

# Subject: Shared Services Update

**Report to: GLA Oversight Committee**

**Report of: Executive Director of Resources**

**Date: 17 December 2015**

**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 were in place or have been put in place since the Committee last discussed the matter in December 2014.

## 2. Recommendation

- 2.1 **That the Committee comments on and notes the updated position, as set out in this report.**

## 3. Background

- 3.1 Shared services and related functional delegations and arrangements were last discussed by the GLA Oversight Committee at its December 2014 meeting. Earlier this year, a schedule of the shared service arrangements that were in place for each of the functional bodies was presented and discussed. The schedule included, where available, details of estimated and actual savings that had been achieved for the arrangements listed.
- 3.2 Since December 2014, the Committee has also been consulted on a number of shared service arrangements:
- January 2015 – consultation on a pan-GLA Group collaborative procurement team;
  - February 2015 - Consultation on shared committee services with the Old Oak and Park Royal Development Corporation; and
  - June 2015 - consultation on shared insurance functions.

## 4. Issues for Consideration

- 4.1 Updates on some of the shared service arrangements that the Committee has previously expressed interest in are set out overleaf.

## GLA Group Collaborative Procurement Function

- 4.2 The GLA Group Collaborative Procurement Team (GCPT) was established on 1 April 2015. The team was established to manage the common and low complexity procurement expenditure for the GLA and each of the functional bodies and the Metropolitan Police Service (MPS).
- 4.3 The categories managed by the team are professional services; recruitment; marketing; utilities; office supplies and equipment; travel; print; uniform; fuel; and postal services. Since the 1 April substantial work has been undertaken including the creation of strategies for each of the in-scope categories and marketing of the work of the team to the commercial teams and clients of each of the functional bodies.
- 4.4 The GLA Collaborative Procurement Board, which is chaired by the Mayor's Chief of Staff and comprises a representative from each of the functional bodies, oversees the governance of the collaborative procurement team and has been meeting on a regular basis since the creation of the team. Board meetings have also been attended by a representative of an appropriate consultancy (on a pro bono basis) in order that the representative can give impartial professional advice to the Board. Amongst other items of work the Board has considered and discussed various updates to the category strategies including endorsement of the Media Planning & Buying and Strategic Thinking, Creative Development & Production Services Procurement Strategy. In considering the strategies the Board is focused on exploring opportunities for further collaboration across more complex areas of expenditure with a view to potentially increasing the level of savings that can be achieved for each of the functional bodies.
- 4.5 Milestones and savings targets for the GCPT are being monitored by the Board and this includes the establishment of a savings tracker. In establishing the team it was recognised that it was likely 12 to 15 months for optimum saving delivery to be achieved. Approximately £1.8 million in cashable savings was forecast to be achieved in the first year of the function's operation. To date £380,000 of cashable savings and £240,000 of non cashable savings have been achieved across a range of categories including recruitment, consultancy and office supplies and equipment. **Appendix 1** - under the GCPT section of the schedule - includes further details of these savings.
- 4.6 The Board has also been monitoring the staffing compliment of the GCPT (which is hosted by TfL and is using TfL office space and processes) against the work plan for the team to ensure value for money is being achieved.
- 4.7 Committee Members have previously expressed interest in the scope for increasing ethical and fair trade procurement through the collaborative procurement function. The function is expected to work in accordance with the GLA responsible procurement policy and all new opportunities for collaboration that are explored will be done so within the framework of this policy. It also expected that by collaborating in procurement and stream lining supply chain effectiveness the collaborative function will help to reduce transportation of supplies on London's roads and help to reduce emissions and congestion.

## Shared Treasury Management Function

- 4.8 Since 2011 the GLA has expanded provision of treasury services to London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC), the Mayor's Office for Policing and Crime (MOPAC) and the London Pensions Fund Authority (LPFA). This has enabled group resources to be pooled to create a specialised unit with greatly enhanced opportunities for succession planning, professional development and separation of duties. Overall, this has led to much greater resilience and financial control across the Group in this technical and potentially high-risk service. In particular, the smaller participants have been able to eliminate "key person risk" and benefit from high level strategic input from the GLA's senior treasury officers, reducing the reliance on external consultants. This approach has allowed the participating members of the group to absorb, without increasing the overall establishment, an increase in investments of £2.24 billion and borrowing of £3.25 billion, including the management of complex financing projects such as Crossrail and the NLE.
- 4.9 Since 2012, Annual consultancy costs have been halved (saving £25,000 per annum) and the opportunities created by combining the group teams have enabled services to be delivered as usual while individual officers concentrated on complex borrowing transactions. Joint delivery of the function has led to sharing of best practice and greater convergence of risk appetites and strategy across the group. Moreover, the shared Group Treasury team is well placed to identify opportunities for intragroup transactions, potentially eliminating intermediaries' fees.
- 4.10 A cornerstone of the shared service is the Group Investment Syndicate (GIS) which enables participants' funds to be invested jointly. This has many financial advantages including efficiencies (one transaction rather than five) and allowing all participants to enjoy vastly increased purchasing power (the GIS currently exceeds £2bn). More importantly, it delivers significant risk reduction via increased scope for diversification and improved liquidity. The purchasing power and dedicated dealing resources of the GIS have facilitated healthy investment performance, exceeding the market benchmark for equivalent risk by 50bps since inception (currently 16bps). The most recent participant, the LPFA, estimates the value of improved performance versus its former arrangements at over £750,000 from inception.

## Shared Services Schedule

- 4.11 An updated schedule of shared service arrangements for each of the functional bodies is attached as **Appendix 1**. This updated schedule reflects any new shared service and framework arrangements that have been entered into by the functional bodies since the last version of the schedule was considered by the Committee. Where applicable, updates on items that were presented in previous versions of the schedule have also been included and those items that are no longer relevant have been removed.

## 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 Detailed legal comments on the shared services set out in this paper were included in the consultation documentation and relevant decision papers for the establishment of the services.

## **6. Financial Implications**

- 6.1 The shared service arrangements outlined in this paper are expected to deliver efficiency gains and/or cashable savings. Where the data is available the estimated and actual annual savings achieved to date are set out in the body of the update report and in the Shared Services Schedule under **Appendix 1**.

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### **List of appendices to this report:**

**Appendix 1** – Shared Services Update

#### **Local Government (Access to Information) Act 1985**

List of Background Papers:

Shared Services Schedule submitted to the Principal Committee Manager on 26 January 2015

Consultation on Pan-GLA Group Collaborative Procurement Function – 27 January 2015

Consultation on Shared Committee Services with the Old Oak and Park Royal Development Corporation – 24 February 2015

Shared Service: Consultation on Shared Insurance Functions – 30 June 2015

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