

## HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

### JOINT COMMITTEE 26 JUNE 2015

Subject heading:

oneSource Transformation Update

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Financial summary:

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

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 and in future years.

**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)
<b>Havering</b>	1,460	2,829	3,314	3,566	3,904
<b>Newham</b>	2,652	4,961	5,629	6,182	6,708
<b>Total</b>	4,112	7,790	8,943	9,748	10,612

Table1. OneSource Business Case savings

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

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

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 As part of the stakeholder engagement process, the Voice of the Customer (engagement and consultation) is part of the transformation approach where concerns, issues and requirements are captured from the customer in order to shape the service based on these concerns and requirements bearing in but also bearing in mind the need for cost savings and what the customer is willing or able to pay.
- 1.5 Customer information is taken from the 6 monthly customer satisfaction surveys as well as 1:1 interviews with the councils Chief Executives, Service Directors, Heads of Service and key staff members as well as the Section 151 officers and members (where appropriate). In addition critical friends have been used to supply critique and challenge.
- 1.6 Given that the focus of the transformation projects is to achieve the savings outlined in the Business Case for oneSource , the voice of the customer is combined with a SWOT analysis, to provide a strategic view of the service strengths, weaknesses, opportunities and threats, so as to design the overall business model in the terms of true demand and affordability. Stakeholders and internal staff members of services are also consulted with on this.
- 1.7 The voice of the customer provides the opportunity to understand the “must do” activities that the customer requires and provides a healthy independent challenge on those activities that exist but do not add real value for them or it is not perceived in that way. Non value adding activities are captured for elimination to create a leaner and cheaper service.

## **2. Transformation Project / Other Restructure Updates**

### **2.1 ICT**

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

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

Table 3. Savings identified in the ICT transformation Review.

**2.2 Legal Services**

2.2.1 The Legal Services transformation project has been completed and consultation with staff closed. The proposals are now in the implementation stage with the expected date of completion by early Autumn.

2.2.2 The proposed savings are shown in table 4 below.

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

Table 4. Legal savings identified.

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

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

**2.3 Asset Management**

2.3.1 The Asset Management reviews were broken down into the following separate reviews (progress shown in parentheses). The reviews have proven problematic due to the inter linking of services and the need to bring all the individual elements together.

- Health & Safety (consultation with staff in commencing in June)
- Schools Capital Programme (in progress)
- Facilities Management (report finalised ready to commence staff consultation)
- Property Services (report finalised ready to commence staff consultation)
- Capital Programmes (in progress)

2.3.2 A Single third tier structure across both councils has been developed and the relevant managers have been consulted with. In addition the level of business support across the directorate has been reviewed.

### 2.3.3 Facilities management

The proposals for facilities management have been based around the removal of duplication and process improvement and include the following:

- A single management team covering services across both councils
- Creation of a corporate landlord function – a single team across both councils including a shared help desk
- A single maintenance team across both councils
- The creation of a campus services team based locally in the relevant building etc.
- Improved single ICT systems across all functions

### 2.3.4 Property services

The proposals for property services have been based around the creation of a single property services team with a single head of service. This has allowed for the deletion of duplicate posts. An analysis of demand and capacity has been undertaken that has allowed further efficiencies to be identified resulting in further costs being removed.

### 2.3.5 Health and safety

The proposals in this area include the following:

- The creation of a single team through the removal of vacant posts (e.g. manager post)
- Process redesign taking the best practice from both previous council processes reducing the overall resources required
- Removing non-value adding activities within processes
- Completing demand at the lowest council's cost. Using Rough Cut Activity Based Costing the review was able to identify that there were comparable Functions being completed by the two corporate teams which were costing noticeably different amounts. Going forward the oneSource service would complete functions in the lower cost way, applying one council model across both council's demand.

2.3.6 The savings proposed identified so from the review are shown in table 5 below. The delay in delivering the proposals has had no overall effect on the budget savings for oneSource in 2014/15.

<b>Asset Management Savings</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Management Team	124	288	342	342	342
Facilities Management	0	487	649	649	649
Property Services	0	70	93	93	93
Health & Safety	122	214	214	310	310
<b>Total savings</b>	<b>246</b>	<b>1,059</b>	<b>1,298</b>	<b>1,394</b>	<b>1,394</b>

Table 5. Asset Management savings identified.

## 2.4 Internal Audit, Risk, Insurance and Counter Fraud

2.4.1 The Audit review was completed in November 2015. Much of the counter fraud service was due to transfer to the DWP in April 2015 which meant that this area had to be dealt with separately as a number of posts in Havering and Newham could have transferred to the DWP. Eventually the majority of the staff did actually transfer to the DWP and there are a number of vacancies now existing in the function. The interim Head of Internal Audit is due to commence the staff consultation process in June and will then be able to deal with all resultant vacancies.

2.4.2 The main proposals from the review are as follows:

- A single shared audit team
- An increase in resources within the team dedicated governance and assurance
- Operational focus on high risk areas
- Standardised of processes – templates, reports, approaches etc.
- One audit and compliance plan tailored to each organisation – this has been proposed as part of the planning for 2016/17
- An audit plan of 1,890 days, a reduction from the current total of 2,719 days. (This can be achieved by concentrating on high risk areas and the development of the risk and assurance functions)

2.4.3 CIPFA were use a critical friend to bring a national perspective to the audit review as well as independent technical expertise and challenge. The key challenge was regarding the number of days required in the audit plan.

2.4.4 The financial savings identified in the review are as in table 6 below.

<b>Audit savings</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Savings	93	809	1,122	1,205	1,205

Table 6. Savings identified

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It is still expected that this level of savings will be delivered in 2015/16 even with the delay in implementation due to the current number of vacant posts. It is expected that the relevant lead members and audit committee / board will be consulted with over the next few weeks before consultation with staff commences.

### 2.5 Exchequer and Transactional Services

2.5.1 Details of this review were provided to the last Joint Committee meeting. Savings identified to date are shown in table 7 below:

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

Table 7. Savings identified

### 2.6 Procurement

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

### 2.9 Summary of savings to date

2.9.1 A summary of the savings delivered by the transformation projects are shown in table 8 below. Also included are the proposed restructures proposed by Directors outside of the transformation project process.

<b>Transformation Projects / Restructures to Date</b>	<b>Where in process</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<b>Finance</b>		<b>343</b>	<b>1,152</b>	<b>1,465</b>	<b>1,548</b>	<b>1,548</b>
Audit, Insurance, Risk & Counter Fraud	Consulation June	94	809	1,122	1,205	1,205
Procurement	Implemented	249	343	343	343	343
<b>ICT / Business Systems</b>	Implemented	<b>938</b>	<b>1,558</b>	<b>1,558</b>	<b>1,558</b>	<b>1,558</b>
<b>Transactional / Exchequer</b>		<b>240</b>	<b>424</b>	<b>424</b>	<b>424</b>	<b>424</b>
Transactional & Exchequer Senior Management Restructure	Implemented	0	65	65	65	65
NNDR	Implemented	0	119	119	119	119
Transactional	Implemented	240	240	240	240	240
<b>Legal (Minimum savings)</b>		<b>248</b>	<b>612</b>	<b>711</b>	<b>711</b>	<b>711</b>
Legal (Maximum savings)	Consulation Closed	248	612	1,120	1,220	1,220
<b>Asset Management</b>		<b>246</b>	<b>1,059</b>	<b>1,298</b>	<b>1,394</b>	<b>1,394</b>
Facilities Management	Finalising Report	0	487	649	649	649
Property Management	Finalising Report	0	70	93	93	93
Management Team	Consulation Closed	124	288	342	342	342
Health & safety	Consulation June	122	214	214	310	310
<b>oneSource Senior Management Restructure</b>	Implemented	<b>423</b>	<b>423</b>	<b>423</b>	<b>423</b>	<b>423</b>
<b>Total Savings</b> (includes min savings where relevant)		<b>2,438</b>	<b>5,228</b>	<b>5,879</b>	<b>6,058</b>	<b>6,058</b>
<b>Savings delivered through budget management/one-off restructures / commenced reviews</b>		<b>1,674</b>	<b>2,562</b>	<b>3,064</b>	<b>3,690</b>	<b>4,554</b>
<b>Business Case Savings</b>		<b>4,112</b>	<b>7,790</b>	<b>8,943</b>	<b>9,748</b>	<b>10,612</b>

Table 8. Provisional savings identified

2.9.2 It can be seen from table 6 above that savings amounting to £2.4m have been either delivered (e.g. ICT) or identified in 2014/15. Ongoing savings by 2018/19 of £6m have been identified – over half of the required target. This excludes savings that will come out of the reviews currently in progress or to be finalised. Further savings are being delivered by the oneSource Management Team through budget management through vacancy management and other budget savings. The budget report elsewhere on the agenda identifies that oneSource delivered greater than the target of £4.1m in 2014/15.



### **3.0 Year 2 (2015/16) Reviews**

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

- Payroll
- Transactional Finance
- Transactional HR
- Operational / Strategic Finance
- Operational / Strategic HR

3.2 The delivery of some of the above reviews is dependent on Newham Council Go Live on the 1-Oracle ERP system. The expected date for go live is currently being looked at but will not be until at least later this calendar year. This will risk delivery of the expected savings in line with the business case assumptions but directors are managing vacant posts and budgets to try to minimise any impact. The overall delivery of savings and budgets will be managed by the oneSource management team through its regular budget monitoring process.

3.3 The transformation reviews are well under way and are in the analysing the “as is” position. This will enable current processes to be identified and costed. The teams are concentrating on how processes outside oracle will align with oracle processes across both councils. As with all reviews the aim is to create single teams providing consistent services across both councils.

#### **3.4 Democratic Services / Election Services**

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

#### **3.5 Pension Services**

The current contract for the administration of pension in Newham is to be extended by one year. This will allow a full review to be undertaken. Due to the specialist nature of this service an external review will be undertaken. The review will look at the in-house service at Havering and the contract in place at Newham. The final proposals will need to report into both council's Pension Committees.

### **4.0 Benefit realisation**

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

## REASONS AND OPTIONS

### Reasons for the decision:

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

### Other options considered:

Not applicable.

## IMPLICATIONS AND RISKS

### Financial implications and risks:

The delivery of the transformation programme directly relates to oneSource delivering the required level of savings as per the oneSource business case agreed by both councils. Table 8 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 over achieved in delivering savings in 2014/15.

### 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