Leicester
City Council

CABINET   **14 FEBRUARY 2005**

SUPPORT SERVICES REVIEW

Report of the Chief Finance Officer

1. Introduction

1.1 On 8th November, Cabinet approved a review of the Council's support services, with a view to recommending the most efficient and effective future arrangements. The new administration has subsequently expressed concerns about the impact of such an exercise, particularly given its scale, effect on staff subject to past reviews, and the cost of carrying it out.

1.2 It is recognised, however, that the Council does need to ensure its support services are as efficient as possible; and the Government is likely to expect local authorities to review such operations as a consequence of the Gershon review of public sector efficiency.

1.3 Cabinet's support is therefore sought to a project which seeks to improve the efficiency of our back-office operations; and to commission a pilot review of the Council's personnel administration as a means of testing the feasibility of such a project.

2. Recommendations

2.1 Cabinet is asked to:

(a) support a review to improve support services, subject to a successful pilot exercise;

(b) approve a pilot review of personnel administration;

(c) authorise release of £40,000 of the £400,000 set aside for purposes of the support services review, but no more until a subsequent report is taken to Cabinet;

(d) request a further report on completion of the pilot work described above.

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3.　**Background**

3.1　The Council's support services provide support to frontline services. They range in nature from professional solicitors to marketing staff; via finance, human resources, ICT and general administration.

3.2　Whilst such services are less visible to the public than frontline services (unless something goes wrong), they are nonetheless absolutely vital to the smooth running of the Council.

3.3　The best model for organising support services is one which:

　　(a)　is sufficiently responsive to the needs of frontline services, and is focused on the needs of such services (which tends to promote the co-location of some functions with frontline services); and

　　(b)　takes away from frontline services the distractions of running functions which are best provided elsewhere, and can be run more cost effectively where economies of scale are exploited (which tends to promote centralisation of some functions).

3.4　In practice, this means getting the right balance between centralisation and decentralisation. A number of models of organising support services have been employed in the past, and over the 1980's and 1990's the trend has been to decentralise some services where necessary to provide flexible professional support closest to where it is needed. Improved IT, however, has opened up the possibility of providing routine processing services (such as bill payments) in combined service centres for the Council as a whole. Such changes need to be accompanied by process re-engineering, which examines how processes work, eliminating duplication, and using technology to best advantage.

3.5　The rationale for a review of support services is to ensure the Council is as effective as possible at what it does, at the same time recognising that the Gershon Review of Public Sector Efficiency is strongly encouraging us to do so. It is anticipated that such a review will also achieve savings, and other local authorities are also reviewing aspects of their support services with a view to saving money.

3.6　The review will draw heavily on an analysis drawn from the Gershon report, which would analyse services between:

　　(a)　the "corporate core," which is responsible for setting standards;

　　(b)　"core expertise," which provides professional support to enable the Council to manage its day-to-day functions;

　　(c)　"transactional support services" - routine, repetitive services such as payment of bills.

3.7 The review will subsequently test the hypothesis that:

(a) the corporate core should be provided centrally (as it is now);

(b) transactional support services should be consolidated into service centres (which they presently are not), noting that the limiting factor which is likely to prevent this happening is our present IT systems.

3.8 It is further noted that "core expertise" functions could be carried out either in departments (as now for finance) or in a central department (as now for legal services), which will require case-by-case consideration.

3.9 Decisions will be based on the results of process mapping, and proposed process changes. Decisions will need to be "future proof" ie ensure that any new arrangements would be able to cope with a different future organisation of the Council, or different models of working.

3.10 A detailed scope is attached.

4. Pilot Review

4.1 It is proposed that, rather than commence immediately with a substantial review, the approach be piloted. The pilot area chosen needs to be one which enables the approach to be properly tested, and one where lessons can be learnt for wider application.

4.2 It is proposed that the pilot phase be limited to the Council's personnel administration functions. This will require some consideration of the Council's HR function more generally, but will only carry out the following aspects of the scope:

(a) identifying in detail which functions (central and departmental) are to be reviewed;

(b) process mapping, identifying precisely what each function/section does, and tracing all the flows of information;

(c) analysing each function, and sub-dividing it into the three elements of corporate core, core expertise and transactional support services;

(d) considering how we should standardise and simplify the way transactional support services are carried out, with a view to delivering efficiencies;

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(e)   consideration of the hypothesis that transactional support services provided in more than one department can be consolidated into one place.

4.3   It must be stressed that the pilot will not undertake a full analysis of the HR function. It will concentrate on personnel administration (work associated with starters, leavers, new contracts, timesheets and submission of payroll data) and the preliminary work necessary to test whether or not such functions should be consolidated into one place.

4.4   Personnel administration has been suggested as a pilot for the following reasons:

(a)   there is a significant element of routine processing work carried out in more than one department;

(b)   it is believed that the function contains all three elements of work identified by Gershon;

(c)   the new payroll/HR system, due for implementation in April (for departments other than Education) means that the technical IT infrastructure for consolidating transactional services will already be in place, and IT is unlikely to limit what we are able to do;

(d)   much of the process mapping work has already been done, in preparation for the new system implementation.

4.5   The work will build upon the results of the Best Value review of HR and will itself incorporate Best Value principles, ie:

(a)   comparing what is proposed with best practice elsewhere;

(b)   consulting key users of the service;

(c)   consideration of alternative options for provision of the service, if this is appropriate ("compete").

It is noted, however, that the review will be different from a Best Value review – it will be heavily influenced by the Gershon review which postdates Best Value, and will have a very specific focus.

4.6   Once the pilot phase has been completed, a further report will be brought to the Cabinet, and Cabinet will be asked to approve its conclusions.

5.   Project Management

5.1   The project will be managed in accordance with the Council's Prince2 standards.

5.2   It is proposed that the Chief Finance Officer will be the project director.

5.3 It is proposed that the Project Board will consist of:

(a) the Service Director (HR & Equalities);

(b) a member of the Strategic Resources Group;

(c) a senior front line manager;

(d) a senior member of staff with expertise in carrying out such reviews.

5.4 It is planned to appoint a project manager internally, through secondment. External advert will be used if this does not succeed.

5.5 A project team will be created, consisting of those officers carrying out the day to day work.

5.6 It is also proposed to bring together a business process re-engineering team, who will carry out detailed analysis of present processes.

5.7 Arrangements will be put in place to consult with the trade unions throughout the course of the review.

6. Financial and Legal Implications

6.1 A sum of £0.4m was set-aside in November to fund the support services review.

6.2 Given the phased approach, it is believed that a limited amount will be required for the pilot and members are asked to authorise spending of £40,000 at this stage. Should more be required, this will be found within the existing budgets of the Resources Department, in consultation with the Cabinet Member for Finance.

6.3 There may be implications regarding employee relations and procurement practices depending on the outcome of the review (Peter Nicholls, Head of Legal Services).

7. Comments from the Service Director (HR & Equalities)

7.1 The Best Value Review of the Council's Human Resources Services recommended that investment in new technology would improve the operational efficiency of the service and enable a clear focus for the service to address the more strategic people management issues facing the Council.

7.2 A new integrated HR & Payroll system will go live in April 2005, thus providing the means to improve the operational efficiency of the service. The service is however currently engaged in some major projects that are placing demands on the staff employed within it (eg

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Job Evaluation). Therefore, HR managers have rightly identified that care will be needed in how the project is managed to ensure it is sustainable.

7.3 I support the project proceeding on the above basis with the full and active involvement of HR staff throughout.

8. **Consultation**

8.1 The Council's HR managers have been consulted in the preparation of this report: their chief concern is conflicting pressures and demands on their time, which will need to be managed (particularly to ensure that resources are not diverted from the implementation of the payroll/HR system).

8.2 Directors' Board is supportive of the proposed review and pilot.

8.3 Trade union representatives have been asked for their views, which will be reported to your meeting.

9. **Other Implications**

Other Implications	Yes/No	Paragraph References within Supporting Papers
Legal	No	
Equal Opportunities	Yes	The conduct of the review will need to ensure compliance with the Council's Equal Opportunities policies
Policy	No	
Sustainable and Environmental	No	
Crime & Disorder	No	
Human Rights Act	No	
Elderly People/People on Low Income	No	

10. **Report Author/Officer to Contact**

Mark Noble
Chief Financial Officer
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DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Cabinet

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Support Services Review

Scope

1.   Aim of the Review

1.1   The aim of the review is to:

(a)   Identify the level of back-office services required to meet the Council's needs;

(b)   achieve the most effective and efficient arrangements for procuring such services;

(c)   ensure that front line services make the most effective and efficient use of back-office services.

1.2   It is intended that the review will apply the template provided by the Gershon Review of efficiency in public services, and form part of the authority's response to that review.

2.   Constraints on the review/Exclusions

2.1   It is intended that the review will consider whether or not the Council makes best use of its existing IT investment, and whether planned developments provide scope for greater efficiency. It is not envisaged, however, that the review will recommend major overhaul of the Council's IT systems as this will lead to unacceptable delay in implementation. Minor modifications may, however, be recommended.

2.2   Local Taxation and Benefits services will be excluded from the review - it is anticipated that these may (in due course) need to be considered as a separate strand of the authority's response to Gershon, but this is as yet unknown.

3.   Services within the Review

3.1   The proposed scope closely follows Gershon's definition of back-office functions in the public sector.   It includes the following services, whether provided centrally or departmentally at present; and whether or not included in internal trading arrangements:

(a)   Finance (including fundraising);

(b)   Human resources (including equalities; health and safety; and training);

(c)   ICT;

(d)   Legal Services;

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(e)   Procurement of works, supplies and services; including project management. (This could extend as far as care commissioning, commissioning of housing repairs, stock functions, construction procurement, and letting of road contracts);

(f)   Facilities Management;

(g)   Property Services (unless already covered between procurement services and facilities management);

(h)   Marketing & Communications (including any sale outlets);

(i)   General administrative functions;

(j)   Policy and performance functions.

3.2   It is stressed that the above categories do not in any way imply groupings of services that will be considered separately - they merely state what the review includes. It is not, for instance, implied that equalities is merely a sub-set of HR.

4.   **Process**

4.1   It is proposed that the review will undertake the following.

4.2   Initially, it will be necessary to identify in detail which functions (central & departmental) are included within the scope of the review.

4.3   A process mapping exercise will be carried out, identifying precisely what each function/section does, fitting this into a larger organisational model. The full costs of each function (central and departmental) will be identified.

4.4   Any functions which do not directly support front line services will be identified.

4.5   Each function will be analysed, and subdivided into three elements (this is drawn directly from Gershon):

(a)   the "corporate core", which is responsible for setting high level policies and procedures (and monitoring their application);

(b)   "Core expertise", which is responsible for the active management of key strategic functions, where the focus ought to be on delivering a professional service which enhances the efficiency and effectiveness of the organisation as a whole (e.g. specialist advice to managers, management of sickness absence, or strategic sourcing of goods and services);

(c)   "Transactional Support Services" – processes such as invoice raising, which are replicated across the Council.

4.6   On completion of the above, the following will be considered, with a view to delivering efficiencies:

   (a)   reviewing and stream-lining corporate policies and procedures, with a view to providing standardised policies that will work across the whole organisation;

   (b)   standardising and simplifying the way transactional support services are carried out;

   (c)   identifying the extent to which the corporate core and core expertise elements benefit from professionally qualified support, and the extent to which they ought to;

   (d)   assessing the contribution made by the corporate core to the needs of the Council;

   (e)   considering the way in which there is scope to benefit from changes in the way we use our existing IT infrastructure, or IT developments which are already planned. New IT developments may be considered (and indeed some existing IT plans may change), but only to the extent that these do not prevent early implementation of the review. Such consideration will include the extent to which the internet and similar technologies enable service users to carry out direct input to Council systems themselves.

4.7   The following assumptions will then be tested:

   (a)   the hypothesis that the corporate core should be located centrally, streamlined as appropriate, reporting to a head of profession;

   (b)   the hypothesis that transactional support services provided in more than one department can be consolidated into one place;

   (c)   the presumption that functions which do not support front line services should cease to be carried out.

4.8   It will then be necessary to consider:

   (a)   the appropriate location of core expertise functions – these will either be departmental or central, and the likely answer will depend on the nature of the function itself;

   (b)   any gaps within the corporate core or core expertise role (Gershon, for instance, believes there is inadequate professional support to procurement in public services);

(c)   standardised roles for heads of profession, defining their relationship with devolved staff, and their responsibilities for procuring the service (including any externalised elements).

4.9   This will lead to subsequent consideration of:

(a)   whether there is scope for efficiencies by outsourcing transactional support services, or sharing these with other local authorities;

(b)   the appropriate size, structure and staffing complements of other functions.

5.   Professionalisation

5.1   It has been noted above that the review will consider the extent of professionalisation of support services, and a mixed picture is expected to emerge.   As part of the latter stages of the review, it is intended that job descriptions and person specifications of professional and technical support staff providing functions which exist in more than one department will be reviewed, with a view to:

(a)   ensuring that the employer is unambiguously the Council, not the department; enabling the Council to deploy staff flexibly to meet the needs of the service;

(b)   creating common job descriptions for common jobs;

(c)   creating a common career grade within each profession;

(d)   standardising training and development processes, including succession planning and promotion opportunities.

6.   <u>Timescale</u>

6.1   A timescale for the full review will be prepared on completion of the pilot.

Mark Noble
Chief Finance Officer
3 February 2005