

Subject: Shared Services Update

Report to: GLA Oversight Committee

Report of: Executive Director of Resources

Date: 11 December 2014

This report will be considered in public

1. Summary

- 1.1 This paper provides an update to the Committee on the position of a number of shared service arrangements between the functional bodies of the GLA that are being discussed or have been entered into since the Committee last discussed the matter in November 2013. The report also contains an update on the work that has been carried out to review the feasibility of delivering a pan- GLA collaborative procurement team.

2. Recommendations

- 2.1 **That the Committee comments on and notes the updated position as set out in this report.**
- 2.2 **That the Committee comments on and notes the update on the work that has been carried out to date regarding the establishment of a pan-GLA collaborative procurement team.**

3. Background

- 3.1 Shared services and related functional delegations and arrangements were discussed by the GLA Oversight Committee at its November 2013 meeting. At that meeting a schedule of the shared service arrangements that each of the functional bodies were part of was presented and discussed. In July 2014 an updated schedule was circulated that included, where it was available, details of forecast and actual savings that had been achieved for the arrangements listed.
- 3.2 Since November 2013 the Committee has also been consulted on a number of shared service arrangements:
- June 2014 – consultation on a shared committee service between the GLA and Transport for London (TfL);
 - July 2014 - consultation on a shared committee service between the GLA and the London Legacy Development Corporation (LLDC); and

- September 2014 - consultation on the treasury shared management function.

It was recognised that an update summarising the work on shared service arrangements, carried out since the November 2013 meeting, would be useful for the Committee.

- 3.3 In addition, during 2014 work has been ongoing to review the feasibility of establishing a pan-GLA collaborative procurement team that is expected to provide significant group wide savings, and it was recognised that this paper would provide a good opportunity to update the Committee on progress and proposals to date in advance of the formal consultation with the Committee that it is proposed will take place on the 27 January 2015.

4. Issues for Consideration

- 4.1 Updates on the collaborative procurement model mentioned above, and other key arrangements, are set out below.

GLA and the Mayor's Office for Policing and Crime (MOPAC) Shared HR and IT Functions

- 4.2 The GLA began providing shared HR services to MOPAC in December 2013. The shared service includes recruitment; HR administration; employee relations and policy advice; and workforce reporting and analysis. The supply of agency workers continues to be under the MPS contract - mainly for reasons connected to vetting - though administered by GLA HR. In December 2013, two HR posts, equivalent to one GLA Grade 8 full time post and one Grade 5 three-days-per-week post, were transferred from MOPAC to support the work. A review of work requirements was carried out in October this year and identified that the resource required for the service can be reduced to one full time Grade 6 HR Officer post and a one-day-per-week Grade 8 HR Adviser post. Recruitment to the new posts is currently underway.
- 4.3 The GLA Technology Group provides the IT Service for all MOPAC staff, both in City Hall and the Empress State Building. MOPAC's data and information is housed in a secure area on the GLA network and the service contains costs through the use of a single network, single infrastructure and a single set of standardised systems and equipment - supporting the running of MOPAC across multiple sites. The services provided include:
- provision of a customer support service;
 - support for live systems;
 - infrastructure management;
 - development of the IT service based on MOPAC's requirements; and
 - overseeing the quality and value of the service.
- 4.4 The service went live on 10 June 2013 and indications are that the relationship is working well. MOPAC have recently made use of GLA resources to help it develop a web-based Crime Analysis System; following positive feedback from MOPAC to the GLA Technology Group, MOPAC have identified a number of other services that they would like the GLA Technology Group to help develop.

GLA, TfL and LLDC Committee Services

- 4.5 At its meetings in June and July 2014, the Committee was consulted on the proposed establishment of formal agreements between the GLA and both TfL and LLDC whereby the GLA would provide the clerking functions for those bodies' boards and committees. This followed a period where the GLA had been informally providing clerking support to LLDC's Planning Decisions Committee and where 5 members of staff from TfL's Secretariat team had been based at City Hall with effect from April 2013 in a co-location arrangement.
- 4.6 The plans were approved by the Committee and following the consultation the formal arrangements came into place on 1 August 2014 (for TfL) and 1 September (for LLDC). The GLA, therefore, now provides a full clerking service for the boards and committees of the London Fire and Emergency Planning Authority (LFEPA) (through an agreement put in place in January 2011), TfL and the LLDC, with the GLA responsible for services such as oversight of the preparation and production of agendas, reports, decision sheets and minutes; and the provision of procedural and general advice in matters affecting the meetings and Members of these functional bodies.
- 4.7 Since the issue was raised by Members of the Committee, consideration has been given to the option of the GLA providing clerking services to MOPAC as well (noting that, unlike the London Assembly and functional bodies, MOPAC does not operate under the legislation that applies to the other bodies in relation to its meetings). Discussions are ongoing and a more detailed update will be provided to the Committee before the end of March 2015.

Treasury Management and the GLA Group Investment Syndicate

- 4.8 The GLA Group Investment Syndicate (GIS) now includes the London Pension Fund Authority (LPFA), as well as LFEPA, LLDC and MOPAC. The total investments managed under the treasury shared service are over £2 billion and the total borrowings managed are just under £4 billion.

LLDC and TfL Legal Services

- 4.9 On 1 May 2014 TfL took on provision of legal services to LLDC. Continuity was ensured through the permanent transfer of three members of LLDC's in-house legal team to TfL and an additional three members of the team on a temporary basis. LLDC can draw on these staff as well as the range of expertise in the TfL legal department. Arrangements are in place to ensure that legal work is monitored to ensure continued good service.

MOPAC and LLDC Internal Audit Arrangement

- 4.10 Preparations are underway for the handing over of LLDC's internal audit function to MOPAC as set out in the LLDC Internal Audit plan for 2014-15. The LLDC Audit Committee has agreed that MOPAC should undertake its first audit on behalf of LLDC, in joint cooperation with the current provider of LLDC's audit function, in this financial year. This is scheduled for January to February 2015. Handover has commenced and MOPAC attended the LLDC Audit Committee meeting in September 2014.

Shared Insurance Function

- 4.11 Discussions are concluding between the GLA, LLDC, LPFA and TfL on the creation of a shared insurance function to be run by TfL.

Single Property Unit

- 4.12 The Single Property Unit (SPU), which includes representation from all of the functional bodies, continues to meet on a regular basis to share best practice and ensure best value is achieved in regard to property related matters across the GLA group.

LPFA Move to Union Street

- 4.13 The relocation of London Pensions Fund Authority (LPFA) staff to Union Street was completed successfully on 7 November 2014. The early indications are that the move has gone well and working arrangements are functioning as expected.

Old Oak and Park Royal Mayoral Development Corporation

- 4.14 The Mayor has recently consulted relevant organisations - as required in law - on a proposed new Mayoral Development Corporation spanning the area of Old Oak Common and Park Royal. In accordance with section 197 of the Localism Act 2011 the Assembly will be asked formally to consider the Mayor's proposal to designate a Mayoral Development Area. It has been agreed that the Assembly will hold an extraordinary plenary meeting on 17 December 2014 to put questions to the Chief of Staff and Deputy Mayor for Planning and the Director of the Mayoral Development Corporation, Old Oak Common/Park Royal.

Pan-GLA Group Collaborative Procurement Model

- 4.15 Since the last update on Shared Services was presented to the Committee in November 2013, work has been undertaken, led by TfL and supported by a team from PwC, to evaluate the feasibility of establishing a pan-GLA group collaborative procurement team.
- 4.16 In May 2014 representatives from each GLA functional body and the Metropolitan Police Service joined together to form a pan-GLA steering group to support a review of the potential to collaborate and deliver a viable business case for savings and efficiencies. The evaluation has indicated that, once established, such a procurement team could deliver £5.7million of 3rd party cost reductions annually and a more efficient, streamlined operation. Importantly, the work has also indicated buy-in to the model from each of the functional bodies' representatives and an appetite at the highest level to ensure that the team is established as quickly and efficiently as possible.
- 4.17 The project developed and reviewed options to establish a pan-GLA team that will:
- be housed by TfL with 27 FTE;
 - manage £565 million of spend (common and simple categories);
 - have a robust governance structure;
 - provide detailed data and management information reports; and
 - unlock annually recurring benefits and savings for the GLA group.
- 4.18 The review of current procurement spend across the GLA group indicated the potential for a pan-GLA team to manage procurement expenditure of common and low complexity categories for each of the functional bodies, with the potential in the future to explore shared management expenditure that falls in the common and high complexity category. Examples of expenditure that fall in the common and low complexity category of spend include recruitment; utilities; office supplies and equipment; and professional services. Examples of high complexity categories include managed IT

services and facilities management. The intention is that wherever possible there will be standardised product specification, pricing and contract terms and conditions across the GLA group.

- 4.19 Central to maximising the benefits achievable by a pan-GLA team is robust governance; it is proposed that a joint committee with functional body representation, chaired by the Mayor's Chief of Staff, will oversee the governance of the team that is established. The joint committee will:
- agree overarching procurement strategies and the collaborative category and sourcing approach;
 - influence decisions that affect demand within each of the functional bodies to reduce overall spend;
 - operate under a formal mandate to drive greater collaboration with a particular focus on areas of common and high complexity spend; and
 - lead the drive for additional benefits and savings for the wider public sector.
- 4.20 A pan-GLA collaborative team is forecast to cost £576,000 in year one, based on a team size of 27 FTEs. The current intention is to establish the team by 1 April 2015 and it is estimated that it will take approximately 15 months to achieve peak savings levels at which point approximately £1.4 million per quarter will be realised as cashable savings for the GLA group.
- 4.21 In addition to these cost reductions the possibility of achieving other benefits from supply chain collaboration will be evaluated by the joint committee. Some examples include:
- whether more common and complex categories of spend can be procured by the collaborative team;
 - supply chain effectiveness and distribution and logistics improvement which could deliver fewer vehicles and lower emissions on London's roads; and
 - expansion into the wider public sector to offer enhanced commercial deals for others.

5. Legal Implications

- 5.1 Under section 401A of the GLA Act 1999, "Arrangements may be entered into by relevant London authorities for the provision of administrative, professional or technical services by any one or more of them to any one or more of them, whether for consideration or otherwise". The GLA, its functional bodies, and the LPFA are among the "relevant London authorities" defined in section 401A. Therefore it is within the powers of the GLA, its functional bodies, and the LPFA, to enter into arrangements with each other for the provision of HR and IT, committee clerking, treasury management, investment, property management, legal, internal audit, and procurement, services.
- 5.2 The Mayor must (under section 401A) consult with the London Assembly before entering into any such arrangement involving the GLA; this role has been delegated to the Assembly's GLA Oversight Committee.
- 5.3 The standard shared services documentation will cover issues such as reimbursement of costs for the services to be provided, review and termination arrangements, and liabilities.

- 5.4 The existing and proposed arrangements appear to be consistent with the GLA's obligations under EU procurement directives and relevant decisions of the European Court of Justice. Any procurement carried out by the proposed collaborative procurement team will itself have to comply with relevant directives and Regulations. Any proposed "expansion into the wider public sector" will require further legal consideration.

6. Financial Implications

- 6.1 The shared service arrangements outlined in this paper are expected to deliver efficiency gains and/or cashable savings. Some of the services outlined have only recently been established and so actual savings data is not yet available. The establishment of a pan-GLA group collaborative procurement team would make a significant contribution to the level of recurring savings to be achieved through shared services.

List of appendices to this report: None

Local Government (Access to Information) Act 1985

List of Background Papers:

Shared Services Update incl. Appendix A and B – 7 November 2013

Consultation on Shared Committee Services with Transport for London – 25 June 2014

Updated Shared Services Schedule – submitted to Senior Committee Officer on 15 July 2014

Consultation on Shared Committee Services with the London Legacy Development Corporation – 23 July 2015

Shared Service: Consultation on Shared Treasury Management Functions – 11 September 2014

Contact Officer: Matthew Beals, Financial Analyst

Telephone: 020 7983 5721

E-mail: Matthew.Beals@london.gov.uk