the overall funding available from each Council, new business and sensitivity analysis.

15.5 Savings calculation

- 15.5.1 The calculations used in this Business Case are based on a shared service industry standard formula and a set of assumptions and therefore cannot be exact and may be prone to deviation.
- 15.5.2 The savings have been calculated using a standard formula from the savings achieved from other shared services projects and comprise of:
- a 30% reduction of costs in the senior management structure
 - a productivity gain of 9% by the services coming together and eliminating duplication

- an 11% efficiency gain by re-engineering services. This does not include HR, Payroll, Finance and Procurement where Havering have already made savings by establishing an Internal Shared Service. It does include the savings to be made by the introduction of One Oracle self-service at Newham (based on the savings made when the original system was introduced at Havering).

15.5.3 The figures used have been formulated from 18 months of academic research at the Canterbury Christ Church University Business School, who reviewed approximately 60 shared service projects in the public sector. The figures used are an aggregate of the savings experienced by other programmes and are in line with industry norms for transformation programmes.

15.5.4 These saving assumptions have been tested to ensure how relevant they are for Newham and Havering by reviewing selected services using established improvement methods (see 15.11 Testing our savings assumptions).

15.5.5 These reviews established that the savings figures are appropriate to be used to estimate the savings which could be achieved through this Programme.

15.5.6 The savings are made on the assumption that the Havering's and Newham's services will come together in 2014/15 (year 1), facilitated by a senior management restructure and the services would be reviewed over a 3 year period.

15.5.7 It is proposed that a phased set of service reviews will be undertaken to assess and plan the coming together of the shared functions. The current proposed reviews are as below:

Year 1	Year 2	Year 2/3	Year 3
<ul style="list-style-type: none"> • Payroll • Transactional Finance • Transactional HR • Pensions (contract at LBH) • Procurement (transactional / operational / strategic) • ICT • NNDR • Legal • Democratic Services / Election Services (after Legal) • Facilities Management • Health and Safety • Management of School Capital 	<ul style="list-style-type: none"> • Operational / Strategic Finance • Audit Insurance and Risk • Operational / Strategic HR • Debt Management / Recovery team 	<ul style="list-style-type: none"> • Property • Technical Services • Post Room 	<ul style="list-style-type: none"> • Benefits • Council Tax

Figure 14 – proposed service review timetable

15.6 Key assumptions used in calculating the savings

15.6.1 There have been a number of assumptions that have been used in calculating the estimated savings for this programme. They are:

- The savings currently do not include any anticipated savings for accommodation or joint procurement of non-shared service contracts
- The figures do not include any potential income from selling services to others in the future
- A detailed analysis of in scope cost centres has been undertaken to identify those costs that are in scope and could be shared. This allows a high level of confidence to be taken in the baseline costs. The baseline assumes that the income currently received will continue but excludes recharges and capital charges. In addition employee costs are net of superannuation back funding costs
- The calculation does not take account of any transfer of benefits staff to the Universal Credit Agency that could occur in the future. The current costs of these staff are therefore included in the calculations above
- No savings have been assumed where only one borough is putting a service into the new vehicle, other than management savings. These are classed as services in scope but not shared
- It is assumed that 75% of the senior management savings will be realised in year 1 (2014/15)
- It is assumed that a productivity gain (9%) will be achieved by coming together to share services and reducing duplication. In 2014/15 75% of this saving will be realised for year 1 reviews, 50% for year 2 reviews and 25% for year 3 reviews. It is assumed that 100% of the productivity gain will be achieved in 2015/16 for all services
- It is assumed that the service reviews will create process efficiencies (11%) phased over years 1 to 5. It is expected that the services reviewed will achieve:
 - Year 1 reviews - 25% efficiency savings in year 1, 50% year 2 and 100% year 3
 - Year 2 reviews - 25% efficiency savings in year 2, 50% year 3 and 100% year 4
 - Year 3 reviews - 25% efficiency savings in year 3, 50% year 4 and 100% year 5.
- It is assumed that the Programme will achieve 50% of the Newham One Oracle project estimated savings in year 1; it is also noted that the ICT/Business Systems budgets include Oracle support which may be rationalised as part of the One Oracle Project. This has not been included in the savings calculation
- The assumptions do not allow for any further downsizing of the two Councils over the next five years that may occur, however we know this is likely to happen and will this will be planned for at that time
- If further savings are required over and above those stated in this Business Case then reductions in the level of service would need to be considered.

15.7 Funding agreement

15.7.1 A funding agreement is required to share the savings from the shared service. A number of variants have been considered ranging from a 50:50 split to the savings being based on the 2013/14 possible budget input to the shared service.

15.7.2 Officers of the two Councils are proposing the following agreement:

Type of Savings	Agreement
Senior Management	Pro-rata to the respective relevant 2013/14 baseline budget

Duplication (9%)	50 : 50
Process Efficiency (11%)	Pro-rata to the respective relevant 2013/14 baseline budget
LBN Oracle Implementation	Newham only
Customers	50 : 50

Figure 15 – the saving split agreement

15.7.3 Any savings accruing to the partnership from new customers to the shared service will be shared on a 50:50 basis.

15.7.4 The total cost of discharging the delegated functions each financial year by the Joint Committee for the period 1st April 2014 to 31st March 2019 should not exceed the amount (at 1st April 2014 values) shown in column B of the table below and the proportion of that total cost paid by Newham and Havering Councils would be as set out respectively in columns C and D of the table.

	B	C	D
	Total Cost of Shared Services £000	Newham %	Havering %
2014/15	53,128	64	36
2015/16	49,450	64	36
2016/17	48,296	63	37
2017/18	47,492	63	37
2018/19	46,628	63	37

Figure 16 – the saving split agreement maximum costs

15.7.5 The total cost of discharging the delegated functions for future financial years and the relative proportions of the cost to be paid by each Council would be recalculated by the Councils annually by mid-January preceding the start of the relevant financial year on the same basis as set out above, unless otherwise agreed by the Councils.

15.7.6 The annual estimated cost of each delegated functions will be set and agreed by the Joint Committee, based on the annual Service Plan and will then only be adjusted in the event of significant differences in the levels of service required by the Council's during the year. For this purpose a significant difference would be more than 1% of the total annual revenue cost of the whole shared service or of the cost of the relevant delegated function.

15.8 Estimated savings

15.8.1 The estimated potential annual savings across the two Councils (not including any programme or transition costs) is £10.612m by 2018/19. The split of savings at 2018/19 is £3.904m to Havering and £6.708m to Newham. The five year profile of these savings is shown in the figure 17. However not all savings will fall to the general fund, the split of these is detailed in figures 19 and 20.

	Baseline budget (2013/14) (£000)	Investment cost (2013/14 to 2018/19) (£000)	Anticipated cost after investment (by 2018/19) (£000)	Anticipated annual savings (by 2018/19) (£000)
<i>In scope - shared service</i>				
Havering	22,417	1,453	18,514	3,904
Newham	34,823	2,474	28,114	6,708
<i>In scope – not shared</i>				
Havering	6,368		6,368	-
Newham	346		346	-
Total	63,954	3,927	53,342	10,612

Figure 17: An illustration of the estimated savings of the Programme

15.8.2 The figures for Newham include £1.263m savings from the implementation of the One Oracle shared service system.

	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

Figure 18: A five year illustration of the estimated savings of the Programme

15.9 Fund savings breakdown

15.9.1 The next two tables show the savings breakdown for each Council over five years across different council funds with the redundancy and investment costs netted off of the gross savings.

15.9.2 London Borough of Havering

	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)
<i>Gross savings</i>	1,460	2,829	3,314	3,566	3,904
<i>Investment costs (exc redundancy)</i>	337	169	-	-	-
Net total savings (exc redundancy)	1,122	2,660	3,314	3,566	3,904
<i>General Fund</i>	892	2,114	2,635	2,834	3,103
<i>HRA</i>	118	280	349	376	412
<i>DSG</i>	13	32	40	43	47
<i>Capital</i>	51	120	149	161	176
<i>Pension Fund</i>	34	80	100	107	117
<i>Collection Fund</i>	14	33	42	45	49
	1,122	2,660	3,314	3,566	3,904

Figure 19: An illustration of the net savings figures for the London Borough of Havering

15.9.3 London Borough of Newham

	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)
<i>Gross savings</i>	2,652	4,961	5,629	6,182	6,708
<i>Investment costs (exc Redundancy)</i>	575	288	-	-	-
Net total savings (exc redundancy)	2,077	4,673	5,629	6,182	6,708
<i>General Fund</i>	1,596	3,590	4,324	4,749	5,154
<i>HRA</i>	347	780	940	1,032	1,120
<i>DSG</i>	-	-	-	-	-
<i>Capital</i>	81	182	219	241	261
<i>Pension Fund</i>	54	121	145	160	173

<i>Collection Fund</i>	-	-	-	-	-
	2,077	4,673	5,629	6,182	6,708

Figure 20: An illustration of the net savings figures for the London Borough of Newham

15.10 Payback period

15.10.1 The overall payback period calculation is less than one year; however in reality each Council would fund any cost of redundancy from their existing redundancy provision. Therefore the only investment we are using in the programme transition costs are non-redundancy costs, for example £1.369m over two years are being offset against years 1 and 2 savings.

15.11 Testing our savings assumptions

15.11.1 In order to test the levels of savings assumed in the Business Case, two services were chosen to be reviewed. These reviews considered the realistic levels of savings which could be achieved, taking into account joint capacity and the level of service provision required.

15.11.2 The review process followed a prescribed set of activities to determine the potential savings from sharing services. These included:

1. Assessing the baseline in terms of cost and FTE
2. Confirming departmental structures with management
3. Requesting and analysing demand data – Demand Capacity Analysis
4. Reviewing processes and activities with staff
5. Gathering data related to time spent – Rough-cut Activity Based Costing
6. Visioning a likely shared service operation – the ‘to be’
7. Determining the resources required for the ‘to be’ and calculating total costs without reference to individual councils
8. Comparing ‘to be’ costs with the baseline.

15.12 ICT review

15.12.1 A review has been conducted in the ICT services in both Councils, not all of the services were reviewed, but the seven areas that were reviewed amounted to 61% of the total ICT budget.

15.12.2 The review found that annual savings between £883,000 and £1.242m within the services are possible, subject to the degree of rigour followed in the realisation of savings.

15.12.3 Of the savings identified:

- £648k to £851k is possible through the elimination of duplication.
- £235k to £391k from efficiency improvements. However, a full review of processes was not undertaken and it is envisaged that further efficiencies could be achieved through process reviews.

15.12.4 The review found that duplication savings are achievable in the first year of the shared service but efficiency savings may only be realised following a period of process change and consolidation.

15.12.5 This Business Case has used efficiency savings of 11% and duplication savings of 9% to estimate the savings which could be achieved by sharing services.

15.12.6 Savings of between 18% and 25% (depending on the options chosen) for in scope ICT services were identified in this review, this validates the savings calculations used in this Business Case.

15.13 Health and Safety review

15.13.1 A review has been conducted in the Corporate Health and Safety services in both Councils.

15.13.2 The review found that savings between £133,000 and £291,000 within the services are possible, subject to the degree of rigour followed over the realisation of efficiency savings.

15.13.3 Of the savings identified:

- £52,000 to £150,000 are possible through the elimination of duplication
- £81,000 to £141,000 from efficiency improvements.

15.13.4 Savings of between 15% and 32% (depending on the options chosen) for the Health and Safety service were identified in this review, again, this validates the savings figures used in this Business Case.

15.14 Procurement review

15.14.1 A review of current procurement has been undertaken as part of this Programme. This is considered an area where further potential savings and efficiencies could be generated through joint procurement.

15.14.2 Newham spent £314.9m in the last financial year with 1381 suppliers (excluding suspected one off payments to persons). Havering spent £103.2m with 845 suppliers (excluding suspected one off payments to persons). 160 suppliers are used by both Councils (same suppliers).

Same suppliers where contracts are in place (out of 160)	
Newham	Havering
33 amounting to (£19.96m)	13 amounting to (£1.85)
5 are already collaborative contracts amounting to £1.84m and it is unlikely that these can be interrogated further as same prices will already be paid	4 are already collaborative contracts amounting to £504,622 and it is unlikely that these can be interrogated further as same prices will already be paid

Figure 21 – Shared suppliers where contracts are in place

The remainder same suppliers (out of 160) where no contracts are known to be in place		
Newham	Havering	Combined total

127 amounting to £31.55m	147 amounting to £ 23.47m	Amounts to £55.02m
Where no known contracts are in place but the same suppliers are used, this expenditure can be interrogated further to identify opportunities where collaborative joint contracts can be put in place that will realise benefits and savings to each borough. It can be assumed that spend with the same supplier is likely to be of a similar category and commodity meaning specifications can be generic and savings realised.		

Figure 22 – Shared suppliers where contracts are not in place

15.14.3 Newham and Havering already participate in collaborative joint contracts for procurement undertaken on behalf of the London Contracts and Supplies Group and the East London Solutions. This collaboration will continue to take place.

15.14.4 There may be further opportunities for joint procurement which could lead to some future possible savings. These will be investigated further during the implementation phase of the Programme and as each contract expires. Therefore, no savings for joint procurement outside of shared services have been assumed in this Business Case.

15.15 **Future additional savings / income**

15.15.1 As previously stated this Business Case is based on the current delivery model and current delivery volumes. It is reasonable to expect that further opportunities may be available to generate both further savings and additional income.

15.15.2 Examples of such additional savings / income are shown below:

- Rationalisation of premises and accommodation including security costs
- Reductions in third party spend through collaboration enabled by the shared service
- Further continuous improvement and innovation beyond the levels assumed in this business case. Once service rationalisation is complete (to deliver the duplication and efficiency savings outlined above), each service(s) will be subject to a service delivery options appraisal that will determine the optimum delivery model for the medium to long term (for example staff incentive schemes, outsourcing, the creation of smaller trading entities etc) taking into account any impact on the overall costs of service delivery through the shared service
- Reduction in demand from the two Councils reducing in size resulting in a downsizing of the shared service and / or:
- Further cost reduction by sharing services with other councils
- Income generation though trading with others public sector bodies and possibly with the private sector.

15.15.3 It is proposed that clarity of the true/actual cost of the delivery of support functions to the two Councils will be developed through the development of the Service Catalogue (Appendix 1). This will identify process costs across all services e.g. the cost per invoice processed, the cost per payslip processed, and the cost per stage 3 disciplinary hearing, enabling the development of a more commercially orientated organisation for support service than that exists at each Council now.

- 15.15.4 No actual figures have been put to these savings/additional income opportunities in this business case, as at present it is not possible to quantify the actual amounts. Any such future savings/income would be made available to the two Councils.

16 Business development

- 16.1 Shared service activity in the public sector has been gathering pace over the last few years. In 2009, 75 shared services activities were in development and only 30 in delivery; by the end of 2012 they ran into the hundreds in development and over 100 in delivery ranging from small scale collaboration to full sharing of services.
- 16.2 The Local Government Association (LGA) have mapped shared service activity across the UK and established there are over 140 shared services in development between 219 Councils. Eighty of them are in delivery mode and offered about £156m in savings last year, but the LGA feels there is a lot more collaboration to be done in local government.
- 16.3 A survey in the Local Government Chronicle in September 2012 suggests that 65% of those questioned felt partnership working (public to public and public to private) was being moved more seriously onto the agenda for 2013.
- 16.4 The Local Government economy is worth £144bn each year. Sharing services across organisations is complex to achieve and many do not have the expertise, capacity or willingness to do it themselves. This offers a great opportunity for this Programme in terms of business growth within local government.
- 16.5 However it is not just councils that are keen to share services. There is a range of shared service activity in Further and Higher Education, the blue light sector and health who have all been seen to outsource or share support services in order to protect their core activities. In addition to this, the third sector is another potential market with many charities falling under the Local Authorities (Goods and Services) Act 1970 definition of a public body.
- 16.6 Councils are not permitted to make a profit on services provided to organisations outside of local government (under section 93 of the Local Government Act 2003). In order to trade with others, we are able to set up a company to service those entities which are public bodies. We can then second shared services employees (full or part time) to that company or through service level agreements. Profits could then be generated.
- 16.7 Other organisations would be able to use the new shared back office services through a range of arrangements from buying services as a customer to more formal partnership arrangements. These different offerings to the market will be considered by the Joint Committee during implementation and beyond.
- 16.8 The work already undertaken by Havering and Newham places our new shared back office service in a strong position on the market. We have developed the One Oracle Shared Service ICT platform with the One Oracle Group of seven authorities, which we will be able to provide to new customers.
- 16.9 As part of our trading strategy we are considering retaining our two current council tax and benefit systems, as they are the two of only three systems on the

market, in order to have a greater potential market share for future business with others. This will need to be balanced against savings that could be made by Havering and Newham using a shared system.

- 16.10 Even during the initiation stages of this programme we have been approached by a number of other authorities, curious of our new service and keen to discuss doing business together.
- 16.11 We are hoping that the speed of implementation of our programme will mean that we are ahead of the game, ready to offer our services to others and therefore creating the preferred model for London and the South East.
- 16.12 No income assumptions have been made in this Business Case for business growth and new customers.

17 Next step if approved

17.1 Shared service naming and branding

- 17.1.1 A name and brand for the new shared service will be developed post implementation of the Joint Committee in December 2013 but before the new working arrangements for the shared service come into force in 2014/15. This work is currently being carried out by the two Councils.
- 17.1.2 The name and brand will support the achievement of the wider programme objectives, in particular to engage staff in working for the new shared service and marketing the service to potential new customers.

17.2 Staff engagement

- 17.2.1 The shared service will be a new body providing services to both Havering and Newham Councils. A clear identity for the new service will help those staff working for it to feel that they are moving to something new and create a sense of momentum and purpose for the change. Use of the brand in all communications and engagement with in scope staff at both Councils throughout the transition will help support the required culture change.
- 17.2.2 Use of the brand will also help position the service with internal customers in both Councils and make it clear that they are now receiving their support services from a different organisation.

17.3 Communications

- 17.3.1 A full Communications Strategy and Action Plan have been developed to start our journey and support the transition of the two Councils' existing support services to the new shared service. These will be further developed in December 2013 to take these plans from the Cabinet decision to implementation and through the next five years.
- 17.3.2 The main objectives of the Communications Strategy are to:
 - Ensure that all key stakeholders understand the rationale, benefits and plans for the new shared service

- Support the positive engagement of staff moving to the new shared service, ensuring that they have all the information that they need
- Ensure that all customers of the shared service know how to access and use it
- Support the culture change needed for a successful service transformation
- Ensure that residents and other external stakeholders understand the reasons for developing a shared service and perceive it positively
- Position the two Councils as taking a creative and innovative approach, which is a first of this scale for local government in London
- Ensure that there is consistent messaging and that programme communications are integrated with both Havering and Newham's wider communications messages and activities.

17.3.3 Communications activities will include:

- Information in Havering and Newham's regular internal communications channels such as employee newsletters and manager's briefings
- A 'Sharing our Support Services' section on each Council's intranet
- Developing specific communications channels, such as an email bulletin to in scope staff and a dedicated SharePoint site for human resource change information
- Meetings and events for in scope and customer service managers
- Future events for in scope staff
- Targeted communications for elected Members, trade unions and external service users such as schools
- Providing messages for use in the two Councils external communications.

17.3.4 A number of these activities such as the dedicated intranet pages and managers' meetings have already being used to engage staff in the vision and proposals for the new shared service.

17.3.5 A marketing plan will also be produced for the shared service to support future business development.

17.4 **Overview of implementation approach and timetable**

17.4.1 The implementation of the Programme and outline timetable is expected to be:

- Councils to delegate existing function delegations for each Council to the Joint Committee in December 2013
- Proposed set up date for the Joint Committee - December 2013
- Joint Committee will determine senior management structure
- Services will be brought together in year 1 (2014/15) facilitated by a senior management restructure
- Joint Committee agree name and branding for the shared service
- Year 1 reviews commence to maximise potential savings in 2014/15
- Existing services will continue operating as now until 1 April 2014
- Existing budgets and costs unchanged
- Revised delegations of officer powers agreed to allow officers from one council to take decisions on behalf of the other to be approved by each Council by 1 April 2014
- Go live for all services into the new shared service is 1 April 2014
- Savings start to accrue to each Council

- Service reviews will be phased over a three year period
- The programme will be fully implemented and the full savings achieved by the end of year 5 (2018/19).

18 Due diligence and risk

18.1 Report of due diligence

18.1.1 For the benefit of developing the new shared back office service, the London Borough of Havering and the London Borough of Newham have confirmed that:

1. both Councils are committed to the Programme and to resource it to fully explore how they can collaborate and share their support services
2. both Councils are committed to making available the capacity, resources and skills to develop this programme and have agreed to share equally the costs for the work to establish the opportunities to work together (this agreement is in place up until the Agreement is approved which will replace it)
3. in order to share information and data safely and securely the Councils will formulate and agree an information sharing protocol which shall comply with the law and also facilitate the open sharing of information to the ultimate benefit of their customers
4. the Councils both commit to actively communicate with the programmes stakeholders at appropriate intervals and in a variety of methods during the life of the project. This activity will be set out in a Stakeholder Engagement Strategy and a Communications Strategy
5. neither Council is subject to any legal actions that may have a major impact on the shared service partnership
6. the financial information provided is accurate and reflects the total costs, budgets, income and staffing for the services being shared. These have been reviewed and verified to ensure that the savings estimated for the programme are appropriate.

18.1.2 The above commitment to the programme has been evidenced in the Memorandum of Understanding (MoU), the programmes Shared Vision and the Outline Business Case.

18.1.3 The MoU has been signed by each Council's Chief Executive Officer and lead Directors. The Shared Vision was endorsed by the Mayor of Newham, the Leader of Havering and the lead Directors by opening with a joint statement of their commitment to the approach. The Programme's Outline Business Case has been approved by both Councils Management teams, with both agreeing that; this is a valid project that should continue and a great opportunity to improve and generate savings that we would not be able to do alone.

18.1.4 The lead Directors have verified that there are no known legal action which may adversely impact on this shared service programme and both Council's Section 151 Officers have confirmed that the financial information is accurate.

18.2 Equality analysis

18.2.1 An Equality Analysis (EA) has been started as part of this Programme. At this stage it profiles the staff which are currently in scope of this Programme. The EA will be further developed and reviewed at each key programme implementation stage to ensure that the Programme is developed in full recognition of the

diverse needs, circumstances, and concerns of the people who will be affected by it, both employees and communities across the two Boroughs.

18.3 **Programme risks**

- 18.3.1 A Risk Register is attached to this Business Case in Appendix 3. It highlights the major risks attached to this Programme. These risks will be mitigated through a range of actions and controls which will continue to be put in place throughout the implementation phase.

19 **Appendices:**

Appendix 1 - Catalogue of Services

Appendix 2 - Joint Committee and Delegation Agreement

Appendix 3 - Risk Register

Appendix 4 - Vehicle Matrix Scoring