

**Appendix A**

**BUSINESS CASE**  
**FOR A PROCUREMENT SHARED SERVICE**  
**WITH LB HARROW AND LB BRENT COUNCILS**

**Version Control**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Comments</b>
0.1	24/05/2016	Rob Bonneywell	First draft (edited from original 3 Council business case)
0.2	02/06/2016	Rob Bonneywell	Updated for Harrow 2016/17 budget and average salary bands for posts

**BUSINESS CASE**  
**FOR A PROCUREMENT SHARED SERVICE**

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## 1. Executive Summary

- 1.1. Harrow and Brent Councils have a combined annual third party spend of over £500m. Commercial and Procurement teams across these councils are providing professional commercial and procurement support to service departments whilst under downward budgetary pressures and with limited resources in terms of capacity and expertise.
- 1.2. Creating a Procurement Shared Service (PSS) from the two councils will help assuage cuts to budgets and bring together best practices, knowledge, skills and resources. Its creation will enable Harrow Council to achieve savings of £290k and Brent Council to achieve savings of £270k.
- 1.3. If councils do not take action now, the impact would be that both councils will have to make cuts over the next three years of over 50%. This would seriously jeopardise the ability to provide even a basic transactional procurement service to those councils, and mean that any commercialisation or civic enterprise activity would be severely limited.
- 1.4. Individually the Councils have very high procurement expenditure for the purchase of most goods, works and services but collectively they will become a significant customer for a number of areas of major spend. The aggregated spend on specific categories will open up greater opportunity to deliver savings, value for money and social value for the councils whilst making it much more interesting for suppliers to work with the councils.
- 1.5. The main benefits of the PSS will be significant savings in terms of budgeted spend alongside an increase in the skills and resources available for Commercial and Procurement activity in both councils, improving resilience and giving staff more opportunities to progress their careers. Other benefits include the ability to identify collaborative procurement opportunities and implementing standardised, best practice systems and processes. It is estimated that the value of this could amount to 1% of 3<sup>rd</sup> party spend (approximately £5m) once the PSS has worked with Services to identify opportunity areas where procurement activity can be shared. It should be noted that this benefit will be realised by the commissioning services and not as a direct benefit for the PSS.
- 1.6. In addition it will provide a platform to do work for other councils and give greater influence to deliver collective aspirations with regard to SME engagement, apprenticeships and social value.
- 1.7. There will be a two stage process to creating the PSS. The first stage will be to create an amalgamated procurement service, with staff from Brent TUPE transferring into Harrow Council.
- 1.8. The second stage of the transformation will see the creation of a new PSS through a process of interview and selection, providing that there are economical, technological or organisational reasons for a reorganisation. The selection process will follow Harrow processes and will be run jointly. The main features of the new

service will be senior staff that will be peripatetic supported by small teams that will be based on site with each Council.

- 1.9. The recommendation from this paper is to create a shared service, whereby LB Brent formerly delegates their procurement activity to LB Harrow, and LB Harrow provides the service from a Procurement Shared Service (PSS).
- 1.10. Staff working in the PSS would be employed by LB Harrow, meaning impacted staff from LB Brent would TUPE transfer to LB Harrow.
- 1.11. The aspiration for the PSS is to be able to provide Commercialisation, Civic Enterprise and Procurement services to the founding partners at no cost within 5 years.

## 2. Introduction

- 2.1. This paper sets out proposals for the creation of a shared Commercial and Procurement Service for LB Brent and LB Harrow. The foundation for this was made following a decision in 2013 by Harrow Council to invest in its procurement service in the short term to create a centralised service with the aim of improving its capabilities and opportunities to collaborate. It is envisaged that this would have a number of benefits, including opportunities to save on the overall staffing costs for both Councils, the creation of joint contracting to enable improved cost and quality outcomes and enable a platform that can be used to attract other boroughs or councils to join in a broader collaboration.
- 2.2. There is a risk that the reductions being proposed to the procurement teams in each council will result in the sets of teams having a very limited capability only to support the commercial and procurement requirements of all Councils. The key risk is that the staff remaining will be unable to be proactive in taking the procurement function of each Council forward and will adopt more of a 'policing' role i.e. to ensure that each Council is adhering to the Public Procurement Regulations rather than a positive role.
- 2.3. Brent and Harrow Councils are in the process of implementing savings reductions in their Procurement Teams. Brent needs to implement savings in the order of 40% in 2016/2017 whilst Harrow has to deliver savings of 54% on its procurement staffing costs on a phased basis leading up to 2018/19.
- 2.4. This paper considers whether there would be advantages from amalgamating the procurement teams into a consolidated Commercial Shared Service Team to enable the quality of service notwithstanding the reductions being made to be maintained and, in some cases, enhanced.
- 2.5. The basis for investigating the potential for joining the two procurement teams and the implementation of a shared service are given in section 5.2 where the rationale for change is outlined for each council. Critical mass in existing procurement teams is being eroded due to staff cuts and the inability to fill vacant posts. Further cuts will exacerbate this situation.
- 2.6. It should be made clear that the proposed target operating model outlined in section 6.1 will only be consulted on, and possibly implemented, after an assessment of the operations of the combined procurement teams has been performed, and only if there are economic, technological or organisational reasons for it.

### 3. The Vision for Sharing Procurement Services

3.1. The current local government environment is one of being under pressure to constantly reduce costs under the austerity measures introduced by central government. However after years of cutting budgets and looking at efficiencies local councils are now looking at alternative delivery models in order to avoid 'salami slicing' to unsustainable levels.

3.2. The procurement services of Brent and Harrow need to achieve further savings and as a result will continue to have to contract in size to the point that there is a risk that only reactive to transactional work will be possible. In order to avoid this position the two councils are looking to join up their Procurement and Commercialisation activities into one, shared service.

3.3. The rationale for looking at a shared solution are numerous and included below:

- Both councils are struggling to attract high quality procurement and commercial staff with the right skills and knowledge;
- This situation will be compounded by planned procurement staffing reductions over next few years;
- After the latest round of cuts both councils will lack critical mass to provide any procurement activity except for tactical and transactional activity;
- A shared service will enable a staffing structure that can meet the strategic, commercial and procurement needs of each council within revised staffing budgets;
- A revised structure would enable systems, tools and processes to be joined up and standardised and a 'best of breed' approach to be taken;
- A shared service will improve resilience and provide economies of scale; and
- Critically, joining up the procurement functions offers the opportunity to explore meaningful collaborative procurements with the aim of achieving significant savings for each council.

3.4. A key aspiration for the shared services is the opportunity to grow the service by bringing other organisations on board. The mechanics/specifics of how this will work in practice are still to be agreed and may vary between organisations, but will need partner agreement. It is proposed that future organisations will be on-boarded at their own cost or through provision of savings to the founder organisations.

3.5. In joint discussions with the boroughs it has been agreed that the vision for the new Procurement Shared Service will be to:

- Provide a commercial and procurement service that meets the needs of its customers;
- Strategically align itself with the needs of its customers;
- Attract top quality staff and provide opportunities for staff to grow and develop;
- Implement best practice systems, processes and procedures;
- Provide Commercial Services either in a leading or a supporting capacity; and
- Act consistently across all participating organisations.

## 4. Current Procurement Services and the Shared Service Proposition

4.1. The two councils included within this business case have slightly differing needs and their teams are at different stages of development.

4.2. The current Commercial and Procurement scope that has been considered as part of this business case is outlined in the following table.

Current Service	Harrow	Brent
1. <b>Strategy development</b>	Procurement team prepares the strategy	The Procurement team prepares the strategy
2. <b>Procurement Legislation</b>	Procurement lead this activity	Procurement lead this activity
3. <b>Service Legislation, Regulatory &amp; Policy Environment</b>	This is jointly performed but owned by services	This is jointly performed but owned by services
4. <b>Needs Analysis &amp; Business Requirements</b>	This is jointly performed but owned by services	This is owned by commissioning
5. <b>Spend analysis</b>	Procurement lead this activity	Procurement lead this activity
6. <b>Market &amp; Supplier Analysis</b>	This is jointly performed but owned by procurement	This is jointly performed in conjunction with commissioning
7. <b>Gap Analysis</b>	This is jointly performed but owned by procurement	This is owned by commissioning
8. <b>Risk Analysis</b>	This is jointly performed but owned by procurement	This is jointly performed but owned by commissioning
9. <b>Resource Analysis</b>	This is jointly performed but owned by procurement	Owned by commissioning
10. <b>Category Strategy and Plan</b>	This is led by Procurement	This is led by Procurement
11. <b>Service Design / Specification</b>	This is led by services with input from procurement	This is led by services with input from procurement
12. <b>Final Options Appraisal &amp; Business Case</b>	This is led by services with input from Procurement	This is led by services with input from procurement
13. <b>Procurement (sub-category) Strategy Plan</b>	Procurement lead this activity with support from Services	Procurement lead this activity with support from Services
14. <b>Tender Documentation Preparation</b>	Procurement lead this activity with support from Services <sup>1</sup>	Shared between Procurement and Services dependent on who is the

<sup>1</sup> Procurement lead on complex and/or high risk and/or high value procurements (above £100k)

Current Service	Harrow	Brent
		Project Lead
15. Tendering	Procurement lead this activity with support from Services <sup>2</sup>	Shared between Procurement and Services dependent on who is the Project Lead
16. Transition & Contract Implementation	This is led by services with input from procurement	This is led by services with input from procurement
17. Operational Supplier Management	This is led by services	This is led by services
18. Contract Management (Performance)	This is led by services with input from procurement	This is led by services with input from procurement
19. Supplier Development	Procurement lead this activity with support from Services	Business Units lead on this activity.
20. Category Review	Procurement lead this activity with support from Services	Procurement lead this activity with support from Services
21. Contract Review	This is performed jointly	Contract Managers lead, supported by Procurement
22. Service Needs & Business Requirements Review	This is performed jointly	Commissioning activity.

#### 4.3. Baseline Costs

For the purposes of preparing this business case the baseline used is the controllable 2014/15 budgeted spend for each procurement team.

2015/16 Budget	Harrow <sup>3</sup> £	Brent £	Total £
Salary costs	827,233	757,159	1,584,392
Other procurement related costs <sup>4</sup>	49,757	56,017	105,774
<b>Total Costs</b>	<b>876,990</b>	<b>813,176</b>	<b>£1,690,166</b>

#### 4.4. Baseline Staffing

<sup>2</sup> Procurement lead on complex and/or high risk and/or high value procurements (above £100k)

<sup>3</sup> Harrow budget is 2016/17

<sup>4</sup> Procurement specific IT systems, & Travel costs



The baseline used for staffing is taken from the 2015/16 budgets in order for it to be aligned to the financial baseline. For details of the current procurement structures please see Appendices 1, 2 and 3.

2015/16 Staffing	Harrow	Brent	Total
Posts	14	11	25
Full Time Equivalents	14	11	25

4.5. The current staffing fte analysis for each organisation is outlined in the following table, along with an indication of the possible future PSS staffing.

Post	Current Total	Harrow	Brent	Future PSS
Divisional Director <sup>5</sup>	1	1		1
Head of Commercial & Procurement <sup>6</sup>	0		0	
Head of Procurement Services	0			1
Head of Procurement Services - Commercial				1
Commercial Business Partner	2	2		
Procurement Manager	1		1	
Commercial Business Specialist	3	3		4
Senior Category Manager	5		5	
Commercial Business Managers	5	5		5
Procurement Officer	2		2	
Commercial Analyst				1
Systems, Processes & Tools Manager	0			1
Procurement & Systems Manager	1		1	
Commercial Officer Systems	1	1		2
Commercial Coordinator	1	1		
iProcurement Analyst	2		2	
Commercial Apprentice	1	1		1
<b>TOTALS</b>	<b>25</b>	<b>14</b>	<b>11</b>	<b>17</b>

4.6. The Procurement Shared Service proposition is based around a team of procurement experts that will:

- Support the delivery of financial savings and non-financial efficiencies from contracted services both through competitive procurement and supplier negotiations;

<sup>5</sup> Post shared with Brent and included in Harrow staffing to avoid double counting

<sup>6</sup> Post shared with Harrow, and included in Harrow staffing to avoid double counting

- Deliver value and innovation through leading a programme of procurement across the shared service;
- Use category management techniques and spend analytic tools to enable smarter and where appropriate collaborative procurement;
- Analyse and provide sector specific market intelligence to commissioning experts to inform decision making to allow for market making and market shaping;
- Develop a set of contract standing orders for the shared services that is generic where it is able to be whilst recognising the respective Councils making up the shared service will have specifics that they will wish to maintain;
- Develop procurement processes that are generic and support the lean delivery of projects whilst at the same time ensure good governance and probity;
- Manage procurement boards across clients to ensure adequate officer scrutiny is given to decisions to commence procurement and award contracts;
- Manage and record procurement risk at a corporate level and also at procurement project level;
- Offer training and development in commercial and procurement to services;
- Where possible and cost-effective the offer is developed to suit each shared services organisation; and
- Support the delivery of strategic contract management and Supplier Relationship Management.

4.7. The PSS will aim to provide some or all of the activities described below (see section 6.6 for proposed split of activities).

- Commercialisation & Procurement Strategies

The development of strategies will be the responsibility of the PSS. However they will need to be tailored to the needs of each of the participating councils.

- Achieving savings

The PSS will assist the participating organisations to achieve savings through collaborative procurement, sharing best procurement practice and ensuring efficiencies are implemented in procurement processes and systems. It will also assist the councils to achieve revenue generation through commercialisation activities.

- Category management

Category management is a strategic process-based approach that focuses on the vast majority of a council's spend on goods and services with third-party suppliers.

It will be used by the PSS to structure the new organisation and as a basis for providing future services.

- Market management

The activities that will be undertaken typically include researching and analysing the market as a whole to gain an understanding of who are the key players in the market, their relative strengths, which councils are using them and how important each council is to a particular supplier. This work will assist with the development of strategic procurement options and can be added to business cases. In the main the PSS will provide advice and guidance on markets to clients.

- Needs analysis

The first step in any procurement process is to identify and fully define the need in relation to the activity. This is predominantly performed by services, and the PSS will provide advice and guidance should it be required.

- Specification development

The specification is developed to define the business requirements clearly and communicate these to suppliers effectively to facilitate the evaluation of goods, services and works against the agreed specification. The PSS will provide advice and guidance but the ownership of the specification will continue to be with the service.

- Drafting of tender documentation

A standard set of tender documentation will be available for all clients and services. It will be developed and maintained by the PSS team, and services will be made aware of how to access it through a central document repository.

- Tendering

For high value (above a value to be determined) and/or high risk procurements the PSS will provide a project manager to manage the tender. For smaller value or less complex tenders the PSS will provide an oversight and advisory service as well as any template documentation that is required.

- Negotiation

Negotiation is defined as a process of "communication with the objective of reaching an agreement by means, where appropriate, of compromise". A successful negotiation is one that accomplishes this goal and that secures supplies, materials and services of the right quality, in the right quantity, at the right time, from the right source and at the right cost. The PSS will provide an oversight and advisory service unless clients require a more involved service at cost.

- Commercial and procurement advice and support

The PSS will be available to provide advice and support locally initially through the use of local Commercial Business Officers. More complex requests will be passed to the relevant Commercial Business Specialists.

- Contract Management

Once a contract has been awarded and a new service procured, contract management falls under business as usual. However this activity varies across different clients and services and good contract management depends upon the commissioner or actual contract manager. The PSS will implement an improved process for contract management across all clients.

- Support new business models/opportunities

As part of the PSS, Commercialisation will form a key part of the service moving forward. The team will assist services in identifying opportunities, advise on possible corporate structures as required and lead on the creation of companies.

- Ensuring compliance to legislation and council policies

The PSS will ensure that EU legislation will be complied with and that council policies will be applied.

- Commercialisation or Civic Enterprise

The PSS will have the capacity to explore commercialisation opportunities in each council. This will also enable sharing of different council approaches to commercialisation and by combining teams will enable the possibility of maximising opportunities.

- Social Value

The Public Services (Social Value) Act 2012 requires public authorities to pursue community benefits with regard to economic, social and environmental well-being as part of their procurement of public services contracts. The coming together of the two organisations will allow for social value to be embedded into the procurement process consistently to drive an increase in community benefit realisation through collaborative procurement and the required lotting of requirements.

- Governance

Governance is the process to manage procurement activity and report on performance of the PSS. It will include the use of Gateways and Procurement Boards. Initially the governance arrangements will be specific to each Council with the aim of standardising them over time.

- Systems

Systems covers all IT systems and these could include bespoke or off the shelf solutions. Whilst it is possible that some systems will be common between Councils

(such as the Due North e-tendering solution), in the short term it will not be possible to integrate or standardise them. The longer term aim will be to standardise systems and processes across the PSS. ERP systems will remain outside the scope of the PSS, but links and the way the systems are used will be reviewed once the shared service is operational.

## 5. The Options for Delivery

5.1. This section outlines the various options for how commercial and procurement services can be provided to the two councils in a cost efficient and effective way. The three main options considered were joint working, to share services and outsourcing. These were all compared to the option of 'doing nothing'.

5.2. The first option considered for each organisation was a baseline option to 'Do Nothing'. The following table outlines the current service and why doing nothing is not an option.

Council	Features of Current Service	Implications of doing nothing
<b>Harrow</b>	<ul style="list-style-type: none"> <li>Built around Category Management</li> <li>Advisory for small procurements</li> <li>Advisory for medium sized unless higher risk</li> <li>PM for high value (£500k) or high risk procurements</li> <li>Procurement officers support all areas</li> <li>Single role for systems</li> <li>Knowledge of procurement and buy-in varies across services</li> <li>Improved stakeholder relationships in all directorates</li> <li>Category plans are used</li> <li>Categories being aligned with Brent</li> <li>Starting to sell services to other organisations (e.g. WLWA, LGA)</li> </ul>	<ul style="list-style-type: none"> <li>Inability to make significant cost savings over the next two years, without destroying service</li> <li>Continued difficulty to recruit to vacant positions</li> <li>Limited resilience built in to local solutions, and further cuts weaken this further</li> <li>Limited career progression</li> <li>Limited training opportunity or skills development</li> <li>Further move towards transactional, and away from strategic, procurement</li> <li>Difficulty in assisting services to make their savings targets</li> <li>Limited ability to collaborate on procurement opportunities</li> <li>Inability to fund commercialisation activities</li> </ul>
<b>Brent</b>	<ul style="list-style-type: none"> <li>5 Senior Category Managers, loosely aligned to directorates</li> <li>Small pool of procurement officers support all areas</li> <li>Different categories have different approach to service, from hands-on approach to lighter touch</li> <li>Categories being aligned with Harrow</li> <li>Director of Procurement now being shared with Harrow</li> <li>Category plans being implemented currently</li> </ul>	<ul style="list-style-type: none"> <li>Inability to make significant cost savings over the next two years, without destroying service</li> <li>Continued difficulty to recruit to vacant positions</li> <li>Limited resilience built in to local solutions, and further cuts weaken this further</li> <li>Difficulty in assisting services in making their savings targets.</li> <li>Further move towards transactional, and away from strategic, procurement</li> <li>Limited career progression</li> <li>Limited training opportunity or skills development</li> <li>Limited ability to collaborate on procurement opportunities</li> </ul>

5.3. To summarise the above Brent and Harrow have significant budgetary pressures that mean the current models will not be viable in the future, with the levels of savings required. It is for these reasons that the option to 'Do Nothing' or continue operating as today, is not a viable solution.

#### 5.4. Future Delivery Options

5.5. In determining the options for delivery of a shared service for Commercial and Procurement activities research was undertaken of models that have been implemented elsewhere in the public sector arena. The Institute for Public Finance (IPF) have produced a paper<sup>7</sup> that details the various options available for a public sector shared service. In general the options can be split into three categories, characterised by different relationships between the partnering organisations.

5.6. The three main options (after excluding the 'do nothing' option) are:

- **Joint working:** in which participants try to consolidate functions within existing institutions – the least sophisticated of the three options. This often begins by merging internal services into a single unit, but can be extended to apply across organisations. However, each partner acts independently and retains responsibility for the service in-house. For example, several local authorities might collaborate on commodities procurement and agree to negotiate jointly with suppliers, but they each continue to employ and manage their own purchasing staff. This could also be the sharing of a particular post across two organisations, such as sharing the Head of Commercial and Procurement across Brent and Harrow.

Joint working is an ad-hoc sharing of learning and agreements to co-ordinate action. Whilst it can be formal or informal, it is more likely to be small scale agreements, such as sharing a post. It can provide access to extra skills and resources and will be a relatively cheap and less disruptive option. As in sharing a post it will be a good way to develop trust between organisations and will be relatively cheap, as there will be no procurement costs. However it will be difficult to change or streamline processes and sustaining significant change will be difficult. It would not resolve resilience issues nor fill gaps in resourcing. Progress will be difficult to sustain without further integration.

- **Shared Services**, in which one organisation (private or public sector) assumes responsibility for running services for others. Insourcing, outsourcing and PFI initiatives also fit into this category.

A shared service in this instance is where one public sector organisation provides services to one or more other organisations. It would mean that the lead authority would be the service provider and other organisations would delegate their service delivery to that lead organisation. This would have the benefits of increasing the size

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<sup>7</sup> IPF Occasional Paper, Shared Services: The Opportunities and Issues for Public Sector Organisations, Richard Whiter

of the team, pooling skills and resources, enabling greater resilience and the ability to achieve economies of scale. As a delegation to another public sector organisation there would be no requirement to undertake an expensive and lengthy procurement exercise. The drawbacks include possible political issues about governance and control of the shared service, opposition from staff, especially around potential relocation and a risk that weaker clients may require proportionately more input than more established ones. A significant consideration would be the choice of an appropriate employment model that minimises management, pay and reporting complications.

- **Outsourcing**, in which participating bodies decide to establish, or use another, organisation to deliver services for them at arms-length. This would require a procurement exercise.

For the purposes of the Procurement Shared Service there was no appetite to create an arms-length organisation to deliver the service due to the complexity in procedural terms of establishing a special purpose vehicle or other local authority controlled company. In addition outsourcing to an external provider was not considered as the way forward, as it would limit the savings potential and the scale of the outsource would be too small to generate the savings required. This effectively ruled out this option, and no further analysis is provided.

5.7. In order to determine the model for the Commercial and PSS the following table illustrates the rationale used for selecting a model that would work best.

Option	Features	Rationale
<b>Joint Working</b>	The 'ad-hoc' nature of the agreement could lead to unclear accountability and difficulties in sharing risk and benefits.	Not recommended. The experience of other Councils operating this model is that it doesn't fully commit Councils to making the service work and provides difficulties through having staff on different terms and conditions. In addition the structure would not be suitable for an agreement between a number of organisations.
<b>Shared Service</b>	One organisation manages and supplies services to others.	This is the recommended option – it enables a structured service to be created, whilst generating economies of scale and savings for each partner.
<b>Outsourcing</b>	Services transferred to a private sector partner.	Not recommended – this would 'lock' the Councils in to a particular contractor and restrict the opportunities to make further savings through adding additional Councils and services to the arrangement. There have been a number of outsourcings of procurement (e.g. SW ONE) that have had poor outcomes for the Councils participating. In addition, currently there is no demand



Option	Features	Rationale
		or desire to outsource work or staff.

### 5.8. The Recommended Option

On the basis of the research, and taking into account the requirements of the two organisations, the Shared Service model is recommended.

- It was agreed that maintaining the status quo is not an option due to the savings each has to make, and the other challenges in running small procurement functions. As a result delivering services in a different way and sharing them with others was now considered the only option to make further savings and continue to provide a resilient service.
- The Shared Service model is a popular vehicle for initiating shared services in local government. It provides clarity as the service is delivered by one authority to another under delegated agreements. The arrangements are generally governed by an Inter Authority Agreement (IAA), which is set up for a defined purpose. The services are delivered and managed within the decision making framework of the Lead Authority, which would be underpinned by comprehensive delegation agreements and service level agreements. Staff from other authorities can TUPE to the lead authority which will make cultural change less challenging.
- Accordingly it is recommended that staff from LB Brent are TUPE transferred to Harrow Council. This process will require a formal process of consultation, but it will provide clarity for staff and protection for employees in terms of job security, pension and contractual terms of employment. As it provides a single employer model, the cultural changes required to deliver the practice will be easier to achieve.

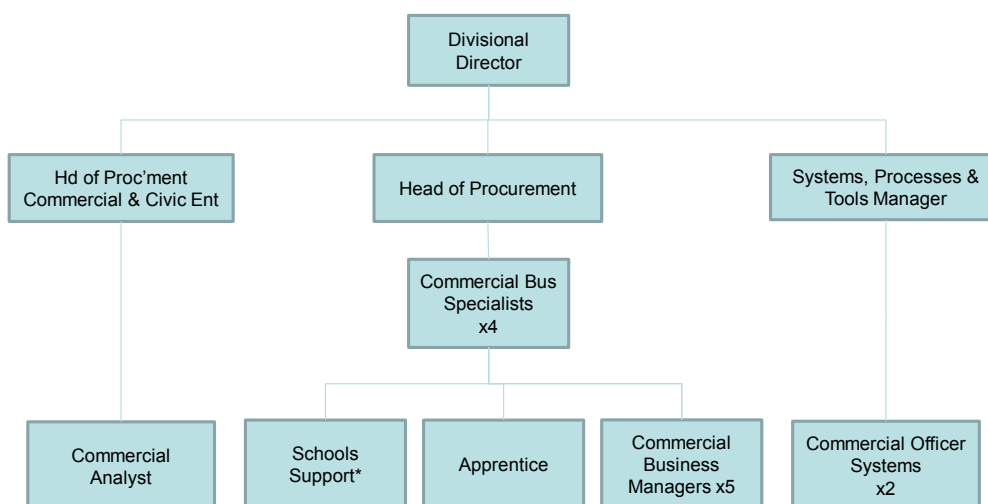
## 6. Proposed Target Operating Model

### 6.1. Business Model

The proposed target operating model<sup>8</sup> is shown in the following diagram. This proposal will be subject to formal consultation and may change as a result.



### Revised Target Operating Model



Confidential – Not intended for publication

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**Notes**  
\* to be funded by schools

- The host authority is proposed to be Harrow Council which will manage procurement staff across all Councils. Staff will be located at the Council where it is most appropriate to carry out their work; this approach retains flexibility to respond to local circumstances and requirements. However it still permits the full benefits of economies of scale, effective process design and re-design, career development and cost reduction.
- Underpinning the new approach to management is a focus on the key strategic goal of expanding as a shared service, promoting income generation and creating stakeholder value. Thus the service re-design will include changes to the overall business model, not just efficiency savings.
- The key features of the new service will be that there will be one Procurement Director responsible for the performance of the team and for providing direction to

<sup>8</sup> The proposed target operating model described in this section will only be consulted on, and possibly implemented, after an assessment of the operations of the combined procurement teams has been performed, and only if there are valid economic, technological or organisational reasons.

the service. This role is likely to spend their week moving between the two organisations.

- It is proposed that there will be a Head of Procurement. This role will be peripatetic and serve both councils, dependent upon the demand for their services.
- In addition there will be a Head of Procurement responsible for Commercialisation and Civic Enterprise activities.
- There will be four Commercial Business Specialists arranged in groups that align to the service areas that they will support. These staff will not be based nor aligned to a particular council but will provide peripatetic support across both Councils.
- Commercial Support Officers, or Procurement Support Officers, will be part of the PSS Team but will be located within the Council that they are likely to spend the majority of their time supporting. They will be enabled to provide support across all organisations.

6.2. Governance arrangements will need to be agreed by all parties prior to the detailed work on creation of the service. It is proposed that a two-council governance board meets quarterly to review performance and consists of senior Directors from each organisation. Initially this board will need to agree the governance arrangements, agree the role profiles and appointment process and how future partners could be brought into the arrangement. The PSS will report on performance and outcomes to Portfolio Holders annually. To assist with this, a suite of KPIs will be developed as part of the Inter Authority Agreement.

6.3. Optional Activities will be defined in a menu based service and 'purchased' by councils on an 'as required' basis. It will need to be agreed as to how they will be priced and how they will be delivered.

6.4. A draft set of Design Principles have been created, which support the transition to a shared service and ensure that the design aligns with the vision for a shared procurement practice.

Area	Principles
Processes	Standardise processes unless they need to be different
	Maximum time on professional role
	Greater efficiency of process – faster – better for customers – easier - simpler
	Eradicate duplication across Councils
	Optimal use of resource and performance regulated by Business Practice Manager

Area	Principles
<b>Organisation</b>	<p>Standard terms and conditions will enable consistent treatment of all staff, irrespective of where they are working and ensure that activities can be consistently priced. In addition it will make filling vacancies easier, rather than having to recruit to different terms for different organisations.</p> <p>Staff will TUPE transfer into Harrow Council and be on their existing terms &amp; conditions.</p> <p>All impacted staff will be able to apply for new roles unless ring-fencing applies. Once the target operating model and role profiles have been agreed, positions will be advertised in both partner organisations. All applicants that are shortlisted will be interviewed by a panel that has representatives from both organisations.</p> <p>TUPE will apply to staff that transfer into Harrow Council.</p> <p>Customer focused culture with expert professionals.</p> <p>A resilient flexible and scalable business model</p> <p>Where possible the new Commercial and Procurement Service will share assets (such as ICT, buildings, resources, management)</p> <p>Use internal talent to redesign the business, taking the best from each other to capitalise on strengths and reduce weaknesses</p> <p>Sustainable, cost effective and efficient shared services which are highly competitive and that can provide savings/economies of scale</p>
<b>Technology and Information</b>	<p>Each Council will continue to use their existing ERP system (SAP or Oracle). The benefits from implementing one ERP across both organisations do not outweigh the significant costs (investment, implementation and change) that would be incurred through the implementation.</p> <p>The PSS will look to implement common systems across both councils, with the exception of the ERP system. These would include sharing tendering packages, contract management systems and ...</p> <p>The target operating model will include a Systems Manager who will be responsible for ensuring consistency of systems across all the organisations, implementing standard processes around those systems and managing the day to day running of those systems.</p> <p>In order to obtain benefits and economies of scale the proposal is to align category management and analysis across both councils.</p>
<b>Location</b>	<p>In order to maximise efficiencies the target operating model will specify that some posts, probably the more senior roles, will require the post holder to travel between the two locations.</p> <p>Unless a system is specific to one partner, it is envisaged that the systems team will be based in one location. This will help to create a centre of excellence for systems and enable the team to share knowledge.</p> <p>The target operating model will be designed so that staff can be co-located, enabling a consistent coverage for each of the partner organisations.</p>
<b>Business</b>	<p>Operating model is able to adapt to meet the changing needs of the</p>

Area	Principles
<b>Growth</b>	<p>Councils</p> <p>Needs to be business focussed and attractive to others</p> <p>Create a competitive advantage to develop income generation opportunities</p>

## 6.5. Commercial and PSS Sizing

In order to establish the procurement workload that the PSS would inherit from the respective boroughs, an analysis of the contract registers across the shared services was undertaken. Across the two boroughs there were 238 significant contracts (broken down per borough in the table below) which were identified as being due to expire from now to the 31st March 2019.

	Brent	Harrow
<b>Significant Contracts</b>	97	141

Based on the possible future operating target model (section 6), the above contracts were allocated across a team of 11 procurement professionals. The outcome was that from the point of the PSS going live 21 procurement projects would be allocated to each of the individual professionals in the team.

This number of projects /workload for individuals within a procurement function is consistent with the experience of procurement professionals and the workload they manage. Much of the time this workload is staggered and is also a composition of both complex high value and less complex lower value procurement projects.

Also the detail behind these contract numbers as yet has not been established; there may be opportunities to collaborate on similar categories; where it may be possible to access existing frameworks for procurements; and other improved outcomes of the PSS such as generic systems and processes.

## 6.6. Scope

The following table outlines the proposed split of activities. It intends to provide an indication of who is responsible for the activity in the future along with possible variations.

Activity	PSS		Services	Other
	Local	Shared		
Drafting Commercialisation & Procurement strategies		Lead		

Activity	PSS	Services	Other
Achieving Savings	Depends upon the nature of savings required		
Compliance with EU and Council priorities	Lead		
Category management	Lead		
Market management	Lead		
Needs analysis	Support	Lead	
Specification development	Support	Lead	
Drafting of tender documents	Support	Lead	
Tendering	Depending upon the shared service role required		
Negotiation	Lead	Support	
Advice & support	Depending upon the nature of the advice or support required		
Commercial trading arrangements	Lead		
Contract management		Lead	
New business models	Lead		
Commercialisation	Lead		
Social Value	This will be led by the Divisional Director and be input into each procurement as required		
Managing procurements through governance boards	Lead		
Governance & systems	Lead		

The intention is to create one team that provides services to the partner councils in a seamless and efficient way. It will be under the stewardship of a Divisional Director who will be shared with both councils. The main contracts requiring procurement management will be determined from reviewing each organisation's contracts register and developing a procurement programme. The team will consider the value and risk profile, recognising that significant procurements (such as those above the EU Threshold) will need closer attention.

#### 6.7. IT Considerations

IT will be an enabler to ensuring that the PSS staff can perform their duties to each of their clients with minimal disruption. More detail about the proposed IT solution is provided in section 9.3.

#### 6.8. Procurement Shared Service Governance

The new shared service will be overseen by a Divisional Director of Commercial and Procurement. From a shared service governance viewpoint, the post-holder role will report into the two partner councils on a quarterly basis. The Divisional Director of Commercial and Procurement will produce an annual report that will be presented to each Council's Cabinet. The annual report will also outline the estimated budget for the shared service, and determine the share of the costs for each partner organisation in time for the annual budget setting process.

The Divisional Director of Commercial & Procurement will produce an annual Procurement Report and present this to a Shared Services Steering Group which consists of the relevant Portfolio Holders/Members from both partner councils. This body will also be responsible for agreeing any changes in the proportion of cost allocation as well as considering applications from other organisations to join the Procurement Shared Service.

On an on-going basis PSS staff will attend relevant meetings with Services/Business Units and sit on the relevant individual procurement and programme Boards, as they currently do.

#### 6.9. How will the PSS support Harrow Council?

The PSS will support Harrow by providing the following:

- The service will support each procurement that is over the current threshold (£100,000);
- In providing the above, the shared service will be able to bring procurement experts and experience from the other councils;
- Provide greater resilience, should staff become unavailable or leave;
- Initially the same systems and processes will be followed but these will be streamlined and aligned over time;
- Staff will be available to work on procurement activity and processes but they may not necessarily need to be on site; and
- Both the quality of work and the outcomes being delivered will be overseen by senior managers.

In addition, other activity that the shared service will provide (if required) includes:

- An advisory service for procurement activity below the threshold;
- Sharing of commercialisation expertise and experience;
- Sharing of techniques to include social value in procurement activities;
- Collaborative procurement opportunities, both with current partners and potential future partners; and
- Provide access to a wider talent pool.

#### 6.10. How will the PSS support Brent Council?

The PSS will support Brent by providing the following:

- The service will support each procurement that is over an agreed threshold;
- In providing the above, the shared service will be able to bring procurement experts and experience from the other councils;
- Provide consistency across the council in the way procurement activity is undertaken, reducing the risk of failure to adhere to CPR's;
- Reducing the reliance on interim resource and removing the problem of vacant posts;
- Provide greater resilience, should staff become unavailable or leave;
- Initially the same processes will be followed but these will be streamlined and aligned over time;
- Staff will be available to work on procurement activity and processes but they may not necessarily be on site; and
- Both the quality of work and the outcomes being delivered will be overseen by senior managers.

In addition, other activity that the shared service will provide (if required) includes:

- An advisory service for procurement activity below the EU threshold;
- Sharing of commercialisation expertise and experience;
- Sharing of techniques to include social value in procurement activities;
- Collaborative procurement opportunities, both with current partners and potential future partners; and
- Provide access to a wider talent pool.



## 7. Benefits, Disbenefits and Outcomes

### 7.1. Benefits

It is contended that combining the 2 teams into one shared service team will provide the following benefits:-

#### 7.1.□.1. Reduced overall cost

The combination of two procurement teams will allow for the release of economies of scale and an overall reduction in cost. This will be by reducing the spending on staffing and systems, and enabling combined procurements.

These savings will be achieved by:

- Combining expertise in category management to share knowledge and resources and to determine the potential collaborative opportunities.
- Aggregating spend on common goods and services to make savings, but without compromising on providing opportunities for local businesses.
- Delivering a programme of contract management training in order to improve our supplier management capabilities and developing two Council-wide approaches to contract management in order to gain most value from the supply chain.
- Undertaking a comprehensive spend and supplier analysis across both Councils in order to identify where improvements, savings and efficiencies might be achieved.
- Developing and delivering a pipeline of collaborative, 2-Council procurement projects.

#### 7.1.□.2. Ability to attract staff

Both boroughs have struggled to attract staff of good quality to their structures. It is considered that in part this is due to location, but it is considered that the salaries that can be offered and the lack of subsequent career opportunities are also key determinants. As the size of the teams shrink this situation will be exacerbated. Combining the teams offers the opportunity to provide a structure that can provide salaries and career opportunities at the levels to attract good staff. Having staff of the right quality will also enable procurement teams to hold discussions at the appropriate level with service-based staff on forthcoming procurements and to be able to influence the direction of those.

#### 7.1.□.3. Enable a more commercial approach to be taken in the boroughs

Related to the issues of attracting staff with the correct skills and calibre, it is proposed that any shared service structure adopts a commercial approach to its

work. In particular this will involve having a remit to drive income generation, work with Services to establish trading vehicles and taking a risk based approach to procurement.

#### 7.1.□.4. Greater savings by combining procurement activity

Over time it will be possible to align many of the procurements of the 2 boroughs. The area where 'quick wins' can be made will be in areas such as corporate procurements and commodities (i.e. insurance, telecommunications, commodities, etc.) as typically these areas do not have 'owners' so decisions will be able to be made quite quickly about joining these up. Contracts owned by service departments will, typically, be harder to join up and will take a longer period to do so. Notwithstanding that, significant benefits are anticipated from being able to approach relevant markets with greater purchasing power and from a consistent offering.

In addition to the direct savings, savings are also possible from standardising documentation (e.g. ITT and contracts) and other support services, such as legal and finance support. However it is recognised that partners may require that the provision of other support services could need to remain with the procuring council. Further discussion is required between partners about how this support will be provided.

#### 7.1.□.5. Systems approach and supplier spend/management synergy

The 2 boroughs use different ERP systems as Brent uses Oracle and Harrow uses SAP so there will be a need to continue to support both systems. However there is an opportunity for organisations to access shared contracts through catalogues hosted on the e-marketplace. The marketplace supports both SAP and Oracle and is currently implemented in Brent. Both Councils currently use Due North for their e-tendering requirements so there are some synergies that can be gained from this. Additionally both Harrow and Brent Boroughs also use the Pan London Contracts Register.

Spend analysis will be extracted from the ERP systems, combined and analysed through the Local Authority standard classification 'ProClass'. Brent has recently implemented improvements to their P2P system to enable improved categorisation by ProClass.

#### 7.1.□.6. Contract and supplier relationship management

The 2 boroughs use a number of common suppliers; over time as the boroughs increasingly undertake joint procurements this number will increase. The benefits of sharing suppliers are that a cohesive approach can be taken to their contract and supplier relationship management to reduce costs and improve performance. This will assist to ensure that suppliers aren't using differential pricing across the boroughs' contracts.

#### 7.1.□.7. Supporting local economies

The PSS will ensure that all participating council's objectives in relation to social, economic and environmental aims are delivered. Best practice will be shared across the organisations, using a base set of documents and principles that take the best elements of each council. In particular the following activities will be considered by the PSSs team:

- Include criteria relating to social, economic and environmental objectives in all contracts;
- Ensure equality of opportunity to bid for all suppliers, which would include improving accessibility for sole traders, small and medium sized enterprises (SME's);
- Ensuring that payment of the London Living Wage is considered in London procurements, and payment of the Living Wage is considered for all others;
- Improving management information so that spend can be tracked consistently across the PSS, in particular with local businesses and SME's;
- Including targets for waste, recycling and energy consumption in requirements wherever possible; and
- Maintaining best practice by ensuring Equality and Diversity requirements are addressed in all procurement documentation.

#### 7.1.□.8. Schools

Both London boroughs have a procurement resource for schools. Brent has a Senior Category Manager whilst Harrow has a Commercial Officer funded through contributions from schools. It is considered that there is a significant opportunity to better utilise these 2 roles to provide a more comprehensive schools service that can expand to provide a service to an increased number of schools, other boroughs and Academies, etc. This will require active marketing and promotion to reach into areas where opportunities may exist and will be achievable out of existing budgets.

#### 7.1.□.9. Increasing the Shared Service offering

The additional benefit from joining up the teams is that it provides a platform for sharing procurement services with other public sector bodies by providing a clear track record and a firm basis on which to build additional capabilities.

### 7.2. PSS Economic Position

The economic case has been built around a number of assumptions. The target operating model has been constructed using the revised budgets of the two councils. It is proposed that fixed costs will be split between them in proportion to the budget provided at the outset. Any variable costs in future years will be split on the basis of

the commissioned service as set out in the service plan, while consumables will be paid by the council that they are intended for.

The proposal for income sharing is as follows:

- As at the establishment of the shared service, any existing income being received or arrangements already put in place to generate income by either Council (e.g. as evidenced by publication of an OJEU notice or other means) will be received by the Council currently receiving/planning that income and will remain outside of the procurement Shared Service.
- Any new income from frameworks or new business developed by the partnership will be shared amongst the partners in the proportion of budgetary contributions after the deduction of any sales, marketing or integration costs. This incentivises each partner to come forward with income generating ideas and provides an equitable way forward.
- Any income generated by commercialisation or civic enterprise activity is out of the scope of the PSS and will not be shared.
- New partners will bring additional savings opportunities for the Shared Service through additional scale and Procurement resource. Benefits from any additional income will only be shared amongst the Founding Partners (Harrow/Brent)

Future (external) trading will be considered with other non-local authority organisations but not in the immediate future.

Each participating council will be charged a proportion of the cost of the PSS based upon the relative proportions of the 2015/16 budgets. This means any surplus or deficit will be apportioned in line with fixed proportions. On this basis, the PSS will enable the release of savings for Harrow and Brent Councils, ensuring that they achieve their respective targeted cost reductions.

The Shared Service Management Board<sup>9</sup> will agree the mechanisms by which to monitor performance. Any changes to allocation of costs, including as a result of the withdrawal of a partner, or sharing of income following the initial agreement will need to be agreed by the a board<sup>10</sup> consisting of the relevant Portfolio Holders from the partner organisations.

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<sup>9</sup> Name to be agreed

<sup>10</sup> Steering Group

<b>C&amp;P Shared Service Summary</b>				
	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Annual Uplift</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	
<b>Contributions:</b>				
Brent	540.868	545.839	550.861	0%
Harrow	586.644	592.037	597.484	
<b>Total Contributions</b>	<b>1,127.512</b>	<b>1,137.876</b>	<b>1,148.344</b>	
<b>Salary Costs</b>				<b>1%</b>
	1,036.432	1,046.796	1,057.264	
Other Staffing Costs	15.000	15.000	15.000	0%
Other Procurement Related Costs	76.080	76.080	76.080	0%
Overhead Contribution	-	-	-	
<b>Total Costs</b>	<b>1,127.512</b>	<b>1,137.876</b>	<b>1,148.344</b>	
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

<b>PSS</b>	<b>2016/17</b>
	<b>£</b>
Income (from 7.4)	1,128,166
Costs (from 7.5)	1,127,512
<b>Surplus / (Deficit)</b>	<b>£654</b>

Any surplus or deficit will be shared amongst the partner organisations, either offset against costs or as an increase in the annual cost of the service. Where required full cost and income information about the shared services operations will be provided to the partners by Harrow Council.

### 7.3. Cost Apportionment

Operational costs incurred by the PSS will be recharged to partner organisations in direct relation to the proportion of budgets that were agreed at the outset of the project. The following table illustrates how operational costs will be apportioned on an annual basis.

<b>Council</b>	<b>Original Budget £'000s</b>	<b>Allocation Proportion<sup>11</sup></b>
<b>Harrow</b>	586 <sup>12</sup>	52.03
<b>Brent</b>	541 <sup>13</sup>	47.97

<sup>11</sup> Proportions based on a %age of the Total Original Budget and rounded to 4 decimal places

<sup>12</sup> After allowing for reductions in budgets in year 2 only (as 2016/17 budget figure already has reduction for year 1)

<sup>13</sup> After allowing for reductions in budgets in years 1 and 2

<b>Council</b>	<b>Original Budget £'000s</b>	<b>Allocation Proportion<sup>11</sup></b>
<b>Totals</b>	<b>£1,127</b>	<b>1.0000</b>

Any over- or under- spend in a financial year will be apportioned to the partners on the basis of the proportions above.

#### 7.4. Procurement Shared Service - Council Contributions

Income for the PSS derives initially from two sources: Brent Council (actual income) and Harrow (notional income). In order to keep the method of apportionment simple, income has been assessed Assuming a 'Go-Live' in April 2016, and a full 12 months operation in the first year. The following table illustrates how each organisation has agreed to fund the PSS.

	<b>2015/16 Budget £</b>	<b>Savings Required<sup>14</sup> £</b>	<b>Amount Available £</b>
<b>Harrow<sup>15</sup></b>	<b>876,990<sup>16</sup></b>	<b>(290,000)</b>	<b>586,990</b>
<b>Brent</b>	<b>813,176</b>	<b>(272,000)</b>	<b>541,176</b>
<b>Total</b>	<b>£813,176</b>	<b>£(453,793)</b>	<b>£1,128,166</b>

The intention is for the PSS to generate income over and above the regular contributions from partners by selling their services to other local authorities, government departments and third parties. The pricing of these activities will be dependent upon the nature of the activity and whether it can be performed by existing resource or whether temporary resource would be required.

Contribution to Harrow overheads by Brent will be discussed as part of the negotiations of the Inter Authority Agreement. The current overheads incurred by the Harrow Procurement Team are calculated at £9k per person (£7k excluding capital items) and as such it is expected that each of the partnering councils will contribute to Harrow based on this amount and dependent upon how many staff transfer to Harrow Council.

#### 7.5. Procurement Shared Service Costs

The PSS has been designed to deliver savings across Brent and Harrow from day one, and an improved and more resilient service for both partners. Using the staffing structure outlined in section 6.1 the annual cost of the new PSS will be £1,120k in the first year of operations.

<sup>14</sup> Savings required in 2016/17 and 2017/18

<sup>15</sup> Notional as there will be no budget transfer

<sup>16</sup> 2015/16 budget adjusted for 2016 salary increase

<b>Annual Costs</b>	<b>Year 1 £</b>	<b>Year 2 £</b>	<b>Year 3 £</b>
Salary costs	1,036,432	1,046,796	1,057,264
Other staffing costs <sup>17</sup>	15,000	15,000	15,000
Other procurement related costs (see 7.5)	76,080	76,080	76,080
<b>Total Cost of Shared Service</b>	<b>£1,127,512</b>	<b>£1,137,876</b>	<b>£1,148,344</b>

Assumptions behind the figures outlined above include:

- Each year above has been considered as a full year.
- The salary costs relate to a full year of the new TOM.
- An uplift in salary costs of 1% has been added to subsequent years.
- Salary costs (including on-costs) are based on the following number of roles.

The breakdown of Salary Costs is provided in the table below.

<b>PSS Roles*</b>	<b>Grade<sup>18</sup></b>	<b>Number of Posts</b>	<b>Salary (inc on-costs) £</b>	<b>Total Staff Costs £</b>
Divisional Director	D1 (point 5)	1	145,000	145,000
Head of Procurement	MG4	1	92,058	92,058
Head of Commercial Services	MG4	1	92,058	92,058
Commercial Business Specialists	MG1	4	61,879	247,516
Commercial Business Managers	G10	5	49,548	247,740
Systems, Processes & Tools Manager	MG1	1	61,879	61,879
Commercial Analysts	G7	1	36,727	36,727
Commercial Officer Systems	G7	2	36,727	73,454
Apprentice		1	20,000	20,000
<i>Schools Support</i>			<i>Funded by Schools</i>	
Allowance for existing salary protection				20,000
<b>Total Salary Costs</b>		<b>17</b>		<b>£1,036,432</b>

For outline profiles for a number of these roles refer to appendix 4.

<sup>17</sup> Travel, training and telecommunications

<sup>18</sup> Harrow Council grades, based on spinal scale mid-point unless otherwise stated

\* All new roles will be subject to Job Evaluation, and if a market supplement is required then the Council's policy and process will be followed.

## 7.6. Other Procurement Related Costs

Other procurement related costs are mainly concerned with systems and the table below includes the costs and associated assumptions.

Cost	Value £	Assumption
Due North	31,260	Both councils currently use this e-tendering package.
Illuminator / PORGE	12,000	Currently Harrow and Brent use this research tool and it is assumed that this cost will not rise as there will be no increase in licences
EGS Marketplace	10,000	Brent currently use EGS and there is no requirement for Harrow to use it
BvD & MINT	10,000	Company research tools currently not used
Network Costs	5,000	For Brent to provide the local LAN
Software	7,820	Harrow ICT charge to set up new users
Other Costs	15,000	Travel & training
<b>Total Procurement Related Costs</b>	<b>£91,080</b>	

## 7.7. First Year Operational Considerations

Whilst the amalgamation of the two teams is intended to take place in August 2016 there are considerations that need to be taken into account during the first year of operations. Firstly the shared service operating model will not be in place until November 2016 at the earliest. This will mean that the merged team will be operating at the current cost until the new model is fully staffed. In effect this would mean an increase of approximately £264,713 for the first seven months. The impact of this on each Council is shown in the following table.

Council	Original Budget £	PSS Contribution £	Saving £	7 Months Current Cost £
Harrow <sup>19</sup>	876,990	586,990	290,000	169,167
Brent	813,176	541,176	272,000 <sup>20</sup>	158,667
<b>Total</b>	<b>£1,690,166</b>	<b>£1,128,166</b>	<b>£562,000</b>	<b>£327,834</b>

There is the possibility of additional year one costs should any redundancies be made. These will be effective from 1<sup>st</sup> November 2016 and may include notice periods of up to 12 weeks. No impact of this has been taken into account due to not knowing the

<sup>19</sup> Harrow budget is 2015/16 adjusted for 2016/17 pay award

<sup>20</sup> Savings relate to 2016/17



impact of vacant posts, difficulty in determining likely notice periods and redundancy terms but the method of apportionment will be agreed by all parties. This will be confirmed and agreed before the 30<sup>th</sup> October 2016.

In addition it is possible that individuals may take roles that are below their current salary or grade. In these cases the individuals are allowed to continue for a period<sup>21</sup> on current salaries which would reduce the saving potential until they move onto the new pay grade.

These two factors can be offset against a combination of current vacancies and the fact that £180k of LB Harrow's savings are not due until 2017/18, and the current case has them being realised earlier.

Finally the treatment of set up costs that will be incurred through the creation of the new shared service will need to be agreed as a first year cost that the partners will share. These include one-off ICT costs, HR advisory costs and legal advice on the creation of Inter Authority Agreements. These costs will be incurred by Harrow and funded from the Procurement budget in the short term, with the intention of reimbursing the budget once the new shared service is operational.

#### *7.8. Redundancy Costs[NB this section requires discussion/negotiation with Brent]*

Prior to the inception of the PSS and during its first year of operation (i.e. one year from the date of staff transferring) it is proposed that costs of any redundancy will fall to the previously employing Council. In subsequent years any subsequent costs will be incurred by the shared service and allocated to the partners in accordance with the cost sharing mechanism. The aim is to minimise the potential for redundancies by removing vacant posts in both organisations.

Voluntary redundancy (VR) schemes may be applied in accordance with each Council's Policies and Procedures, in advance of transferring to Harrow Council.

#### *7.9. Other Costs*

Consideration has been given to the potential requirement to top up the Harrow Council Pension Fund for those staff transferring into Harrow Council. However having sought legal advice the opinion is that if the transferring staff is less than 10 any transfer will have to be calculated by factors prescribed by the Government Actuary so there is no requirement to involve the respective pension fund actuaries<sup>22</sup>. The impact of this is that although there will be a transfer between funds it will not require topping up, and as such has no impact on the business case.

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<sup>21</sup> This period will vary between councils, and it is possible that a reduced difference is also required for the second year

<sup>22</sup> Email from Linda D'Souza, Head of HR Operations, Harrow Council, 15<sup>th</sup> October 2015

## 7.10. Disbenefits

The main disbenefits for the implementation of the PSS are:

### 7.10.1. Greater geographic movement

Whilst there will be staff located on their respective customer locations the operating model assumes that some of the more senior roles will be peripatetic. It is also possible that peaks of workflow may require movement between locations, especially if system access is not permitted remotely, but this will be kept to an absolute minimum.

### 7.10.2. Potentially significant increase in delivering competing priorities across 2 organisations

The creation of the PSS will reduce the resources available to provide Commercial and Procurement services across the two clients. This will mean that there is likely to be more competition for resources.

### 7.10.3. Commissioners in both organisations may feel 'short changed' from the support they are receiving as they have been used to dedicated teams.

The current service that clients receive is likely to be tailored to specific service areas. The new shared service will be encouraged to provide a standard service which could mean that clients will feel short changed.

### 7.10.4. Having to operate with different systems and processes, cultures and processes.

In the short term it is unlikely that there will be standards processes and systems. The culture and way of working in each council will also vary and add challenges to the PSS. Whilst this will be less of a concern for those staff based on specific sites, it may mean some staff will need to work with different systems and processes.

A complication will also be the different requirements expected from each Council's Legal and Finance teams.

### 7.10.5. Removal of a council-specific procurement service

Until the creation of a PSS each participating council will have had a procurement service that was tailored to their specific requirements. Whilst this would have changed significantly over recent years, due to budget cuts, the main activities and ways of working would be known to their clients. With the implementation of a

shared service, this service will change to become a standard service across a number of organisations, thereby reducing the amount of bespokeing. It will also mean a change to the relationships between the client and the shared service.

#### 7.11. Outcomes

The PSS will provide a service that:

- Supports the delivery of financial savings and non-financial efficiencies from contracted services both through competitive procurement and supplier negotiations.
- Delivers value and innovation through leading a programme of procurement across the shared service.
- Uses category management techniques and spend analytic tools to enable smarter and where appropriate collaborative procurement.
- Analyses and provides sector specific market intelligence to commissioning experts to inform decision making to allow for market making and market shaping.
- Develops a set of contract standing orders for the shared services that is generic where it is able to be whilst recognising the respective Councils making up the shared service will have specifics that they will wish to maintain.
- Develops procurement processes that are generic and support the lean delivery of projects whilst at the same time ensure good governance and probity.
- Manages procurement boards across the shared services to ensure adequate officer scrutiny is given to decisions to commence procurement and award contracts.
- Manages and record procurement risk at a corporate level and also at procurement project level.
- Offers training and development in commercial and procurement to services. The offer is developed to suit each shared services organisation.
- Supports the delivery of strategic contract management and Supplier Relationship Management.

## 8. Timescales and Implementation

### 8.1. Implementation Timeline

The timescales for implementation are set out in the following table. The project commencement is the start of the first calendar month after month that Cabinet have given approval to proceed. The approach being recommended is to manage the transfer of all staff to the Lead Authority (Harrow Council) after the requisite consultation periods in Brent Council.

Proposed Date <sup>23</sup>	Activity or Milestone	Description
<b>2016</b>		
May	PSS Business Case redrafted	Redrafted to allow for the exclusion of Bucks Council
	Inter Authority Agreement	Drafting of Inter Authority Agreement
	Staff and union engagement	Initial staff and union engagement to take place in all councils
	ICT solutions	Investigation into ICT options to enable staff to continue to work in Brent after transfer date
June	Cabinet Decision (Harrow)	
	Call in period	
	Consultation on staff TUPE transfer	Transfer to Harrow (Brent) – no fundamental change to job roles or location
	Agreement of high level terms	
	Measures Letter	Issue of Measures Letter (at least 30 days prior to transfer date)
July	Role Profiles drafted	
	Consultation pack	Begin the preparation of the Consultation Pack
August	Transfer Date	Brent staff transfer to Harrow Council
	Assessment of the operating model and whether it meets the needs of the partner organisations	
	Consultation on shared services TOM	Consultation on the new PSS Operating Model
September	Outcome meeting	
	Consultation complete	
	At Risk / Redundancy letters issued	
	Interview & Selection	Staff invited to apply for new roles and panel <sup>24</sup> interviewed
October	Appointment	Successful staff appointed to new roles, redundancy notices given to those unsuccessful

<sup>23</sup> Dates are based on attending Harrow Cabinet on 21<sup>st</sup> January 2016 Cabinet

<sup>24</sup> Interview panel will consist of representatives for each council

Proposed Date <sup>20</sup>	Activity or Milestone			Description
November	New	PSS	Operating	Model
	commences			

## 8.2. HR Considerations

The main HR considerations are outlined below. More detailed responses from each councils HR teams are included in Appendix 5.

### Creation of the PSS

It is recommended that two phases are taken to create the shared service. Firstly, it is proposed that staff TUPE transfer from Brent to create a joint service with Harrow. Staff and unions will be engaged and consulted about this activity between December 2015 and March 2016. The intention is then to transform the joint service into a shared service through an interview and selection process, should there be economic, technological or organisational justifications.

### Redundancy

Agreement will be required to agree on the treatment of redundancy costs between the partners. The proposal is that redundancy costs are shared depending on which organisation the staff originated from. This will be subject to negotiations in the Inter Authority Agreement. There are two alternatives: firstly the costs are added to the operational costs of the shared service and allocated proportionately or secondly, suffered by Harrow as the employing organisation. The second alternative is not acceptable to Harrow.

Additionally voluntary redundancy may be considered, but will need to be agreed as each partner council has differing policies which would be part of the TUPE requirement. *[NB check that this statement is correct]*

### Protected Pay

Consideration will need to be given to the different protected pay policies that exist with each council.

### Other Considerations

Other areas for consideration include:

- Travel cost differences between organisations
- Car parking availability for staff
- Working hours and flexible working arrangements (for instance Harrow staff up to G11 are on flexi scheme over 36 hours)
- The identification of staff on maternity and sick leave need to be included in consultation
- The importance that HR reps meet with all staff on 1-2-1 basis to understand individuals specific employment details (such as home working arrangements, part-time working).

### 8.3. Consultation

Staff and union consultation is an important part of a shared services project and will be required in both organisations.

### 8.4. Location considerations

The intention is for staff to continue to work in their current offices on the transfer date and continue to work there until the new shared service operating model is implemented in November 2016. From that date onwards the location of staff will be dependent upon the specific role profile.

### 8.5. Project Critical Success Factors

A number of project critical success factors have been created as part of the service design principle development.

<b>Critical Success Factor</b>	<b>Priority<sup>25</sup></b>	<b>Definition</b>
Delivery of savings - MTFS	1	Delivers cashable savings for all parties
Delivery of savings - on-going	1	Delivers cashable savings through collaborative procurement and savings through provision of professional advice
Delivery of low cost, quality services	1	Sustainable, cost effective and efficient shared services which are competitive and that can provide savings & economies of scale
Investing in people and skills	1	The importance of investing in people and skills to support sustainable business.
Resilience	1	Continuously improving and creating a sustainable business with new revenue streams
Ease of delivery	2	Is not complex in terms of implementation
Anticipate Customer Needs	2	Customer focussed shared service which highlights an understanding of cultural needs. It has a flexible and proactive approach towards its customers to realise customer satisfaction; and has a 'can do' attitude at its core
Mandatory first request / refusal	2	To prevent fragmentation and duplication of provision, the shared service should be the first port of call for all procurement needs for all councils. Alternative provision should only be agreed where requests cannot be met.
Flexible	2	Provides a flexible model which can provide resources for peaks in demand and where partner authorities can join at

<sup>25</sup> These are per Harrow and Brent  
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Critical Success Factor	Priority <sup>25</sup>	Definition
		a later date
Revenue streams	2	Develop revenue streams by looking for innovative ways to grow and be on the competitive edge by planning / reviewing market trends.
Governance & Compliance	2	Robust but flexible approach.
Multi-channel	2	Utilises ICT to deliver procurement service innovatively.
Provide a platform for continuous improvement	3	A flexible and scalable platform to support services by leveraging innovations in order to enhance market knowledge and self-development to gain competitive advantage

## 8.6. Set Up Costs

The following table includes an assessment of the costs required to create the PSS. In order to guarantee the success of the project Harrow Council will be injecting significant resource into the project.

Type	Description	Cost £	Source
<b>Resources</b>	HR Advisor	35,000	70 days at £500 per day
<b>Resources</b>	Legal Advice	25,000	Drafting IAA & associated matters
<b>IT Hardware</b>	Laptops for staff transferring	9,000	9 <sup>26</sup> staff at £1,000
<b>IT Software</b>	Software cost	4,140	9 staff at £460
<b>IT Set up</b>	One off set up costs	3,150	9 staff at £350
<b>IT LAN</b>	Remote LAN set up in Brent	20,000	£20,000 per location
<b>IT App</b>	Estimate to load an app in Brent for access to ERP	5,000	£5,000 per location
<b>Total Set Up Costs</b>		<b>£101,290</b>	

The assumptions behind the set-up costs are as follows:

- An HR advisor will be required to provide advice, guidance and direction throughout the process through to the appointment in the new operating model. This has been assumed as a full time role for three and a half months.
- There will be a requirement to obtain legal advice on the creation of the Inter Authority Agreements and associated matters.
- It has been assumed that 9 staff will become new Harrow employees and be provided with laptops at a cost of £1,000 each.
- For those 9 new staff the software cost has been estimated as £460 per person.

<sup>26</sup> Assuming 'new' employees are 50% of the future staffing  
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- Additionally these staff will also need to be set up on the Harrow systems at a cost of £350.
- A remote LAN will be required to enable staff to work remotely in Brent<sup>27</sup>. This has been estimated at £20,000 per location.

Any costs incurred by Harrow as a result of the restructure of Shared Service staff which will be initiated on the 1<sup>st</sup> of April 2016 will be split between Harrow and Brent in accordance with the budgets each council expect to provide in the first year of the Shared Service.

#### 8.7. Implementation Team

A small project team will be required to implement the recommendations from this business case. It is proposed that there will be a Steering Group with Corporate Directors from each of the participating councils, along with the Procurement Director and HR representative(s). The project team will consist of at least one manager from each organisation, and include HR representatives.

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<sup>27</sup> Subject to agreement with Brent  
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## 9. Operational Matters & Dependencies

### 9.1. Governance and Reporting

It is proposed that a Shared Service Management Board will meet on a quarterly basis. It will consist of Corporate Directors representatives from each council (i.e. responsible for Procurement) and be chaired by the Corporate Director Resources. This will review performance and any major issues that require resolution. The Divisional Director will prepare an Annual Procurement Report that will be presented to the relevant Portfolio Holders of each Council.

The Shared Service Management Board will ensure that:

- Procurement activity follows CPR for each Council;
- Ensure resources are available for the higher risk and/or higher value procurements;
- Ensure collaborative procurement opportunities are identified and followed up;
- Ensuring that all Councils' have prepared procurement plans and strategies, and ensure that these are being followed; and
- Being accountable to participating Councils to ensure the successful delivery of projects.

The Divisional Director and PSS staff will feed into other boards (such as the Commissioning and Procurement Board in Harrow) as required.

### 9.2. Staffing

Job profiles and grades will be created and approved by the bi-borough governance board<sup>28</sup>. For an indication of the profiles for each of the main roles in the PSS refer to appendix 4.

### 9.3. IT and Systems

The proposal is for staff to receive IT support from Harrow, as Harrow employees. However this means that there is complexity for staff that are not located on Harrow premises and for those that travel between sites. The following table describes the variety of types of staff needs and the recommended solution for each set.

Staffing	Requirement	Recommendation
Peripatetic	<ul style="list-style-type: none"><li>• Ability to work remotely and flexibly</li><li>• Access the 2 council's systems</li><li>• Email account that can be</li></ul>	<ul style="list-style-type: none"><li>• Harrow Laptop user</li><li>• A remote LAN to be created for high speed connection on Brent sites</li></ul>

<sup>28</sup> Or whatever it is called!  
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Staffing	Requirement	Recommendation
	accessed from cloud or any location	<ul style="list-style-type: none"> <li>Access to SAP / Oracle would need Brent agreement for remote device access to local ERP system</li> <li>Users have a Harrow email account and associated calendar</li> </ul>
Based in one location (except Harrow), serving all councils	<ul style="list-style-type: none"> <li>Potentially desk based role - but location could be Brent (however may need flexibility to work in other locations)</li> <li>Access to both council's systems</li> <li>Email account</li> </ul>	<ul style="list-style-type: none"> <li>Harrow Laptop user</li> <li>A remote LAN to be created for high speed connection on Brent site</li> <li>Access to SAP / Oracle would need Brent agreement for remote device access to local ERP system</li> <li>Users have a Harrow email account and associated calendar</li> </ul>
Based in one Council (except Harrow) and serving that council	<ul style="list-style-type: none"> <li>Desk based role</li> <li>Access to that (one) council's systems</li> <li>Email account</li> </ul>	<ul style="list-style-type: none"> <li>Harrow Laptop user</li> <li>A remote LAN to be created for high speed connection on Brent site</li> <li>Access to Oracle would need Brent agreement for remote device access to local ERP system</li> <li>Users have a Harrow email account and associated calendar</li> </ul>
Harrow based (serving all or only Harrow)	<ul style="list-style-type: none"> <li>Desk based role</li> <li>Access to all systems</li> <li>Harrow email account</li> </ul>	<ul style="list-style-type: none"> <li>Harrow desktop user</li> <li>Able to access Brent systems via the cloud</li> <li>Unclear how they would access Oracle at Brent if required</li> <li>Users have a Harrow email account and associated calendar</li> </ul>

The main additional cost would be the creation of remote LAN's in Brent to enable users higher speed access and ensuring that they aren't reliant on WIFI or more expensive 3g connectivity. This has been estimated as £20,000 per site and included within set-up costs. However because all PSS staff will be on the same network it would mean that file sharing will not be a problem across the team.

Brent will need to provide remote access into their ERP systems from a Harrow managed device. Depending on how that is provided there may be some configuration work on Harrow devices to enable this, such as installing remote access client software. An estimated cost has been included within the set up costs to cover this as well as an on-going charge of £5,000 per organisation to maintain them.

In terms of specific procurement systems, the proposal is to continue to use local council-specific systems in the short term to ensure service continuity. It is likely that some systems will require more users than currently, and an exercise will be undertaken to determine the impact of this during implementation. Due to the current arrangements it is unlikely that this will be a significant cost.

#### 9.4. Training

There will be training requirements on three levels for the new operating model:

- Once the new Operating Model is in place, a Training Needs Analysis will be undertaken to identify areas where there are group or individual gaps in knowledge or skills.
- As part of staff development, requirements for longer term professional development will be captured and a training plan created.
- The aspiration will be for the organisation to continue to be CIPS Accredited and should training requirements be identified to maintain this accreditation.

#### 9.5. Future organisations joining

The new service will be designed so that new organisations will be able to join either fully, partially or on a menu-based basis. The method for accepting future organisations into the shared service has yet to be determined and will be agreed on a case by case basis, depending on the size of the organisation and complexity of requirements.

Formal arrangements for sharing the additional benefits of future organisations joining the shared service will be included in the Inter Authority Agreement. Implementation costs will be incurred by the joining organisation, and savings will be shared in proportions to be agreed with the partners.

#### 9.6. Exit Arrangements

The length of the PSS is proposed to be unlimited. Should organisations wish to exit the arrangement they will be required to give the remaining partner 12 months' notice of their intentions.

Should an organisation withdraw from the partnership the following will apply:

- The withdrawing partner will receive those staff that that can be assigned to that partner;
- The withdrawing partner will incur redundancy costs where staff are unable to be reassigned;
- The withdrawing partner will incur any other costs linked to their withdrawal, including any other redundancy costs and legal costs; and
- Should there be a dispute the withdrawing partner will be liable for the legal costs.

If a partner leaves the arrangement, then the remaining organisations will meet to discuss the viability of the operation, and whether it can continue.

## 9.7. Dependencies

The following table contains a list of major dependencies and the impacted activities.

Milestone or Activity	Dependency	Potential Risk
Shared Service staff can work at different locations	IT needs to enable remote working for all staff	The implementation may fail if IT cannot be accessed by the relevant staff at the relevant location
Agreement to proceed by Brent council	Approval of the business case to agree to move into the implementation phase	Without one or both parties the business case would not be viable.
Consultation is complete	Staff & union engagement is performed by councils in line with timescales	Lack of formal consultation could lead to failure to implement the new operating model
Agreement by Brent to allow Harrow to create LAN	LAN created in Brent	Difficulty in staff being able to work flexibly on other sites, and reliant on WIFI or 3G connections
Agreement by Brent to allow Harrow staff ERP access	User ids or accounts created in Brent to enable staff to access ERP	Inability for staff to process ERP transactions, or interrogate the ERP systems without local user access.

## 9.8. Risks

Major Risks have been captured in the project's risk register and assessed under Harrow Council's risk matrix. An extract of the Risk Register is included in appendix 6. The major risks are summarised in the points below:

- **Withdrawal of an organisation**  
Withdrawal of an organisation prior to the new operating model going live will lead to a significant revision of the design and the assumptions behind the business case.
- **Procurement Considerations**  
A failing in the PSS between Westminster and the Royal Borough of Kensington & Chelsea was where contracts were entered into jointly but held by one council, covered by an IAA<sup>29</sup>. When issues arose individual councils have found they were unable to deal with contractors directly. This has been remedied for new contracts, which are being let as frameworks with each authority having its own relationship directly with the contractor
- **Decision Making**  
There is a risk that decision making will be slower, especially for any decisions that require all partners to agree. In particular there will need to be agreement on how to

<sup>29</sup> Inter Authority Agreement  
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involve finance and legal reviews of tender/contractual documents for collaborative procurement.

- Inability to cope with the requirements of both councils  
There is a risk that the demand for procurement will continue to remain at current levels, ignoring the fact that the service is going through a transition. Stakeholder engagement and clear communications will be required across the both partner councils to reduce demand and set realistic expectations.

## 10. Summary by Council

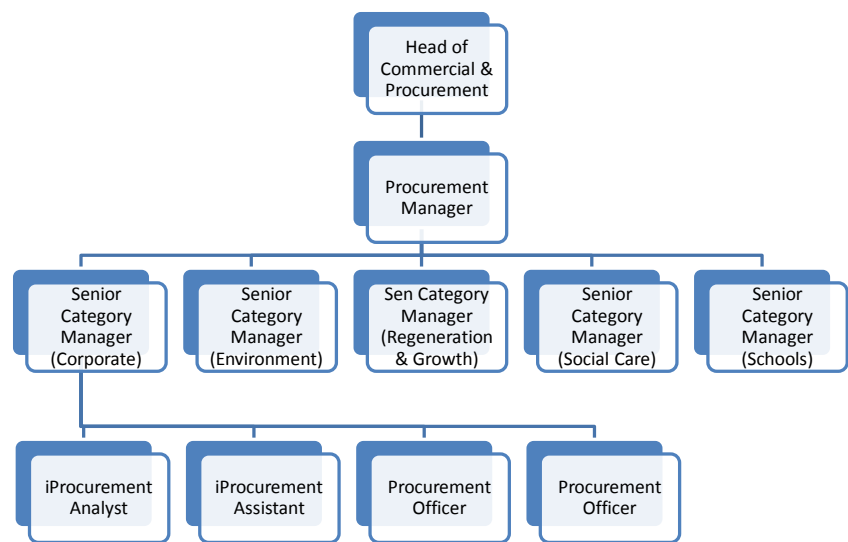
10.1. The table below contains the summary benefits for each Council.

Council	Future Shared Services
<b>Harrow</b>	<ul style="list-style-type: none"> <li>• £290k cost savings will be achieved over the next two years without having to make dramatic staffing cuts.</li> <li>• Access to a greater level of knowledge, information and professional network across the organisations. The Shared Service brings not only procurement and commercial expertise but with it commissioning and commercial exchange of valuable ideas and initiatives</li> <li>• Organisation will be fully staffed, with the recruitment into the new organisation being undertaken through an interview and selection process.</li> <li>• Increased resilience with a team that is larger than the current team size</li> <li>• Career progression will be clearer, with opportunities for promotion</li> <li>• Training will be available for staff, and will be encouraged to enable the service to be the best in its class</li> <li>• Significant opportunities to collaborate on procurement initiatives and able to align contracts.</li> </ul>
<b>Brent</b>	<ul style="list-style-type: none"> <li>• £270k cost savings will be achieved over the next two years</li> <li>• Access to a greater level of knowledge, information and professional network across the organisations. The Shared Service brings not only procurement and commercial expertise but with it commissioning and commercial exchange of valuable ideas and initiatives</li> <li>• Organisation will be fully staffed, with the recruitment into the new organisation being undertaken through an interview and selection process.</li> <li>• Increased resilience with a team that is larger than the current team size</li> <li>• Career progression will be clearer, with opportunities for promotion</li> <li>• Training will be available for staff, and will be encouraged to enable the service to be the best in its class</li> <li>• Significant opportunities to collaborate on procurement initiatives and able to align contracts</li> <li>• Becoming part of a commercial &amp; procurement team that holds the CIPS Corporate Certification Standard (one of only two Local Authority's in the country at the time of writing).</li> <li>• Becoming part of an innovative commercially thinking team.</li> </ul>

11. Appendices

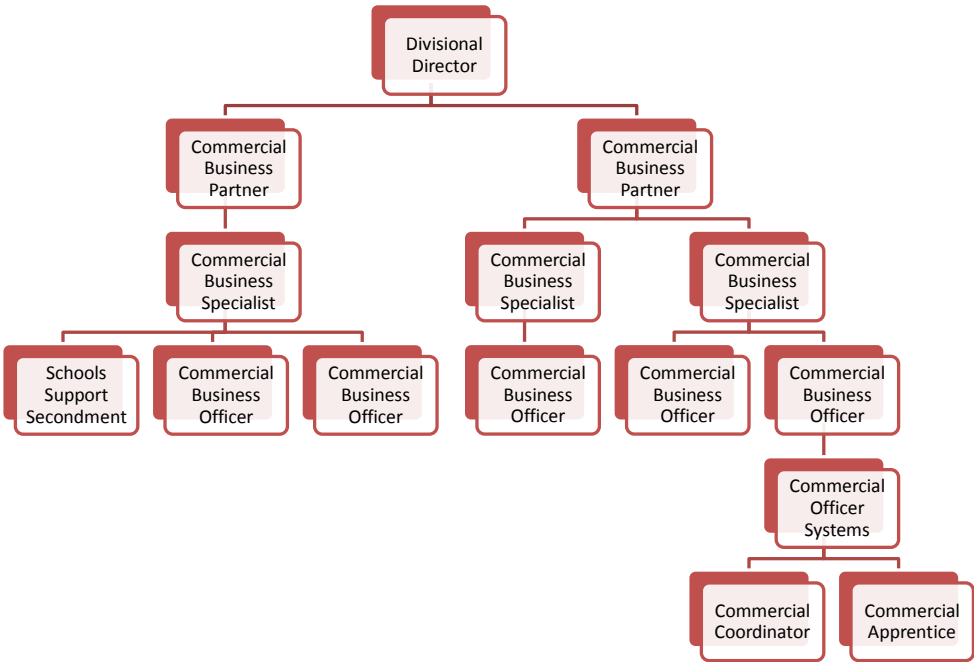
11.1. Appendix 1: Brent – Current Procurement Structure

**BRENT**  
**Structure Chart for Procurement Team**



11.2.      **Appendix 2: Harrow – Current Procurement Structure**

**HARROW**  
**Structure Chart for Procurement Team**





### 11.3. **Appendix 3: PSS Role Outlines**

- **Divisional Director, Commercial & Procurement**

Reporting to the Shared Services Management Board<sup>30</sup>, this post is pivotal to the success of the shared services arrangement. The Divisional Director will enable and drive a culture of best practice in procurement and commercial professional support. The Shared Services vision is ambitious and this role is fundamental to ensure this vision is delivered. This role will lead the team and oversee the strategic delivery of a procurement and commercial programme across the shared service.

- **Head of Procurement**

These roles will provide leadership, direction and management of the respective council's within the Shared Service's current contract, procurement and commissioning services, as well as playing a key role in leading the major contract re-provision programme and playing an advisory role for all other procurements.

There will be expectation to deliver measurable efficiencies in third party expenditure, professionalise and develop the procurement community, provide flexible and creative support to transform operations and achieve high standards of compliance with policies and processes.

- **Commercial Business Specialists**

Working closely with the service areas and supported by a team of Commercial Business Officers, a Commercial Business Specialist's role is primarily to understand and deliver a programme of procurement across the shared service. They will adopt a category management approach where possible to enable smarter and more efficient procurement and work closely with cross council teams. Additionally they will contribute in the decision making process by offering commercial and procurement expertise.

Commercial Business Specialist will effectively lead the delivery of procurement solutions ranging from £50,000 to multi million pound projects. This role will actively participate in the end to end process of the commissioning cycle i.e. Understand, plan, do and review.

- **Commercial Business Managers**

These roles will report to the Commercial Business Specialist and will be responsible for the day to day management of procurement support, both project based (tendering) and advisory. They will be responsible for increasing leveraged benefits and cost reductions through their professional support and advice in key procurement projects across the council's directorates.

This activity could range from low value to complex high value procurement projects and will include procurement in all areas of goods, works and services. They will also ensure compliance with the relevant Contract Procedure Rules.

- **Systems, Processes and Tools Manager**

The Commercial Business Officer - Systems and Processes role will be a key contributor to the success of the Shared Service, taking responsibility for the running and upkeep of

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<sup>30</sup> Naming of this Board is still to be agreed  
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systems and processes to ensure resources are delivered quickly, smartly and in a timely and sustainable manner.

The main focus of this role is to support the Shared Services team to provide a smart and seamless service through the use of modern technology and systems. They will be responsible for maintaining and improving the tendering process, contract management & financial information systems to produce strategic analytical management reports on procurement spend, social value expenditure data and contracts.

#### 11.4. Appendix 4: HR Considerations

The following table outlines some of the main HR issues that need to be considered throughout the process, along with Council specific responses.

	Harrow	Brent
<b>The proposed approach is for all staff to transfer (TUPE) to Harrow Council on 01/04/16 and then be formally consulted on the new operating model, interviewed and selected for roles that come into effect on 1st July. Assuming the business case is approved by Cabinets in January, what are the relevant consultation periods in order to ensure staff and unions are adequately briefed for each council?</b>	<p>There is no formal requirement to consult staff or unions in advance of the TUPE transfer of staff into Harrow from Brent.</p> <p>However good practice would be to inform staff about the transfer and any measures. Furthermore brief staff on the rationale for Brent joining, the fact that current jobs won't change until 30<sup>th</sup> June 2015 and that the current management structures continues until 30<sup>th</sup> June 2015. Stage 2 consultation meetings with staff and trade union reps on the proposed shared services TOM will take place after March 2015.</p> <p>It would be helpful to brief Harrow unions before April about the Transfer, any measures and identify who will transfer.</p>	<p>As mentioned in a previous email it is very difficult to answer this without knowing what Cabinet will finally agree; i.e. whether this is TUPE or a shared service. If TUPE, then we have to work with Harrow in transferring our staff on their existing terms and conditions. If it's a shared service, then staff will remain ours working collaboratively with the other two Boroughs.</p> <p>In the case of a TUPE transfer, then Harrow will lead on this working in conjunction with Brent to ensure the necessary information is received and the implementation date is met. There are no set consultation periods as such during a TUPE transfer providing both staff and Unions are consulted and especially on proposed measures but good practice would mean we would begin consultation as early as possible. There is however strict timescales in providing the Employee Liability Information to the transferee.</p>
<b>Can you confirm that it would be for Harrow to offer VR if appropriate after transfer?</b>	Needs agreeing	Providing this is a TUPE transfer then this will be up to Harrow as the incoming organisation. However, as part of TUPE and the commercial agreement, all three <sup>31</sup> Boroughs can decide how any redundancy costs will be covered if they are making staff redundant
<b>Are there specific union or staff briefings that are required for your organisation?</b>	See above – advisable as a courtesy for Harrow staff at this stage	As mentioned above, there are no specific consultation periods set out under TUPE but good practice suggests that we should start informal consultations with staff as soon as possible and again especially once the Cabinet report has been agreed in terms of next steps.

<sup>31</sup> This question was asked when there were three organisations in discussions to create the PSS  
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	Harrow	Brent
<b>(Bucks only) What is the implication of performance related pay on the current team? And how do we need to consider this in planning the way forward?</b>	n/a	n/a
<b>Can you confirm the process for how people will be assimilated into, or interviewed for, jobs in the new TOM?</b>	<p>This will need agreement between the parties. Whilst the interview/selection process is relatively standard, councils are likely to have specific policies around selection criteria, ring-fencing, pay protection and job matching. The approach will need negotiating between the three<sup>32</sup> parties.</p> <p>Harrow will apply the principles of the Managing Change Policy &amp; Procedure.</p>	<p>Again, until we have the final agreement the answer to this may change but if a TUPE transfer then it will be for Harrow to decide on this. However, there are strict rules to be observed regarding TUPE transfers and reorganisation</p>
<p><b>It is proposed that redundancy costs are incurred by the current employing organisation for a period of up to 12 months after the creation of the shared service.</b></p> <p><b>Subsequent to that the costs will be incurred by the shared service as a cost and shared amongst the partners in accordance with the Inter Authority Agreement.</b></p>	<p>This needs to be agreed by all parties. Legal advice will be required to create the IAA.</p>	<p>This will be subject to agreement.</p>
<b>If staff are assimilated into a position in the new TOM but the salary is either higher or lower than their current post in Brent what will happen to their salaries?</b>	<p>In the case of an individual taking a role at a lower salary, they will have protection for 12 months at their current salary, followed by 12 months at 50% of the difference. This will increase the staff costs where staff apply for lower paid roles. (The wage differential is limited to 20%).</p> <p>For staff taking a higher paid role there is no impact.</p>	<p>This is subject to any pay protection terms and needs to be discussed with Harrow.</p>
<b>OTHER POINTS</b>	<p>Other areas for consideration:</p> <ul style="list-style-type: none"> <li>• Travel cost differences</li> <li>• Car parking</li> <li>• Working hours</li> <li>• Flexible working arrangements</li> </ul>	<p>It's important that the nomenclature is correct throughout the process. My view is that the timetable and briefing paper is somewhat confusing and therefore will also be to staff. Subject to final agreement at Cabinet, the timetable and</p>

<sup>32</sup> This question was asked when there were three organisations in discussions to create the PSS  
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Harrow	Brent
<p>(Harrow staff up to G11 are on flexi scheme over 36 hours)</p> <ul style="list-style-type: none"> <li>• Staff on maternity and sick leave need to be included in the consultation</li> <li>• Important that HR reps meet with all staff in February<sup>33</sup> (on 1-2-1 basis) to understand individuals specific employment details (such as home working arrangements, part-time working)</li> </ul>	<p>briefing paper suggests there is an intention to TUPE staff across to Harrow and then restructure into a 'shared service', however, technically a shared service is a process alternative to TUPE so it's important that staff understand at the beginning that the proposed intention is to TUPE rather than enter into a shared service and then review, and therefore understand the implications which flow from this.</p>

<sup>33</sup> Assuming that Cabinet approve the business case in January 2016  
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## 11.5. Appendix 5: PSS Risk Register (as at 11/11/2015)

ID	Risk Category	Type	Risk Title	Date Identified	Source	Implication i.e. Time/Cost	Description (there is a risk that ...)	Owner	Likelihood	Impact	Rating	Mitigating Actions	Likelihood	Impact	Rating
1	Programme Delivery	Risk	Service Proposition	07/07/2015	RB	Specification	Different partners to the shared service have different procurement propositions, and the new service doesn't provide them all.	TB	C	3	C3	Develop a clear understanding of the services that will be provided and those that will continue to be provided by the boroughs. Ensure this is agreed by all parties	C	3	C3
2	Reputational	Risk	Partner leaving the service	07/07/2015	RB	Operational	A party to the shared service withdraws after 'go-live', leaving an oversized and relatively expensive service	TB	C	2	C2	Care needs to be taken in drafting the agreements to the shared service. Clear exit terms need agreeing up front	C	2	C2
3	Benefits	Risk	Redundancy costs	07/07/2015	RB	Cost	Redundancy costs could make business cases unachievable	TB	D	2	D2	Clear apportionment and assignment of costs needs to be discussed and agreed prior to commencement.	C	2	C2
4	Benefits	Risk	Other costs	07/07/2015	RB	Cost	Other costs are not agreed before the commencement of the service, leaving the potential for disagreement of how to reimburse parties	TB	D	4	D4	Need to be clear on the expected costs, both to set up the service and ongoing running costs.	D	4	D4
5	Resource	Risk	Staff recruitment	09/07/2015	RB	Operational	That all parties will need to be involved in the recruitment process for staff of the shared service, meaning the speed of creation of the shared service takes longer than predicted.	TB	D	4	D4	The project will need to be clear on the recruitment/appointment process and ensure all partners are able to input into it.	D	4	D4
6	Resource	Risk	Procurement strategy	09/07/2015	RB	Operational	Different procurement strategies may be required for each partner	TB	D	4	D4	In determining the activities that the service will provide, clarity will need to be given for those that are organisation specific.	D	4	D4
7		Risk	Contract Management		RB	Specification	Jane West (Interim bi-borough executive director of corporate services at Westminster City Council and the Royal Borough of Kensington and Chelsea) <b>What hasn't worked?</b> A number of contracts have been jointly entered into and some of these have not honoured the sovereignty guarantee. This has tended to arise where early contracts were held by one of the councils, with inter-authority agreements defining the relationship between the other two authorities and the contracting authority. When issues have arisen, individual councils have found they were unable to deal with contractors directly. This has been remedied for new contracts, which are being let as frameworks with each authority having its own relationship directly with the contractor	TB	B	2	B2	This needs to be considered when deciding on the new ways of working, ensuring any party can deal with the contractor.	B	2	B2
8	Resource	Risk	Organisation withdrawal	08/10/2015	RB	Cost	Should an organisation withdraw between now and 'Go-Live' then the baseline costs and future operating structure will no longer be valid. Significant reworking will be required	TB	C	1	C1	Ensure all parties are brought into the plan, agree on the future service provision and sign up to the business case.	C	1	C1
9	Cultural	Risk	Cultural change	08/10/2015	RB	Operational	A more standardised service will mean a different service being provided to directorates due to an inconsistent approach to procurement both within and across organisations	TB	C	2	C2	Work will be required to understand how procurement is provided currently, and then communications planned about changes will be planned	D	2	D2
10	Financial	Risk	IT	08/10/2015	RB	Operational	Staff in the new shared service (on Harrow systems) will not be able to access legacy systems without substantial costs.	TB	C	2	C2	Work is required to determine whether staff need to access legacy systems, and if so what workarounds are available, or how much additional cost will be suffered	C	2	C2
11	Financial	Risk	Pensions	12/10/2015	RB	Cost	The funds required to top up the pension fund significantly impact the business case and mean it becomes untenable	TB	B	2	B2	TB (from JT): if the numbers transferring are below 10 (which they will be for both Bucks and Brent) then it is treated as de minimus so we won't need to worry about this issue	E	2	E2
12	Programme Delivery	Risk	Legal & Financial Reviews	13/10/2015	RB	Time	Three separate reviews by internal legal and finance teams will be required before the business case can be taken to Cabinet	TB	C	2	C2	Determine how to manage this through the different sets of legal and finance teams of each partner	C	2	C2
13	Programme Delivery	Risk	Speed of decision making	13/10/2015	RB	Time	Decisions will be required from each organisation and turned round in a timely fashion	TB	C	2	C2	Agree the project board members and the frequency of meetings. Early identification of those items that require approval or stakeholder sign-off	D	2	D2
14	Resource	Risk	CPR's	13/10/2015	RB	Operational	One set of CPR's will not be in place by the anticipated 'go-live'. This will make for confusing procurement activity in the new shared service	TB	B	4	B4	Plan an activity to review the CPR's and processes as part of the implementation project or as a first activity as business as usual	B	4	B4
15	Programme Delivery	Risk	Knowledge of services	13/10/2015	RB	Operational	Staff in the new shared service will not have relationships with at least 2 of the organisations	RB	B	4	B4	Include an activity in the communications plan for new post holders to spend time with their new 'customers'	B	4	B4
16	Cultural	Risk	Process Change	13/10/2015	RB	Operational	All services in all organisations will receive a different service to that that they receive today	RB	B	4	B4	Be clear in the new processes and about who does what in the new shared service. This needs to be communicated to service areas as a whole and on an individual basis.	B	4	B4
17	Cultural	Risk	Expectation Management	11/11/2015	NM	Operational	The expectation from services (clients) will be higher than the service actually provided (either assistance or on-site presence). This could lead to significant complaints about how the service is failing.	TB	B	3	B3	Communication and engagement with the major stakeholders about the process of bedding down the new service, and be clear about the fact that the service has had significant cuts	B	3	B3