

ONESOURCE JOINT COMMITTEE

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Subject heading:

oneSource Transformation Update

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Financial summary:

oneSource is required to deliver savings to the councils through transformation and creating shared services to remove duplication and improve process efficiency. . This report identifies progress on delivering savings in the Finance, HR & OD and Transactional Services of oneSource. The transformation projects are on course to deliver £2.349m savings in 2015/16 and £3.633m in 2017/18.

Is this a Key Decision?

No

SUMMARY

The transformation projects covering Finance, HR & OD and Transactional Services are coming to a finish with staff consolation of new structures due to commence in April for Finance and May for HR & OD and Transactional. Once implemented savings of £2.349m will be delivered in 2015/16 against a target of £3.042m an under achievement of £0.693m. The difference will be found through the current level of vacant posts. £3.633m will be achieved in 2017/18 compared to a target of £3.724m a difference of £0.091m.

A transformation project for Council Tax & benefits has commenced and will be completed later this year with a new shared structure in place by 1 January 2017. This project will also look at improving performance regarding the collection rates for council tax across both councils. Other projects commencing in 2016/17 include the potential for digitising of processes in oneSource, procurement processes and the in sourcing of legal work to oneSource from external sources.

RECOMMENDATIONS

The Joint Committee is recommended to note progress on delivering the required savings from oneSource from the current transformation projects covering Finance, HR & OD and Transactional Services.

REPORT DETAIL

1.0 Introduction

1.1 At its meeting on 26 June 2015, the Joint Committee received a transformation report that identified the transformation projects for 2015/16 as follows:

- Transactional HR (including payroll)
- Transactional Finance
- Operational & Strategic Finance
- Operational & Strategic HR
- Debt management / Recovery Team
- Pensions (Contract at LBN)
- Democratic & Electoral Services

1.2 This report provides an update on progress on these projects and updates the committee on future projects planned for 2016/17

2.0 General update on 2015/16 projects

2.1 Work commenced on the following projects in the spring of 2015:

- Operational & Strategic Finance
- Transactional Finance
- Transactional HR (including payroll)
- Operational & Strategic HR

At the outset of the work it was recognised that the delivery of the above reviews was dependent on Newham Council Go Live on the 1-Oracle ERP system. At the time the expected date for go live was not known but was not expected to be until at least later in 2015. The actual go live date has now been set at 4 April 2016 and the implementation of the transformation proposals are based on this date. The resultant restructures go live dates are planned post go live of 1-Oracle to enable time for 1-Oracle to bed down in Newham and to enable the savings based on 1-Oracle use to be realised.

- 2.2 In addition to the uncertainty regarding 1-Oracle go live date in Newham, work was being undertaken to explore the potential for sharing services with Bexley. The initial work was undertaken by the transformation teams over the summer of 2015 that lead to a suspension of the above project work for 6 weeks. The eventual on joining of Bexley financial services has meant that the work has had to look at the “As Is” position for Bexley and look at revised proposals for the development of a shared finance service (including transactional) across three councils.
- 2.3 The expected savings required from these projects needed to be amended (an increase) during the year for two reasons. Firstly to build in the anticipated savings from the on boarding of Bexley and secondly to allow for the increase in savings required by Havering & Newham councils, as reported to the Joint Committee in October 2015.
- 2.4 The revised savings requirements are shown in table 1 below:

Service	Savings Target	
	2016/17 £000's	2017/18 £000's
Operational & Strategic Finance	1.390	1.735
Transactional Finance & HR	1.081	1.316
Operational & Strategic HR	0.571	0.673
Total	3.042	3.724

Table 1

3.0 Operational & Strategic Finance

- 3.1 This project began in February 2015 working to bring Havering and Newham finance functions together to deliver savings through the removal of duplication and process improvement. In October 2015, proposals for the potential on-boarding of Bexley finance functions were provisionally agreed (subject to a Business Case being agreed by the three councils).
- 3.2 The key elements of work undertaken include the following:
- An analysis of the current service across the three councils and establish an “As Is” position
 - Reviewing the current service structure and budgets
 - Developing key functions and processes across the service
 - Reviewing demand and capacity
 - Reviewing and identifying key performance indicators
 - Voice of the Customer exercise including the three Section 151 Officers
 - Identifying key systems and process efficiencies including 1-Oracle
 - Development of the Target Operating Model (TOM) and structure options
 - Development of the proposed savings schedule and implementation plan
- 3.3 The key issue affecting the project and delivery timescales was the potential on-boarding of Bexley and the introduction of another council service to build into the proposals half way through the project without having certainty of the actual on boarding. As the Bexley on boarding looked to be more certain, another group of potential customers needed to be consulted as well as having another service to analyse.

- 3.4 A potential shared TOM has been produced in conjunction with the councils' Section 151 Officers. This has been shared with senior managers and staff with the three current finance functions. The next stage will be to formally consult with staff. This is covered later in para. 3.6 of this report.
- 3.5 The proposed savings to be delivered by the new TOM are identified below in Table 2 below:

Year	Proposed savings £000's	Cumulative Savings £000's
2016/17	1.188	1.188
2017/18	0.594	1.782
2018/19	0	1.782

Table 2

- 3.6 A project plan has been developed to map out the implementation of the proposed structure and beyond. The key milestones are shown in table 3 below.

Task	Anticipated Completion date
Job descriptions written / evaluated x3 councils	11 March 2016
Assimilation / matching exercise x 3 councils	5 April 2016
Consultation Report finalised / Unions engagement	8 April 2016
Consultation start	11 April 2016
Consultation end	25 May 2016 (45 days)
Assimilations confirmed & Ring-fence Interviews	13 June 2016
Go live	1 August 2016
Embedding of revised ways of working	1 August onwards

Table 3

The above timescales are tight and each task is dependent on the preceding one. The whole process is based on a set of protocols agreed across oneSource.

- 3.7 The Business Improvement Team will project manage the restructure with the Director of Finance. Once the new structure is implemented and live, the team will continue to work with the service to embed revised processes and ways of working to enable delivery of the savings.

- 3.8 The proposed restructure of Assurance, Insurance & Fraud will follow the same timescales as above. The review of the service completed in the spring of 2015/16 for Havering and Newham but was then delayed for the potential joining of the Bexley service. The restructure proposal is on course to save the required savings target of £1.126m in 2016/17 and £1.394m in 2017/18. The savings for 2016/17 will come from the new structure and the current level of vacant posts.

4.0 Operational and Strategic HR & OD

- 4.1 Work commenced on this project in March 2015. The key elements of work undertaken include the following:

- Obtain a baseline position of the service – the “As Is”, identifying current service budget, establishment, service offering, cost, performance and customer satisfaction.
- Identify and standardise key processes for a shared HR & OD service.
- Develop a Target Operating Model for a shared HR & OD service.
- Develop a savings schedule identifying where savings from a shared HR & OD service can be made.
- Deliver an implementation plan to support implementation of the preferred shared service Target Operating Model, and improved processes.

- 4.2 One of the key issues encountered was that the service does not record all work, nor operate a time-recording system. The required demand data was not available for some of the functions and that has prevented the calculation of some unit costs and being able to accurately determine the level of resources required. This has been mitigated through the application of activity analysis, using available demand data and reviewing key processes. The service has also developed an advice and casework recording spreadsheet in the meantime. Alternative longer term systems are being explored for the future.

- 4.3 The proposed savings delivered by the new TOM are identified below in Table 4.

Year	Proposed savings £000's	Cumulative Savings £000's
2016/17	0.334	0.334
2017/18	0.274	0.608
2018/19	0	0.608

Table 4

- 4.4 A project plan has been developed to map out the implementation of the proposed structure and beyond. The key milestones are shown in table 5 below.

Task	Anticipated Completion date
Job descriptions written	10 March 2016
Job description evaluated x3 councils	1 April 2016

Assimilation / matching exercise x 3 councils	22 April 2016
Consultation Report finalised	29 April 2016
Unions engagement	2 May 2016
Consultation start	9 May 2016
Consultation end	22 June 2016 (45 days)
Assimilations confirmed & Ring- fence Interviews	16 August 2016
Go live	1 September 2016
Embedding of revised ways of working	1 September onwards

Table 5

- 4.5 An implementation date of 1 September is challenging. The HR service will still need to support 40 other restructures pending for LBN due by September in addition support the LBH Terms and Conditions consultation due in September as well. The process for implementing the restructure will be taking part over the school holidays and staff in the HR transactional service may have claims on posts in the HR & OD structure. The process for this service will also run in parallel.

5.0 Transactional Services – Finance & Transactional

- 5.1 Transactional services were split into two projects: Finance and HR. The two projects coordinated with the relevant operation / strategic project where there were potential cross over issues. In some areas all four projects crossed over (e.g. restructure processes in 1-oracle). Most of the proposed savings for Havering and Newham are through using the same 1-Oracle processes across both councils reducing duplication. However the review did look at how 1-Oracle is used in Havering to see where improvements could be made to either deliver savings or improve the customer experience. This work will continue in 2016/17 as per para. 9.1.3 later in this report.
- 5.2 The Transactional Finance project was complicated by the potential on boarding of Bexley. Bexley does not follow the oneSource TOM and therefore work was required to disaggregate the transactional elements from operational and strategy. In addition, Bexley use a different version of Oracle from Havering and Newham and therefore different processes need to be allowed for in the structure proposals. The proposed TOM is a shared function between the three councils.
- 5.3 Both projects followed a similar process with the key elements as shown below:
- Establish a baseline position in relation to budgets, establishment, processes, demand and performance.
 - Review functions, performance, demand and resource to identify restructure savings opportunities and develop proposals for a shared service model.

- Propose restructure options for a shared service and possible integration of work from/to other teams.
- Review team budgets and identify any opportunities for savings from controllable spend.
- Engage staff and customers in the process of identifying proposals for the shared service.
- Identify how the agreed TOM can be more effectively implemented during the change to a shared service through the realignment of activities to either transactional or operational services.
- Review and redesign key processes as agreed by the Senior Responsible Officer (SRO).
- Produce a savings schedule mapped over at least a three year period.
- Produce an initial implementation plan for the delivery of the agreed proposals.
- Finalise To Be Report
- Assist SRO with Organisation Change Report
- Agree process improvement activity

5.4 Both projects were limited at times by the level of resource available as the projects were running in parallel with the Newham 1-Oracle implementation project and the availability of key staff at times during the review.

5.5 The proposed Transactional HR savings are shown in Table 6 below:

Year	Proposed savings £000's	Cumulative Savings £000's
2016/17	0.272	0.272
2017/18	0.197	0.469
2018/19		0.469

Table 6

5.6 The proposed Transactional Finance savings are shown in Table 7 below:

Year	Proposed savings £000's	Cumulative Savings £000's
2016/17	0.562	0.562
2017/18	0.212	0.774
2018/19		0.774

Table 7

5.7 A common project plan has been developed to map out the implementation of the proposed structure and beyond. This is due to the nature of the functions and the potential for staff to claim posts in either structure. The timescales follow that for HR & OD implementation. The key milestones are shown in table 8 below.

Task	Anticipated Completion date
Job descriptions written	10 March 2016
Job description evaluated x3 councils	1 April 2016
Assimilation / matching exercise x 3 councils	22 April 2016
Consultation Report finalised	29 April 2016
Unions engagement	2 May 2016
Consultation start	9 May 2016
Consultation end	22 June 2016 (45 days)
Assimilations confirmed & Ring-fence Interviews	16 August 2016
Go live	1 September 2016
Embedding of revised ways of working	1 September onwards

Table 8

- 5.8 As for the other projects the proposed go live date is challenging. This is due to the number of staff involved and the potential ring fencing of staff between the two functions. To some extent there may be also ring fencing issues between the HR Transactional team and HR & OD.

6.0 Total savings identified from Finance and HR & OD projects.

- 6.1 The total savings from the four transformation projects lead by the Business Services Team amount to £2.349m in 2016/17, increasing to £3.633m in 2017/18. The summary figures are shown in Table 9 below and compare the actual savings against targets for each year.

Service	2016/17		2017/18	
	Target £000's	Proposed £000's	Target £000's	Proposed £000's
Operational & Strategic Finance	1.390	1.181	1.735	1.782
Transactional Finance & HR	1.081	0.834	1.316	1.243
Operational & Strategic HR	0.571	0.334	0.673	0.608
Total	3.042	2.349	3.724	3.633
Shortfall against target		0.693		0.091

Table 9

- 6.2 There is a shortfall of savings against target of £693k in 2016/17. This shortfall is due to the target being set in the business case for oneSource as a full year saving. In reality the saving will be part year. However, with the number of vacant posts in the services

that already exist prior to any restructures it is likely that any shortfall will be minimised. There is minimal risk to delivering the Bexley share of the savings as only a part year requirement has been budgeted. There is a minimal shortfall (£91k) forecast for 2018/19. Further savings will be found if necessary.

7.0 Council Tax & Benefits

- 7.1 The Council Tax and Benefit transformation review was due to commence in 2016/17. A decision was made to commence the review earlier leading to the earlier delivery of savings and work started in January 2016. The review will look at creating a shared service between the three councils. However, the Bexley function is provided through a contract with Capita that has a number of years to run. The review will therefore only look at this stage at how the client function of this contract will work within oneSource.
- 7.2 The aim of the project is to create one integrated and shared Council Tax and Housing Benefits service, providing an efficient, high performing and affordable service for the councils and residents.
- 7.3 The objectives are as follows:
- To maximise income collection
 - To improve performance for our customers
 - To reduce costs through increased efficiency
 - To seek new opportunities to grow the business
 - To deliver these objectives through innovative thinking and digital by design
- 7.4 A project board has been created and will lead the transformation process. A project plan has been approved with the following high level milestones shown below in table 10:

Task	Anticipated Completion date
Analysis of current position "As Is"	30 March 2016
"To Be" completed including final report, structures, job descriptions, evaluation of job descriptions and high level process design	30 August 2016
Staff Consultation end	15 October 2016
Assimilations confirmed & Ring-fence Interviews	16 December 2016
Go live	2 January 2017
Embedding of revised ways of working	2 January 2017 onwards

Table 10

The detail of project plan will be developed in the next couple of weeks.

- 7.5 The financial targets for savings from the project are shown in table 11 below. At this stage the financial benefits to each council of improved cash collection for council tax are excluded. The project plan includes targeted improvement but the financial values are yet to be determined.

Year	Savings Target £000's	Cumulative Savings £000's
2017/18	1.013	1.013
2018/19	0.307	1.320
2019/20	0	1.320

Table 11

8.0 Update on other 2015/16 projects

- 8.1 The other projects due to be looked at in 2015/16 are as follows:
- Debt management / Recovery Team
 - Pensions (Contract at LBN)
 - Democratic & Electoral Services
- 8.2 Currently a project is being undertaken in oneSource to look at how the different elements of debt recovery within Havering can be brought together. This review is still progressing. Any lessons from this will be used to look at processes within Newham and Bexley. oneSource has a debt enforcement team that collects some debt on behalf of Newham and Havering Councils. Since a change in regulations was made the service keeps the fee payable by the debtor; making an income for oneSource and therefore the two councils. This service is due to be shared with Bexley in 2016/17. A report will be brought to the next Joint Committee meeting in June outlining the service and the additional income being generated.
- 8.3 Consideration has been given to the way in which the pension administration service is delivered across oneSource as currently it is a mixed approach. Havering has an in house team whilst Newham outsources to the LPFA under a contract which is due to expire on 31st March 2016.
- 8.4 Proposals outlining a restructure of the service were formerly launched on 25th February 2016 which detailed one team reporting to a pension's manager. The team comprised of an in house pensions administration team alongside a projects and contracts team. The future proposals mean that Havering will remain in house with an improved structure to deal with the complex regulations and rules on pensions, and Newham are entering into a shared service arrangement with Lancashire County Council (in partnership with the LPFA). This approach underpins stability and continuity of service for pensions administration along with improvement and consistency of service provision (including guidance and actioning Admitted and Scheduled body status, systems development, self-service etc.).
- 8.5 There are no current plans to share Democratic Services across both councils. Newham is considering delivering efficiencies in this area through different means.

There may be the possibility for Havering and Bexley sharing this service but no proposals exist at this moment in time.

- 8.6 Currently there is no proposal to share the management of election services between Havering and Newham but they will remain as parallel services within oneSource. After the 2016 elections, the teams will look at the potential for back office sharing in respect of electoral registration (especially data entry) on the electoral management software (Xpress) and also shared canvass teams. Potential savings are limited and efficiencies will be in large part risk mitigation for the removal of Cabinet Office funding for the transition to individual electoral registration that ends this year.

9.0 2017/18 Projects

- 9.1 In addition to the Council Tax and Benefit transformation projects and continued project management of the Finance and HR & OD projects, the transformation team will be involved in the following projects commencing in the new financial year. Full project plans will be developed.

9.1.1 Legal Services

- (a) Legal Services are on track to have achieved its 16/17 savings and recent work on reducing expenditure and increasing income and costs recovery has halved the existing overspend. The remainder should disappear with the removal of additional pay protection costs and senior agency staff costs.
- (b) Legal Services has reviewed the implementation of its transformation programme following the creation of the single structure and location for legal services. We will now be working on full implementation of the transformation with the support of the Business Improvement Team focussed on the maximisation of the functionality of the IKEN case management system
- (b) Bringing work back in-house. A large amount of legal work (and therefore Council spend) is still undertaken by external solicitors firms and barristers. This has been for a variety of reasons and a mixed economy of suppliers will be necessary, especially for court work, niche specialisms and some major projects. Inevitably external legal support is more expensive and provides for little or no knowledge transfer. Legal Services will continue its review on identified potential gains / savings for oneSource and the Councils if the current use of externalised work was rationalised. There are ongoing discussions with client departments with some ad hoc arrangements in place currently, e.g. legal support to Newham's CSSB service. In 16/17, a project will begin to bring Havering's Housing work back in house (at least £500,000 of spend) allowing for the creation of a specialist Housing team, that will benefit both boroughs and be attractive to new clients.

- 9.1.2 In 2014/15 the Procurement team underwent a restructure to deliver full year savings of £343k which was in line with the assumptions made in the original business case for setting up the shared service. However, no review was made of the processes undertaken within the function. It is proposed that such process reviews will be undertaken in 2016/17. This will potentially enable efficiencies to be made some of which may be cashable through a reduction in resources required.

9.1.3 During the 2015/16 projects a number of processes were identified that had potential to be digitalised. In addition other oneSource services have a number of paper based processes that could be made electronic. The transformation team will work in conjunction with ICT to identify relevant processes that could be put online or digitised and to undertake the review of the processes to maximise the efficiencies that could be made.

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 and subsequent amendments to savings targets agreed by the councils.

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

None