

**IMPLEMENTATION EXECUTIVE
29 OCTOBER 2008**

**Business Management Programme & Shared Service Team: Confirmation of
Cost Reduction Plan and Year One Achievements****Executive Summary**

At its meeting on the 25 September 2007 the Cabinet agreed to the creation of a Shared Service Team (SST) incorporating transactional and support services for HR, Finance, Procurement and Performance reporting and requested a further report confirming the detailed cost reductions planned over the life of the programme and those to be achieved in year 1. This report confirms the detailed cost reduction position.

Proposal

The Implementation Executive is asked to note this paper and the associated cost reductions of implementing BMP/SST of £2.010 million in 2009-10 as follows:-

£000s

£0.850 full time equivalent (FTE) productivity

£0.056 property reduction

£0.469 procurement price savings

£0.188 interest on cash and debts

£0.448 managed ICT service

£2.010 **Total**

Reason for Proposal

To update the Implementation Executive on the establishment of the Shared Service Team and the planned cost reduction position.

Dr Carlton Brand
Corporate Director, Resources

Business Management Programme & Shared Service Team: Confirmation of Cost Reduction Plan and Year 1 Achievements

1. Purpose of Report

At its meeting on the 25 September 2007 the Cabinet agreed to the creation of a Shared Service Team incorporating transactional and support services for HR, Finance, Procurement and Performance reporting and requested a report confirming the cost reductions planned over the life of the programme and those achieved in year 1. This report confirms the financial benefits to be tracked.

2. What is the value of a Shared Service Team?

- (i) All local authorities need to make significant cashable savings to balance their budgets as a result of tight financial settlements from the government and to continuously improve value for money for taxpayers. In order to make these savings and to redirect scarce resources to front line service activities for customers, the focus for increased cost reduction and efficiency improvement has to be directed towards support service functions.
- (ii) To achieve this there must be a different delivery model than that currently in operation. This cannot be achieved by simply implementing a new IT system. Instead we need to change our systems and processes to a lean approach and bring together the disparate groups of people who all work on the same service but at different points in the chain, causing duplication and waste.
- (iii) The result is a Shared Service Team using SAP as the integrated Enterprise Resource Planning (ERP) system, a co-located multi-functional resource team where we can achieve high quality, economies of scale and better and more consistent service performance.
- (iv) The Shared Service Team will be an organisation clustered into professional work teams across the HR, Finance and Procurement functions pursuing a full range of responsibilities as efficiently as possible with both external and internal customers as the focus, and an embedded and actively promoted culture of continuous performance improvement.
- (v) The Change Management Scrutiny Task Group visited Oxfordshire County Council's successful Shared Services Centre on the 4 June 2008. The Task Group had the opportunity to discuss the learning points from the Oxfordshire implementation. The Task Group has received updates on progress of the SST at its regular meetings and continues to monitor the learning identified at Oxford versus the implementation plan for Wiltshire.

3. How will the processes in a Shared Services Team be different from today?

Case Study 1

Finance and Procurement - Purchasing and payments

Existing process

Currently an employee identifies the need for an item and obtains provisional agreement from their manager or budget holder to purchase. The employee has to source and price the object and achieve value for money by attempting to find a number of similar items to obtain best price. The employee writes an order and the manager signs it. The individual order is posted to the company. Goods are despatched back with a goods received note. The invoice is later received (often not to the correct person). A coding form is stuck to the invoice and the form is manually completed, usually involving the employee who ordered the goods, the manager and the finance team. The invoice is then entered onto a departmental spreadsheet, batched (causing delay) and sent to corporate finance for processing. The invoice is entered into the finance system and paid in 30 days. The item will usually appear on the following month's budget sheets for the Manager.

SST/ SAP process

The employee identifies the need for an item and obtains provisional agreement from the manager/budget holder. Using SAP the employee searches the online catalogues agreed under a framework contract for best value and chooses the appropriate item. If the item is not available via a catalogue, then the employee has access to a group of buyers who will source the required item or service on their behalf. The employee generates a requisition for the item including a valid code which passes automatically to their Manager for authorisation via the SAP workflow. The workflow automatically passes this to the SST who generate an order to the company which encompasses not only this order but any other requests for goods from the same company. The goods are received by the employee who logs into SAP and confirms receipt of the goods. The invoice comes to the single point of receipt in the council for all invoices, the SST. The SST team member matches the invoice to the online goods received notification from the employee and pays the bill automatically to the supplier terms (not 30 days). On initial order, the purchase amount is immediately deducted from the appropriate budget for the code setting up a commitment that the Manager is able to see as an up to date picture of their budget.

Case Study 2

HR / Payroll - Impact of Employee Self-Service

One of the activities currently undertaken by the HR Lifecycle teams are changes to employee details on the payroll system. This includes any changes notified of home addresses or bank details. Information is provided by employees through a variety of different methods, including: email, letter and through change forms. If the change relates to bank details, the team need to check that a letter / form is signed by the member of staff or that it has come from their own email account (they cannot accept changes by email if it comes from a third party). It is estimated that the team make approximately 20 of these changes per week – for County Council non-schools staff.

Through the introduction of Employee Self-Service (ESS) in SAP, staff with ESS access will be able to log in to SAP and make these changes themselves. This means that employees will have ownership of their own personal information and be responsible for ensuring its accuracy. It removes the need for Lifecycle input and therefore will enable them to focus on the essential aspects of their role, as well as reducing the possibility of third party error. The impact on the individual will also be positive, as instead of writing a letter / email, they will have direct access and will be able to see that the necessary changes have been made and at the right time.

4. Costs and Benefits of a Shared Service Team

- (i) At its last meeting, the Implementation Executive received a report which confirmed that the cost reduction targets for the One Council Programme and the Business Management Programme (BMP) had not changed since the programme was approved. The BMP/SST cost reduction targets are reproduced below.

Table 1: BMP/SST Planned Cost Reduction

Service	2009/10	2010/11	2011/12	2012/13
FTE Productivity	0.850	1.242	1.833	2.162
Property	0.056	0.079	0.110	0.122
Reduced Legacy Systems (IT)		0.310	0.310	0.310
Procurement Price Savings	0.469	1.250	1.875	3.750
Interest on Cash/Debts	0.188	0.588	0.588	0.588
Managed Service (Net)	0.448	0.896	0.896	0.896
Total	2.010	4.364	5.611	7.828

- (ii) The table identifies the FTE productivity and procurement price savings that would be achieved as a result of BMP and the establishment of the Shared Services Team.
- (iii) The following tables provide the breakdown of those figures by department. The first year savings will be deducted from the 2009/10 budget during the budget approval process so that they are delivered up-front and coincident with go-live for the BMP/SST. Table 2 shows a pull-ahead of £525,000 from year 3 into year 2 versus the initial plan in Table 1.

Table 2: BMP/SST Cost Reduction – FTE by Department

£000s	2009/10	2010/11	2011/12	2012/13
Outline Business Case	0.850	1.242	1.833	2.162
HR	0.375	0.750	0.750	0.750
Finance	0.333	0.733	0.866	0.866
Procurement				
DCE	0.024	0.048	0.048	0.048
DCS	0.050	0.100	0.100	0.100
TEL	0.035	0.070	0.070	0.070
EHPD	0.007	0.014	0.014	0.014
DOR	0.026	0.052	0.052	0.052
Total	0.850	1.767	1.900	1.900
Memo: pull-ahead vs. Table 1	-	0.525	0.067	-

Table 3: BMP/SST Cost Reduction – Procurement Prices by Department

£000s	2009/10	2010/11	2011/12	2012/13
Outline Business Case	0.469	1.250	1.875	3.750
Procurement				
DCE	0.078	0.208	0.311	0.623
DCS	0.164	0.438	0.656	1.313
TEL	0.118	0.315	0.473	0.945
EHPD	0.022	0.059	0.088	0.176
DOR	0.087	0.231	0.347	0.694
Total	0.469	1.250	1.875	3.750

5. Savings already achieved

Savings of £102,000 in HR and £167,000 in Finance have already been achieved in the 2008/9 budget versus the 2007/8 budget. This is additional to the £2.01 million shown above and was achieved a year earlier on anticipation of the new system and ways of working post BMP/SST. This demonstrates an *over achievement* of the initial cost reduction position reported to members in September 2007 of £269,000.

6. Non financial benefits

There are a number of non financial benefits, including:

<p><u>People</u></p> <ul style="list-style-type: none"> • Better decision making • Compliance • Improved staff development in the functional areas • Improved working environment 	<p><u>Process</u></p> <ul style="list-style-type: none"> • Improved internal controls • Reduced operational risk • Platform for future growth • Increased efficiency and accuracy
<p><u>Product</u></p> <ul style="list-style-type: none"> • Consistency of data and reporting • Improved utilisation of technology • Probity 	<p><u>Cost</u></p> <ol style="list-style-type: none"> 1. Lower cost of external and internal audit 2. Lower cost per transaction 3. Continuous savings year on year

7. Process efficiencies & Staff Reductions

- (i) A large proportion of the overall projected savings is a reduction in the numbers of FTEs required to carry out the current level of work. The table below sets out the planned FTE reductions based on an average salary of £27,000 for HR and £28,000 for Finance. This figure has taken account of the need to ensure business continuity coupled with no deterioration in the level of service.
- (ii) The table below shows the reduction in FTE's over the first six years of the SST. The first year is shown as a half year figure because of the

need to ensure business continuity in the first 6 months of the new council (a full year FTE reduction figure would therefore be 37.6).

Table 4: BMP/SST Cost Reduction – Total FTE Reductions

Year	09/10	10/11	11/12	12/13	13/14	14/15
FTE	18.8	45.8	62.8	67.1	75.9	80.2

- (iii) The staffing list is in the process of being updated and will produce the number of current or vacant positions across the councils. However, figures for May 2008 showed that in support services (the groups of staff most affected by the creation of the Shared Services Team) there were approximately 70 vacant or temporary staff in WCC and approximately 120 vacant or temporary staff across the District Councils and these figures have increased in the intervening months. These positions can be used to manage the bulk of the reduction in staffing required to achieve the efficiencies.
- (iv) There are a number of individuals who currently spend comparatively small fractions of their total time on the functions transferring to the SST. Where these activities only form part of an individual's work it is not feasible to transfer those individuals into the SST; the only way to achieve efficiencies is to transfer the activities and the required number of FTE (or their budget allocation) into the SST, at the same time as re-organising the work of staff remaining in the Service Directorates.
- (v) The required positions within the SST will be filled through re-deployment of existing staff, re-deployed staff from other areas or from external appointments. These appointments will be made in accordance with the revised process agreed with the Unions under LGR.

8. Risk Assessment (High risks only)

(i) SAP not fully functional on day one

Exhaustive testing is being carried out prior to go live and risks are constantly being managed and mitigated.

(ii) Staff are insufficiently trained to deal with the new system and procedures

A skills analysis is currently being developed alongside the SAP training programme to ensure that all staff receive the necessary training in both SAP and any associated process changes to equip them for day 1.

(iii) There are insufficient staff to carry out the necessary work

The Logica profiling of staff reduction in year 1 reflects the additional work and is shown as a half year reduction. This allows for a peak of work following go live while systems, people and processes bed-in to the new environment. Learning experiences from other Shared Services Teams following go live has been taken on board in preparing the staffing model.

9. Environmental Impact of the Proposal

There will be an environmental impact from staff previously based at the district council offices travelling to Trowbridge. This will mainly affect the staff carrying out transactional duties and who will be based in Trowbridge. Ways of Working (WOW) and opportunities for working from the district hubs will be explored for operational staff who need to be based close to the frontline service managers.

10. Equalities Impact of the Proposal

The purpose of reporting on the Equality Impact is to seek to improve the work of the Authority by making sure it does not discriminate in the way that it provides services and employment and that, where possible, it does all it can to promote equality and good relations between different groups. A full EIA is currently being completed in conjunction with the creation of the SST structure.

11. Financial Implications

The financial implications of the Shared Services Team are addressed within the body of the report.

12. Legal Implications

The application of TUPE (Transfer of Undertakings Protection of Employment) arrangements given to the district council staff offers significant protection on transfer. The staffing regulations and the fact that the county council is a continuing authority mean that the treatment of district and county staff will vary from time to time.

Conclusions

The Implementation Executive is asked to note the position that the BMP/SST programme has met the outline business case cost reductions in year 1 and is on track to meet future year commitments.

Dr Carlton Brand
Corporate Director, Resources

Report Authors:

Dr Carlton Brand, Corporate Director Resources

Jacqui White, Service Director Shared Services and Customer Care

Background Papers

1. Logica Draft Business case for Shared Services
2. Local Government White Paper, "Strong and Prosperous Communities" - Implementation of the County Council Resolution, 19 December 2006 - Cabinet (Author – Dr Keith Robinson)
3. "Towards One Council for Wiltshire" Author - 21 September 2007 - County Council (Author – Dr Keith Robinson)
4. "Shared Service Team for Wiltshire County Council" - 25 September 2007 - Cabinet (Author -- Dr Carlton Brand)

Appendices

None