Leicester
City Council

CABINET **27 JUNE 2005**

SUPPORT SERVICES REVIEW

Report of the Chief Finance Officer

1. Purpose and Recommendation

1.1 The purpose of this report is to ask members whether or not they wish to commence a review of the Council's support services as soon as possible, or whether they wish to see a pilot exercise through to completion first.

2. Summary

2.1 On 8 November 2004, the then Liberal Democrat/Conservative administration approved a review of the Council's support services, with a view to recommending the most efficient and effective future arrangements.

2.2 On 14 February 2005, the then Labour administration put the full review on hold, due to 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. Instead, a pilot exercise on personnel administration was commissioned. This review is now taking place, and expects to report in September.

2.3 The new Cabinet has made efficiency a key theme of its administration, and may therefore wish to mobilise the full support services review prior to receiving a report on the conclusions of the pilot review.

2.4 The advantages of this approach would be:

(a) it will enable the full support services review to be completed more quickly, and any savings realised more quickly;

(b) the Council is about to embark upon a major restructuring to implement children's and adult services departments, and there are advantages in reviewing support services in parallel with this work.

2.5 The advantages of seeing the pilot through to completion are:

1

(a)   it is a lower risk option – we have the opportunity to test the ground on a project we know is well suited to this type of review and which we think is going to save money;

(b)   it will prevent any disruption to the existing work on personnel administration, although it is likely this can be managed anyway;

(c)   this option is likely to be more acceptable to the Council's trade unions.

3.   Financial Implications

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

3.2   Cabinet in February approved the release of £40,000 to fund the pilot. The remaining £360,000 is still available, and has been ringfenced in the Council's accounts. A decision of the Cabinet would be needed to release this.

4.   Legal Implications (Peter Nicholls)

4.1   An organisational review must be in line with the authority's protocol for organisational change and legal advice must be sought as proposals emerge to ensure compliance with statutory procedures.

5.   Other Implications

Other Implications	Yes/No	Paragraph References within Supporting Papers
Equal Opportunities		
Policy		
Sustainable and Environmental		
Crime & Disorder		
Human Rights Act		
Elderly People/People on Low Income		

6.   Report Author/Officer to Contact

Mark Noble
Chief Financial Officer
9 June 2005

DECISION STATUS

Key Decision	No
Reason	
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)

SUPPORT SERVICES REVIEW

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1.   Background

1.1   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.

1.2   The best model for organising support services is generally regarded as one which:

(a)   is sufficiently responsive to the needs of frontline services, and is focussed 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 distraction 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).

1.3   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 1980s and 90s 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.

1.4   Present expectations from central government (originating in the Gershon review of public sector efficiency, which reported in July 2004) are that "back-office" services are consolidated where it makes sense to do so; and we are further encouraged to consider shared service centres with other organisations. Outsourcing service centres is also an option which needs to be considered.

1.5 On 8 November 2004, the then Lib Dem/Conservative Cabinet approved a review of the Council's support services, with a view to recommending the most efficient and effective future arrangements.

1.6 On 14 February 2005, the then Labour administration put the full support services review on hold, and commissioned a pilot review of personnel administration. A report back to Cabinet on completion of the pilot was requested, with the expectation that the Cabinet would then decide whether or not to complete the full review.

1.7 The pilot review is proceeding, and a project manager is in place. Whatever decisions are now taken, we would not wish to disrupt this.

2. How the review would work

2.1 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 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. No commitment to a specific sum has been made, but the existing budget strategy requires £3m of efficiency savings to be achieved from a number of reviews.

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

(a) the "corporate core", which is responsible for setting standards (eg writing HR policies for the Council as a whole);

(b) "core expertise", which provides professional support to enable the Council to manage its day to day functions (eg departmental personnel officers advising on employee grievances);

(c) "transactional support services" – routine, repetitive services such as payment of bills or the processing of new starters and leavers.

2.3 The review will 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.

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

2.5 The detailed scope of the review is attached.

SupportServicesReview0.doc

3. Pilot Review

3.1   When the decision to carry out a pilot review was taken, personnel administration was selected. This was 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 personnel function contains all 3 elements of work identified by Gershon;

(c)   the Council is in the process of implementing a new payroll/HR system which means that the technical IT infrastructure for consolidating transactional services is about to be in place;

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

3.2   Initial attempts to appoint a project manager were unsuccessful. However, a project manager has now been in place since 9 May 2005, and it is anticipated that the work on the pilot will be reported in September.

4. Consultation

4.1   The corporate trade unions are being consulted on this report. I will report any comments received to your meeting.

4.2   Views expressed by Unison in November were as follows:

(a)   the proposed review is a substantial review, which is consequent to previous substantial reviews. This is creating change fatigue and low morale. Some staff in Regeneration and Culture, for instance, have already been subject to reviews when Commercial Services transferred to ERD, and again when ERD merged with Arts and Leisure;

(b)   Unison see no reason to carry out a review of services which have only recently been the subject of extensive and time consuming Best Value reviews;

(c)   Unison does not support outsourcing, and believes the case that outsourcing saves money is not proven. The Union wishes to draw members' attention to the recent unsuccessful outsourcing exercise in Regeneration and Culture.

Mark Noble
Chief Finance Officer
16 June 2005

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;

SupportServicesReview0.doc

(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.

Mark Noble
Chief Finance Officer
3 February 2005