

GREATER LONDON AUTHORITY

Mayor's Office

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17 May 2011

Dear John

Thank you for your letter of 4 May and apologies for the slight delay in responding.

You may by now have received your papers for the BMAC meeting on 25 May, which includes an update on Shared Services, as requested by that committee. However, I attach a copy for your information as it covers, inter alia, the information requested by the Budget and Performance Committee.

Meanwhile, if you require any further information, please do not hesitate to contact me.

Yours sincerely



Nicholas Griffin
Mayoral Advisor on Budgets and Performance

Subject: Shared Services Update

Report to: Business Management & Administration Committee

Report of: Executive Director of Resources

Date: 25 May 2011

This report will be considered in public

1. Summary

- 1.1 Progress to date in the sharing of services and collaborative procurement within the GLA group has been slow.
- 1.2 The Mayor's Advisor for Budgets & Performance has identified a number of obstacles to progress and is proposing a fresh approach in order to accelerate these activities and deliver savings and efficiencies within acceptable timescales. This report outlines the Mayor's Advisor's approach and experience to date.

2. Recommendation

- 2.1 **That the Committee notes the intention to issue a consultation paper on the sharing of services across the GLA group in three key areas:**
 - **Procurement;**
 - **Information Technology; and**
 - **Payroll.**

3. Background

- 3.1 The challenge, set by the Mayor's Advisor for Budgets & Performance, is to deliver savings of £450m over two years from the sharing of services and collaborative procurement. The aim is to deliver £150m of savings in 2012-13, with a further £150m of new savings in 2013-14, to give a cumulative saving of £450m over the two-year period.
- 3.2 For some time now, the Greater London Authority and its functional bodies have been looking at ways of achieving savings and efficiencies through the sharing of services and collaborative procurement, in order to obtain best value and to protect front-line services in policing, fire and emergency planning, and transport.
- 3.3 Progress has been slow to date, with five significant shared service arrangements put in place since 2009, budgeted to deliver savings of £1.2m per annum. Discussion of collaborative procurement arrangements began around 2006 and the GLA group's policy is to conduct procurements for use by all members of the group wherever appropriate. However, this has

resulted mainly in under-utilised framework agreements rather than joint procurements and, in some instances, more than one framework exists for the same services.

3.4 The recent Comprehensive Spending Review, requiring cuts right across the public sector and the promise of more to come, necessitates a step change in our programme. Added to this, the localism and policing bills will place further demands upon the GLA. In particular, the transfers to the GLA of the London Development Agency's responsibilities for economic development and the Homes & Communities Agency's housing responsibilities mean increasing competition for scarce resources.

3.5 Savings recognised in the 2011-12 budget relate to the following projects:

- Procurement (TfL/GLA) 7 September 2009
- Finance (TfL/GLA) 14 December 2009
- Legal Services (TfL/GLA) 14 December 2009
- Democratic Services (GLA/LFEPA) 1 January 2011
- Internal Audit (MPA/GLA) 1 April 2011

3.6 The budgeted savings from these projects in 2011-12 amount to £1.2m.

3.7 Analysis of expenditure in 2010-11 suggested that significant savings should be achievable through collaborative procurement while a workforce analysis was used to identify areas to be scoped for potential sharing of services.

3.8 In October 2010, the Mayor met with the Chief Executives of the GLA and its functional bodies, who all confirmed their commitment to sharing services within the group.

4. Issues for Consideration

Cutting Bureaucracy & Improving Efficiency

4.1 The work carried out to date, including discussions with colleagues across the GLA group, has assisted in identifying the areas upon which to focus our attention but it has also highlighted some potential obstacles to progress.

4.2 Typically, difficulties arise in two main areas:

- Shared services are not seen as part of the manager's 'day job' and are not prioritised as they are not included in his/her personal objectives;
- A decision to implement a shared service arrangement can only be made after ratification by up to five different governance regimes and progress is determined by the slowest of these.

4.3 Experience to date has shown that 'people-centric' shared services can be effectively delivered at minimal cost and with little, if any, disruption to services. This has already been demonstrated with Legal, Procurement, Internal Audit and Democratic services.

4.4 At its simplest level, savings in management costs can be achieved without changing the nature of the service delivery, the identity of the person delivering it, or even their workplace.

However, further benefits in terms of management efficiency and effective use of our estate are likely to be achieved through co-location of teams. This category of service includes:

- Estates & Facilities Management;
- Human Resources;
- Communications & Marketing;
- Legal Services;
- Procurement;
- Internal Audit;
- Fleet Management; and
- Democratic Services.

4.5 At the other end of the spectrum, Information Technology and services that are heavily dependent upon IT systems present greater challenges and, typically, will involve significant implementation costs. Particular issues arise when seeking to communicate between different networks and, for this reason, priority should be given to creating a single network for the group, investigating the potential benefits of 'cloud computing' and creating a single group website. Putting such a structure in place would then pave the way for future developments with lower implementation costs.

4.6 To meet the challenges of future budget rounds and avoid cuts in front-line services, it is considered essential that the pace of implementation of shared services is accelerated and a strategy has been developed to achieve this.

Shared Services

4.7 Five shared services currently exist within the group.

4.8 As part of the 2011-12 Mayor's budget process, fifteen potential Shared Services workstreams were identified. Shared services are already in place in the first two of these workstreams, although not on a group-wide basis. LFEPA's provision of payroll services and HR systems for the GLA awaits Mayoral approval and is scheduled to go live in October 2011. Work is ongoing in a further five areas and the remaining seven potential workstreams have now been reviewed. These are summarised in the table below:

Workstream	Status	Parties
1. Democratic Services	GLA provision to LFEPA, Jan '11	GLA/LFEPA
2. Audit	MPA provision to GLA, Apr '11	MPA/GLA/LFEPA/TfL
3. Payroll & HR Systems	Subject to approval, Oct '11	LFEPA/GLA
4. Shared GLA Network Infrastructure	Discussions ongoing	GLA group (incl. MPS)
5. Facilities Management	Lead Buyer review commenced	GLA group (incl. MPS)
6. Equalities & Diversity	Review commenced	GLA group (incl. MPS)
7. Fleet Management	Review commenced	GLA group (incl. MPS)
8. Estates Management	Pan-GLA group set up	GLA group (incl. MPS)
9. Procurement	Initial scoping carried out	
10. Planning & Performance Management	Initial scoping carried out	

11. Customer Services	Initial scoping carried out	
12. Communications & Marketing	Initial scoping carried out	
13. Websites	Initial scoping carried out	
14. Human Resources	Initial scoping carried out	
15. ICT	Initial scoping carried out	

4.9 The outcomes of the scoping exercises are detailed in the appendices to this report.

Collaborative Procurement

4.10 Collaborative procurements have been taking place for several years and can be broadly categorised as:

- a. Joint procurements – two or more bodies procure services jointly and each formally contracts with the winning tenderer; or
- b. Frameworks – a contract is let by one body on the basis that other bodies are eligible to contract with the chosen supplier(s) if they wish.

4.11 Many procurements appear to fall into the latter category, possibly utilising existing public sector frameworks, and are then not widely used.

4.12 The following joint procurements and frameworks have been identified (**nb:** joint contracts and frameworks are known to be shared between LFEPA or MPA and bodies outside the GLA group but these are not listed here):

Frameworks & Joint Procurements

	GLA	LDA	TfL	LFEPA	MPA
Temporary staff – Thames Valley Police framework				✓	✓
Temporary staff – TfL framework	✓		✓		
Couriers – TfL framework			✓		✓
Government Parliamentary Monitoring – TfL joint contract	✓	✓	✓	✓	✓
Cleaning consumables – LFEPA joint contract				✓	✓
Childcare vouchers – national framework				✓	✓
Breathing devices – MPA framework				✓	✓
Refreshment consumables – LFEPA joint contract			✓	✓	
Removals, storage & remedial – LFEPA framework			✓	✓	
Engineering & project management – LFEPA framework			✓	✓	

4.13 To date, there have been no joint procurements of significant value in the context of the group's annual expenditure.

Legal Issues

4.14 There has been extensive discussion over the past few months about potential legal obstacles to sharing services with other bodies and an amendment to the Localism Bill has been proposed, which it is anticipated will be made in the House of Lords, in June. This will have the effect of widening the GLA's powers, particularly in respect of the Commissioner of Police of the Metropolis as the legislation, as drafted, lacks clarity about the ability to share services with that body.

Next Steps

4.15 Three broad options have been identified:

- A continuation of the collaborative approach adopted to date;
- Centralisation of all potential shared service workstreams and development of strategies for taking each forward; or
- Focusing on some key areas to maximise returns while minimising disruption.

a. **Collaborative Approach**

It has been demonstrated that this approach is unlikely to deliver results within acceptable timescales.

b. **Group-wide Reorganisation of Back-office Functions**

This approach would deliver the greatest rewards but would be high-risk and difficult to manage effectively.

c. **Focused Approach**

This approach would permit more rapid progress than option a. and would be less disruptive and more manageable than option b. Subject to consultation, it is proposed that the focus is initially on:

- Procurement;
- Information Technology; and
- Payroll

4.16 A consultation paper will be published in the summer. This will outline the approach to be taken in implementing shared services in each of the three areas identified.

4.17 In order to ensure that opportunities to achieve savings and efficiencies in other areas are maximised, it is also proposed that any senior management post within the group that falls vacant at any time be notified to the Mayor's Advisor for Budgets and Performance before any action is taken to fill the vacancy.

5. Legal Implications

5.1 These are partly addressed at paragraph 4.14 above. Under section 401A of the GLA Act the GLA and functional bodies can enter into arrangements with one another for the provision or delegation of professional, technical or administrative services or functions. The effect of the Localism Bill is to add the MOPC and MDCs to the bodies covered by section 401A, and it is proposed to promote an amendment to widen the scope of section 401A. The GLA and functional bodies have other powers to enter into shared services arrangements under the Local Government (Goods and Services) Act 1970. Under this legislation the GLA and current functional bodies can provide services, goods and certain works to each other and also to a much wider range of bodies than under the GLA Act, such as other local authorities (for example the London boroughs) and to other public bodies specifically designated under that Act (for example police authorities outside London).

6. Financial Implications

6.1 The proposed course of action will have significant financial implications for the GLA group, which will be addressed in the consultation document. However, there are no financial implications arising directly from this report.

List of appendices to this report:

- Appendix 1 - Procurement
- Appendix 2 – Planning & Performance Management
- Appendix 3 – Customer Services
- Appendix 4 – Communications & Marketing
- Appendix 5 - Websites
- Appendix 6 – Human Resources
- Appendix 7 - ICT
- Appendix 8 – Other Workstreams

<p>Local Government (Access to Information) Act 1985</p>

<p>List of Background Papers:</p>

<p>None</p>

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Procurement

	GLA	MPA	LFEPa	TfL	Total
Staff numbers (FTEs)	-	66	94	359	519
Costs (£m)	0.3	4.9	2.7	30.0	37.9

Significant savings are expected of collaborative procurement and the simplest way to effect this is to have one group procurement function, which should in itself produce efficiency savings, in addition to the procurement savings it will be tasked to deliver.

Planning & Performance Management

No opportunities to share services in this area have been identified at this stage due to an absence of any obvious synergies.

Customer Services

No opportunities to share services in this area have been identified as the only organisation reporting significant numbers here is TfL.

Appendix 4

Communications & Marketing

	GLA	MPA	LFEPa	TfL	Total
Staff numbers (FTEs)	32	56	27	180	395
Costs (£m)	8.0	9.2	2.0	66.0	85.2

In addition to the savings that can be achieved through elimination of duplication, this is an area where it is important that the Mayor's message is consistent across the group.

Websites

This activity resides in different service areas across the group but will be addressed as part of the Information Technology workstream.

Human Resources

	GLA	MPA	LFEPa	TfL	Total
Staff numbers (FTEs)	35	588	94	389	1,106
Costs (£m)	2.1	102.3	10.8	43.0	158.2

It is planned that LFEPa will provide a payroll service and HR software to the GLA, replacing the current contract with Northgate that expires in September 2011. The 'natural' home for this service should have been TfL as this would have allowed integration between the SAP payroll service and the finance system that TfL currently operates for the GLA, however prohibitive implementation and ongoing support costs rendered this option unviable.

Discussions between the GLA and LFEPa are at an advanced stage and papers were put before both organisations in March 2011, outlining the proposals. Although costings have yet to be finalised, IT solutions have been identified that will seek to minimise implementation costs and early indications are that the annual cost of payroll provision will be in the region of £120 per employee.

Earlier discussions between the GLA and TfL were aborted when annual costs in the region of £1,000 per employee and implementation costs of the order of £2.5m were mooted.

ICT

	GLA	MPA	LFEPA	TfL	Total
Staff numbers (FTEs)	25	601	65	675	1,366
Costs (£m)	2.1	194.3	12.3	169.0	377.7

Sharing of services in this area is likely to occur in phases linked to implementation of systems changes.

The shared "Next Generation Network" (NGN) programme is making good progress. Subject Matter Experts representing each of the functional bodies are now meeting on a regular basis to develop a Project Initiation Document, Procurement strategy and associated documentation in readiness for presentation to the Chief Information Officers meeting in May. The proposal to the board will be to seek approval to move to the next stage of the programme; feasibility. The project is aimed at a shared network with a single contract predicated on Government Public Service Network (PSN) architectures to enable cost effective data links across functional and other public bodies. Further, this will provide the platform for the many service applications that can take advantage of the shared network, shared provision could include; CCTV, Video conference and many other applications.

A number of collaborative IT arrangements are being considered and agreement has been reached between the GLA and TfL for GLA hosting space at TfL's data centre and for TfL to provide the GLA's internet connectivity.

Other Workstreams

- ***Audit***

MPA, LFEPA, TfL and the LDA all have internal audit teams. MPA/GLA have reached agreement for the provision of the latter's service and this arrangement commenced on 1 April. LFEPA awaits proposals from MPA and TfL for provision of their service from this summer, when the acting Head of Internal Audit at LFEPA retires. Whilst these represent steps in the right direction, a fully shared service is likely to deliver further benefits both in terms of cost-effectiveness and access to a wider range of skills.

External audit arrangements will be reviewed once the new regime has been more clearly defined by CLG and these will come into effect for 2012-13 onwards.

- ***Fleet Management***

This project is in the early stages of development and is currently at the discovery stage; seeking to identify the volume and type of vehicles used across the functional bodies, i.e. MPS, MPA, TfL, LFB and the London Ambulance service.

The project will address the full life-cycle of vehicle ownership and will include the methods of vehicle procurement, servicing requirements, fuel (cash, card or account), volume fuel dumps and other related services such as insurance and vehicle recovery. The project has already identified a number of areas where significant savings can be made and it will look to explore further opportunities as the project progresses. The project will also include a review of the current electric vehicle programme.

- ***Democratic Services***

The Committee Services team at the GLA are currently providing services to LFEPA, the London Resilience Team and the HCA (London). The intention is to provide democratic services to all boards for which the Mayor has responsibility.