

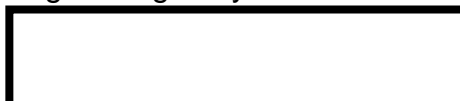
HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

JOINT COMMITTEE	24 October 2014
Subject heading:	oneSource Transformation Update
Report author and contact details:	Tony Huff, 01708 434155, tony.huff@oneSource.co.uk
Financial summary:	The oneSource Business Case identified that savings of £4.1m could be achieved in 2014/15. This report identifies that to date projected savings from transformation reviews and other restructures have identified savings of £2.1m in 2014/15. Other transformation reviews are currently in progress or still to be commenced in 2014/15 that will contribute to the target. The overall budget monitoring report shows that oneSource is on target to deliver the required savings.
Is this a Key Decision?	No

SUMMARY

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

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



RECOMMENDATIONS

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

REPORT DETAIL

1. Background

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

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

Table1. OneSource Business Case savings

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

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

Table 2. Transformation Programme timetable

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

2. Transformation Project / Other Restructure Updates

2.1 ICT

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

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

Table 3. Savings identified in the ICT transformation Review.

- 2.1.2 The transformation project resulted in a restructure of the ICT service across both councils. The new structure is a joint management arrangement, with postholders being responsible for delivering the service in both authorities. There was a net reduction of 34 FTE posts, 17 of which were vacant. The post reductions came from three categories.
- Duplication - where the same or equivalent role existed in both current structures and where proposals were to go down to one role in the new structure.
 - Efficiency - where the “rough cut” activity based costing exercise carried out in the transformation project showed that efficiencies could be made by adopting the operating model and processes in the more efficient council (this varied by function).
 - Capacity - where ICT capacity has been reduced in some areas in order to achieve savings targets. Capacity reductions were kept to a minimum in order to continue to support wider organisational change.
- 2.1.3 Microsoft Licences and Services savings have been achieved through a shared Enterprise Agreement which commenced in April 2014 and enables licence pooling around infrastructure and full sharing of technical support and consultancy services. This new agreement is a subscription model which will also facilitate future cost reductions in a timely fashion as overall council staffing levels reduce.
- 2.1.4 Income from CCTV relates to wiring up of tower blocks to enable a new concierge operating model. This funding covers time limited staff capacity which will be released when the programme ends.
- 2.1.5 Income from the 6th form college is initially for 3 years, with a reasonable expectation that it will be renewed.
- 2.1.6 Network savings arise from renegotiation of local and wide area networks contracts.
- 2.1.7 Data Centre and infrastructure savings arise from the cessation of Newham and Havering’s external data centre and disaster recovery contracts enabled by the sharing of on premise data centres and associated hardware infrastructure.

2.2 Legal Services

2.2.1 The Legal Services transformation project commenced in December 2014 and at this moment in time has a number of draft proposals. These proposals are as yet provisional and a draft structure is currently being designed. Staff will be consulted with in the coming weeks. The provisional savings are shown in table 4 below.

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

Table 4. Provisional savings identified.

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

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

2.3 Asset Management / Internal Audit

2.3.1 The Asset Management and Audit reviews are currently in process. The Asset Management review is covering the following functions:

- Health & Safety
- Schools Asset Management
- Technical Services
- Facilities Management
- Business Support
- Property Services (second half of 2014/15)
- Capital Programmes (second half of 2014/15)

2.3.2 The Audit review is covering the following functions:

- Internal Audit
- Insurance
- Risk Management
- Counter fraud

2.3.3 For the services above where the reviews have commenced all services have been analysed in detail to give the "As Is" stage. The projects have now moved on to the "To

Be” stage with final recommendations and reports by the end of October 2014. Total possible savings realisable will be known at this time.

2.4 Exchequer and Transactional Services

2.4.1 A transformation review light of NNDR (business rates) was undertaken and this has lead to a revised combined structure being developed. Staff will be consulted with on the proposed structure in the coming weeks.

2.4.2 The Director has also undertaken a review of vacant posts within Transactional and Exchequer Services and a number of posts can be deleted in advance of the forthcoming transformation project in this area in 2015. A review of the senior Management structure has also been undertaken across the whole service and a revised structure has been proposed. Again this will be subject to consultation with staff in the coming weeks.

2.4.3 The savings identified to date are shown in table 5 below:

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

Table 5. Provisional savings identified

2.5 Procurement

2.5.1 In advance of the transformation project of the Procurement function across both councils a restructure has been proposed in advance. The proposed restructure removes currently vacant post but also introduces category management into Havering Council and creates a single team across both councils. The restructure delivers £249k in 2014/15 and £343k in following years. There are no proposals for any other changes until the transformation review has taken place. Staff are due to be consulted in the coming weeks.

2.6 Summary of savings to date

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

Transformation Projects / Restructures to Date	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Procurement	249	343	343	343	343
ICT / Business Systems	970	1,590	1,490	1,345	1,345
Transactional & Exchequer Senior Management Restructure	0	65	65	65	65
NNDR	0	119	119	119	119
Transactional	240	240	240	240	240
Transactional / Exchequer	240	424	424	424	424
Legal (Minimum savings)	248	612	711	711	711
Legal (Maximum savings)	248	612	1,120	1,220	1,220
oneSource Senior Management Restructure	423	423	423	423	423
Total Savings (includes min savings where relevant)	2,130	3,392	3,391	3,246	3,246
Business Case Savings	4,112	7,790	8,943	9,748	10,612

Table 6. Provisional savings identified

- 2..2 It can be seen to date that savings amounting to £2.1m have been either delivered (ICT) or identified. This excludes savings that will come out of the reviews currently in progress. Further savings are being delivered by the oneSource Management Team through budget management through vacancy management and other budget savings. The budget report elsewhere on the agenda identifies that oneSource is on target to spend within budget and on course to deliver total savings of £4.1m for 2014/15.

3.0 Benefit realisation

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

REASONS AND OPTIONS

Reasons for the decision:

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

Other options considered:

Not applicable.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

There are no legal implications identified for this report.

Human Resources implications and risks:

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

Equalities implications and risks:

There are no equality implications identified for this report.

BACKGROUND PAPERS

OneSource Business Case