PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Prepared by

Rita Greenwood, Athena Programme Director &

Nadira Hussain, Athena Programme Manager

Contents

Appendices

Supporting Documents

Programme Athena: core supporting documents

Programme Athena: other primary documents

Introduction

… one common challenge is that progress on integrating IT has often been slow. In view of the different systems, their size and complexity this is not surprising… All the shared service arrangements are clear on the financial benefits they can achieve through more effective use of integrated IT.

*– **Services shared: costs spared?** An analysis of the financial and non-financial benefits of local authority shared services*, Local Government Association, August 2012

Programme Athena focuses on creating shared solutions for London public sector organisations, enabling them to recognise the opportunity and harnesses the ability to deliver significant efficiencies and service improvements for ICT-enabled support service functions such as Finance and HR. The programme is and will continue to be about extracting short-term and long-term benefits and the savings will be in terms of cash, efficiency and cost avoidance. The outcomes are substantial:

- Reduction in the number of systems and suppliers will result in reduced annual running costs and one-off costs;
- Solutions that are accessible to all London boroughs – providing flexibility for the state of readiness;
- Boroughs enabled to share back office staff so as to reduce costs, provide resilience and improve skills; and
- London sharing back office systems in the same way as other organisations across the country.

This means that authorities together can:

- Migrate to standardised vanilla functionality, reducing cost of change of future upgrades, for example, simplifying procurement controls.
- Share the cost of re-implementations, software, hardware and support.
- Introduce greater levels of self-service, consequently lowering the cost per transaction.
- Improve functionality and have leverage with the software houses to ensure the systems are as effective as possible.
- Consolidate systems, hence reducing support arrangements and costs.
- Introduce 'one version of the truth' through an interactive reporting suite.
- Combine with other authorities by making use of shared services functionality.
- Automate procedures.
- Create consistency of processes and policies, thus enabling sharing and resilience.

- Choose to change systems and have options on which systems to use.

This 'State of Readiness' guide has been developed to assist authorities to maximize these outcomes through:

- Learning from Athena;
- Understanding the opportunities;
- Understanding the challenges and risks; and
- Preparing for sharing.

Whilst the information this guide provides cannot cover every eventuality or question, it provides a raft of information and a starting point for authorities' discussions on shared services.

Background to Programme Athena

Programme Athena focuses on creating shared solutions for London public sector organisations, enabling them to recognise the opportunity and harnesses the ability to deliver significant efficiencies and service improvements for ICT-enabled support service functions such as Finance and HR. Its fundamental aim is to mobilise projects that radically reduce the
existing systems and costs through sharing and provide the platform for sharing back office functions.

Nationally all Councils have faced, and continue to face, relentless budget pressures. The Government's current and future spending plans – resulting from the worst economic global crisis in many decades – have a significant impact on Local Government finances, as they will for many years to come. With this in mind, Programme Athena has worked toward:

- *Reduced cost of ownership, efficiency and revenue savings.*
- *Improved ability to share services and achieve efficiency savings.*
- *Better comparators and more reliable management information to improve performance.*
- *Sharing scarce resources – both people* and *money.* It is essential to retain good staff and maximize capacity in local government to meet the challenges currently being faced by Councils.
- *Best practice processes.* Consistent, high-quality service is built on the implementation of methods constructed from the building blocks of best practice.
- *Improved resilience.* This comes from both standardising processes across all partners and creating skilled teams which can support all the partners.
- *Ending the duplication of effort and resources expended by all councils in undertaking similar work.* Athena illustrates how joint training, single sourcing and standardised documentation provide opportunities for more service efficiencies with less repetition.
- *Transforming our service offerings.*
- *Providing a catalyst for partnering.*
- *Establishing a regional model.*

Programme Athena was launched in May 2010 with a House of Lords luncheon attended by many members of the Society of London Treasurers (SLT). The resultant discussions at this event, along with the views of key stakeholders such as Capital Ambition, London's

Chief Executives and market itself, informed and influenced how the Programme was then initiated and mobilised.

Its two key themes have been:

- *Enabling through commonality* – Standardised processes, practices, definitions and policies, co-ordinated with best practice, will improve the quality and consistency of service provided. It will also enable consolidation and shared services.

- *Value through shared solutions* – Boroughs using the same system save through combining system hosting and support arrangements, as well as sharing development and upgrade costs.

When Programme Athena began, the ICT landscape across London consisted of 4 suppliers providing 28 finance systems, 4 suppliers providing 23 procurement systems and 4 suppliers providing 29 payroll/HR systems. London boroughs were often using identical systems, utilising the same modules differently, using entirely different processes to deliver common services and setting processes around systems, then applying them inconsistently or inefficiently. Authorities were not fully utilising all the modules available to them to service their core needs, nor were they getting the benefits and efficiencies available from fully integrated solutions.

Now the position is very different; authorities are working together towards shared solutions. This is being achieved by the joining up of groups of boroughs using the same suppliers of systems and promoting:

- Alignment of contract timelines and joint support arrangements;
- Using software in the same way;
- Sharing software systems;
- Changing processes and policy to align authorities;
- Sharing knowledge and working together; and
- Shared procurements.

Programme Athena – London's Journey (Fig.1)
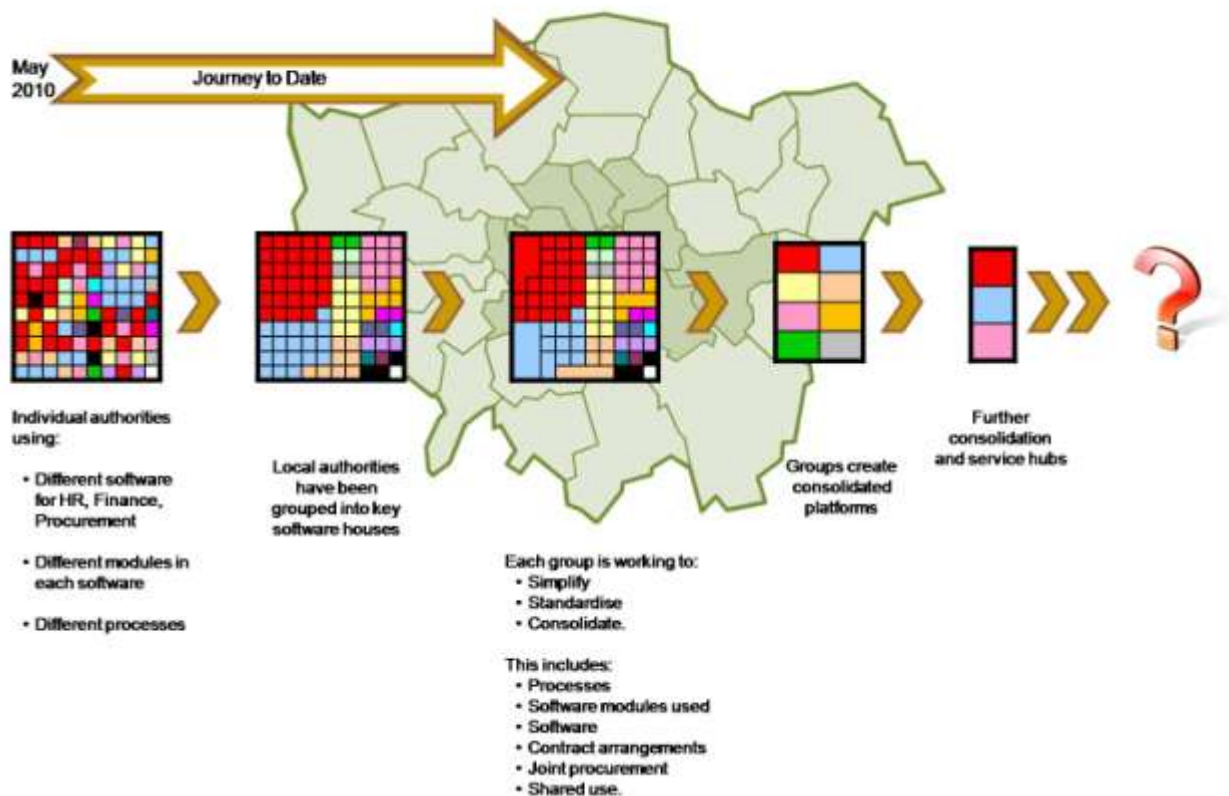
Key to its success was Athena's recognition of the fact that boroughs are at different states of readiness in their ability to move to shared solutions – a few may never want to be involved in shared solutions, and the shared solution may not be a single solution. The Programme has harnessed collaborative opportunities through:

- Creating efficiencies both in the short- and longer-term;
- Seeking solutions to the complexities that will need to be overcome; and
- Co-ordinating, supporting, brokering and driving activities in order to ensure that boroughs are on the journey towards the common collective vision.

It has created a platform for further transformation across London and beyond. It has generated a momentum to reduce the number of systems and cost of ownership. It is enabling the facility for shared back office functions, which is the biggest prize. Studies have shown that these collaborations bring results not just from the financial savings but also from improving resilience, ensuring best practice is in place and enabling excellence in skills and training.

By 2018, we envisage that the convergence will have continued with boroughs able to access and choose from a smaller number of best practice, value-for-money shared

solutions that are designed to drive down costs, e.g., transaction-based pricing. Boroughs will not be prohibited by past investment decisions nor local customised practices and will be able to select from:

- Outsourced services, including systems provision; or
- A few shared solutions provided by London for London.

Understanding the context and the challenges

The Programme recognises that there are already a significant number of initiatives either established or in train across the boroughs, meaning that the authorities are at different states of readiness to participate for a number of reasons. These include the limitations of the current systems being used, the justification for and cost of change, and their states of readiness. Some may also never want to be involved.

Currently, most authorities have a number of systems supporting these functions. There are well over 100 different systems from a small supplier base in existence, all being used differently. These systems:

- Are invariably procured on the basis of perpetual licenses, hence are an asset in which the authorities have invested.
- Are supported via external contracts. The contracts are either specific or part of a larger contract covering other aspects of IT, and the contract end dates range from 2012 through to 2020.
- Are integrated with a range of specific legacy systems and interfaces within each authority, some of which are bespoke.
- Have cost variations which, for the lower-cost systems, means that justifying the costs of transition is more difficult, so a different convergence strategy is needed.
- Include workflow processes which differ depending on the software.
- Include different modules (generally 30 or more exist, ranging from cash reconciliation to general ledger) and authorities are using these modules to varying degrees.

It is valuable to note that:

- Even where there is the same software, there are different versions being used and authorities all having varying degrees of customisation.
- Even where the same version is being used, the exact configuration and workflow processes (several flavours of vanilla) will depend on which service integrator was used and if one has been used.

The boroughs in London:

- Have all invested significant sums in existing systems, be it hardware or implementation cost, as well as ongoing upgrades and developments.
- Have invested in training their employees on the use of the solution and processes, as well as skilling up their local support teams.

- Are clear that changing systems is a big commitment with a significant transition cost, both financial and non-financial, as evidenced by the fact that very few boroughs have changed software in the past unless they have no option.

- Need to understand the financial savings possible, which is based on a reasonable level of certainty.

- Have local circumstances including integrated legacy systems that will need to continue until the cost benefit of changes can be proven.

- Are currently taking actions to deliver efficiencies themselves through system optimisation at a borough level, e.g., internal shared service, increased use of self service, etc.

At a more detailed level, consideration will need to be given to:

- Differences organisationally, e.g., local procurement approaches.

- Getting a reasonable return on investment.

- Dealing with different levels of costs and benefits for each borough.

- Where identity and control must be maintained.

- How compromise is reached, e.g., whether an honest broker should be a part of resourcing arrangements to help overcome barriers and issues.

- How communications and engagement within the boroughs is managed and promoted. Cascade of information does not always happen through organisations – this can be mitigated by a wider circulation or ensuring that more operational people are also covered in the circulation.

- How relationships and trust are built through peer groups. People must not feel this is being done *to* them but instead feel that they are being involved and engaged, i.e., having the ability to influence.

- How to understand the complete cost of ownership and be able to identify costs and where these for example are sunk costs, part of bigger contracts or part of someone's job, or on a shared server.

- Balancing detail versus progressing – too much detail can mean that the end is never in sight. Clear leadership is required to strike a balance.

- Where data-gathering is required, it has worked best when this has been piloted in the first instance as this prevents different interpretations when collating information.

- How to garner advice on procurement and legal aspects, to avoid the lack of information becoming a barrier.

- Keeping sight of the long term; ensuring the ability to continue to converge is maintained in the most effective way.
- Governance arrangements which are flexible but accountable.

To achieve the final aim of deploying fewer but shared solutions, the following are involved:
- Reducing the software systems in use;
- Changing processes and policy to align authorities;
- All boroughs using the designated software in the exactly the same way;
- Accommodating the differing contract timelines;
- Maintaining oversight of the longer-term convergence opportunities.

Those boroughs not convinced or not inclined to invest now may not be seeing the bigger picture. It is important to consider how difficult it will be to respond in a few years' time when groups of boroughs are on the same system and, as a consequence, have managed to share back offices and achieve further savings as a result.

Understanding the strategic drivers and outcomes

The main strategic drivers can be:

- Reduced cost of ownership through shared hardware and support;
- Procurement leverage through consolidated procurement of systems and licenses;
- Ability to share back office services;
- Improved capability through shared services;
- Better comparators and more reliable management information;
- Best Practice processes.

Examples of shared local drivers include:

- *Efficiency and revenue savings.* All authorities have the need to find solutions to budgetary pressures within their strategic aims and ambitions.
- *Sharing scarce resources (people and money).* It is essential to retain good staff in local government to meet the challenges currently being faced by councils.
- *Improved resilience.* All councils lack capacity and resilience to respond to peaks in demand or absence of staff.
- *Reduce reliance on expensive external resources.*
- *Up-to-date systems at a reasonable cost.* Systems cannot stand still and need improvement or upgrades which individually can be expensive.
- *Avoiding duplication of effort.* All councils undertake similar work, thus creating duplication of effort and resources. Joint training, single sourcing and standardised documentation also provide opportunities for service efficiencies.

Overall, the way forward can be considered against criteria which have regard to the drivers and outcomes wanted and are prioritised accordingly. For example:

- Cost
- Efficiency and revenue savings
- Sharing scarce resources
- Improved resilience
- Best Practice processes and better comparators
- Avoiding duplication of effort
- Ability to share services and increase capability.

Understanding your organisation

It is important that there is a clear understanding of the organisation, as these will influence any key strategic decisions being taken. This includes:

- The Culture of the Organisation – The primary considerations for any organisation are the appetite to accept and undertake change initiatives and related activity and the attitude to risk.

    - If the organisation is one which has a low appetite to both of these factors, then it will largely maintain the status quo and demonstrate no willingness to make changes to the current environment.

    - An organisation that exhibits a mediocre attitude towards change initiatives and risk will want to explore different options and give some consideration to 'doing things differently'.

    - A trail-blazing organisation will typically want to have the opportunity to develop policy and practice and want to influence the outcomes, nominates itself for new initiatives readily and wants to lead the adoption of new tools, techniques and technologies.

The culture of the organisation dictates the receptiveness and response to change activity. It will usually permeate the make-up of the organisation and will be the result of the political mandate and the officer protocol in the case of local government.

- Control/Governance Preferences – The means by which an organisation is governed is dependent upon the adoption and exercising of the political/officer protocols and the governance arrangements that have been established to deliver public services to a given community or locality.

    Local authorities are similar in terms of the responsibilities that they are required to fulfil on behalf of the community they serve – there are, however, variations to the governance structures that are adopted to deliver these key services and to the level of control and sovereignty desired.

- The ICT Strategy – Through the existing technology landscape and its strategy for the future, it is possible to understand and compare the ICT-related requirements of the new environment and determine whether the current set-up will allow for the change to be accommodated – for example

consideration of interfaces, hosting options, how the service is provided – cloud, software as a service (SaaS), etc. The strategy needs to include:

- How it links with future direction, e.g., a much smaller commissioning council may require a simpler system arrangement due to its size;
- Maximising functionality and use of modules; and
- Maximising business intelligence.

See Appendix A: Strategic ICT principles – this guidance provides an overview of the key issues that require consideration in establishing ICT principles.

- <u>Shared Service Strategy</u> – What level and type of shared service is the authority prepared to adopt? The strategy will be dependent on the environment, culture and political views of the authority, as well as the appetite towards accepting and adopting business change and the associated risk, i.e., transactional capability or more functional or service-based adoption. Any shared services strategy must understand and recognise that shared systems are a core enabler. As such, whilst financial benefits are achievable from shared systems, the bigger prize is in the shared services. Hence, being clear on the approach on shared services is an important consideration to factor in, even if this might be a medium- to longer-term plan.

- <u>Outsourcing Principles</u> – Under what circumstances is the organisation prepared to outsource? Successful implementation of an outsourcing strategy has been credited with helping to cut cost, increase capacity, improve capacity, improve quality, increase profitability and productivity, improve financial performance, lower innovation costs and risks and improve organisational competitiveness.

Understanding the Total Cost of Ownership (TCO), current cost and performance

For an organisation to justify shared systems and services, as well as considering different systems and ways to deliver services, there is a need to be able to compare the performance and efficiency of services across different authorities. There are a number of services which all authorities deliver, but – prior to Athena – there was not a corresponding understanding of performance and cost against those common processes across London. Reasons for this include:

- Following 'go live', many services would move to a 'business as usual' setting without ever setting a baseline of performance.

- There is not a comprehensive way to measure performance and then to be able to objectively compare where authorities sit in relation to it. Through the use of benchmarking clubs and the National Indicator set, we were moving in the right direction; however, there has been feedback that both those two systems have some limitations.

This is why Programme Athena has developed methodologies for both Total Cost of Ownership (TCO) and Metrics which will be fit for purpose and will enable valid and credible comparisons to be made without significant levels of administration. The overriding purpose of these has been:

- To provide robust and consistent comparators of the cost and performance of back office services

- To establish a clear understanding of the costs and benefits of different arrangements in the back office systems in order to make informed strategic decisions on system strategies and

- To provide the opportunity to continuously review and improve the performance of core services, functions and operational requirements.

- To give decision makers the information they need to make decisions about services.

Clearly, through this information:

- A baseline can be provided from which information can be built for key decisions;

- *Service managers and decision-makers can see the performance of specific systems and functions, instead of just overall costs;*
- Catalysts are provided for authorities to review processes where performance and cost are different;
- There is transparency of information in areas being considered in shared services and allows for a shared and consistent information benchmark for authorities;
- Collaborative working can be supported.

The metrics on its own provides important data. When utilised together with TCO, authorities should have significant information with which to support business cases if required and assist in making robust decisions about shared services and their possible options.

The common metrics' focus is on the core support areas of Human Resources, Finance and Payroll. The metrics that has been selected represents a dataset that mirrors real-world performance and is also important to local stakeholders. Metrics has been established to compare, in a consistent manner, the costs and performance of each of the core back office functions across authorities. These robust and consistent comparators of the cost of back office services support boroughs as it is essential for boroughs to understand the benefits that can be achieved from sharing, as well as understanding the cost and benefits of different arrangements in the back office systems. The suite of metrics, along with gathering templates and definitions, can be found in the Programme Athena Metrics booklet.

Understanding the total cost of ownership of each of the main proprietary systems in a consistent manner is seen as essential in enabling boroughs to make informed strategic decisions on system strategies and understand the cost and benefits of different arrangements in the back office systems. Athena's TCO methodology and template have been developed in a concise format for councils to be able to compare "like for like" costing of their back office services. This exercise has been developed to support work that may already be taking place within a given authority, and as such it may provide a tool for capturing baseline costs – especially helpful if an authority is transitioning to a different delivery method or system configuration for the HR, Finance or Procurement system. If a state of change has already begun, then it may be more beneficial to baseline the 'to-be' systems and support structures rather than existing / previous costs. Further details can be found in the Programme Athena TCO booklet/paper (Supporting Document 3) . This also

includes the explanatory text and the template used for collating the information, accompanied by the description of the details required.

In the longer term several models will exist in London, for example:

- Outsourced single boroughs including services;
- Outsourced multi-borough including services;
- In-house multi-borough shared service – Oracle.

This will provide a good opportunity to understand the cost of different service models across London as well as the potential impact of outsourcing such things as transactional processing. The metrics and TCO methodologies will provide consistent formats to compare.

What are our options (and what should we bear in mind when considering these options)

Very generally, the options are as set out below:
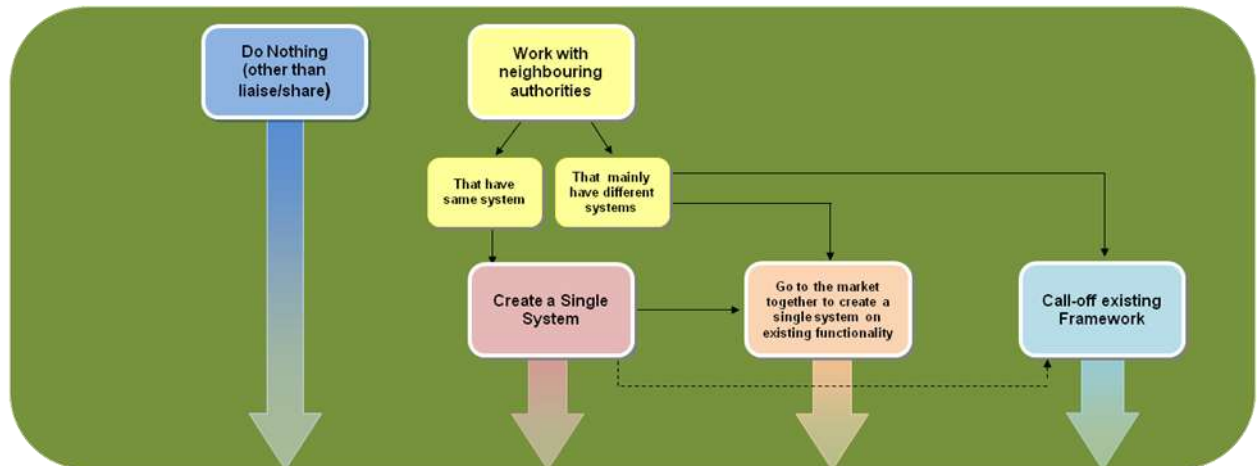
Options (Fig. 2)

Issues to consider include:

- Cost of Setup;
- Transition Costs;
- State of Readiness;
- Change Level.

Whilst the subsequent benefits to evaluate include:

- Avoiding Duplication;
- Efficiency and Revenue Savings and Cost Avoidance;
- Sharing Resources;
- Improved Resilience;
- Best Practice Processes and Better Comparators;
- Ability to Share Service.

Maximising your current system and processes

Despite often delivering the same services and using the same system, processes vary greatly between organisations. Through workshops, a number of authorities have been able to review their processes against those of others using the same system and identify improvements that can be made. These networks mean that staff are proactively asking for and sharing information. Discussions have taken place on different processes and procedures. This is improving skills and knowledge, as well as helping to manage suppliers and improve the use of the systems in place. With these opportunities to compare, boroughs have also been able to have evidence to support internal change required. The real example of a number of boroughs agreeing to undertake a process in a certain way is a compelling case for bringing about change internally.

Establishing standard and consistent processes for the HR, Finance and Procurement functions will be extremely beneficial for all professionals, users, the community, etc. T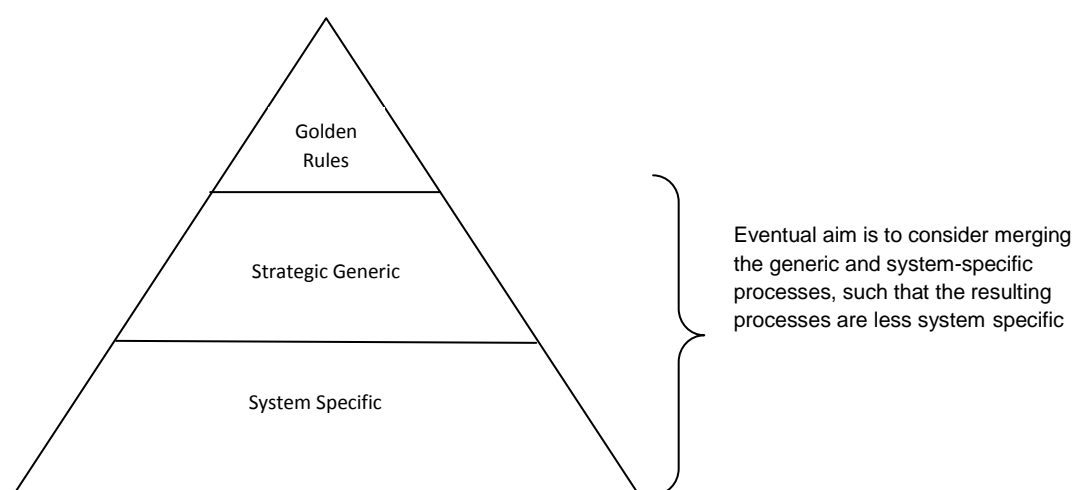he success of this initiative will also create a wider opportunity to prepare standard process blueprints for other public service functions. Other benefits that will be accrued through creating standard generic processes are:

- A set of processes that can be used in a consistent manner, regardless of which software / system is being used in an environment – this will prevent the level of system customisation that is currently apparent;

- A reduction in the transition costs that are incurred by authorities when they choose to change systems – the standard processes will ensure that there is an immediate fit, regardless of the system selected;

- An opportunity to share resources to support systems and the delivery of these back office functions;

- Greater resilience and continuity through the adoption of these standard processes – if an authority is unable to deliver a specific process or function, it can request that the requirement is met through a neighbouring borough;

- Building on the point above – the concept of true shared services will enable the highest level of cost savings to be achieved through sharing of technology, process and people.

Through the networks, 'Golden Rules' that support strategic processes have been devised for Finance and will be considered for HR. The Golden Rules support key activities: aligning processes across boroughs, promoting convergence and assisting in transition. These are available as separate documents and can be used to review and support existing processes at an authority level, as well as provide a basis for changing processes moving forward.   The aim is that these Golden Rules, as adopted by others, will help support future convergence.

How it moves forward

Golden Rules

Strategic Generic

System Specific

Eventual aim is to consider merging the generic and system-specific processes, such that the resulting processes are less system specific

Moving forward (Fig. 3)

In undertaking this work, more general opportunities for improvement have been identified to improve existing processes by identifying common failings. These are summaries in the table below and more detailed information can be found in Appendix B.

Implications of common failings found in processes (Table 1)

Common Failings	Implication
Over-reliance on Excel spreadsheet to supplement the SAP processes (particularly for accounting)	Multiple versions of the truth, held locally
Poor reporting from the system, both in standard and Business Intelligence reports	Leads to greater use of Excel, reduces the effectiveness of the system and discourages the end users
Overly complex master data maintenance	Leads to excessive time required to maintain master data and makes it more difficult to ensure data is always up to date
Poor user interface	As it is not intuitive, it leads particularly for infrequent users to them making mistakes or regularly requesting help
Software versions are not up to date	Users unable to access current functionality
Poor use of Scanning solution	Insufficient AP invoices are processed automatically
Too much manual intervention	Manual checks and records being held, e.g., manual records of establishment held by each service, and a lack of automation
Insufficient process housekeeping	Commitments carried over for several years, requiring manual adjustments for reporting and year end Organisational structures out of date, therefore establishment costed wrong in SAP and hence information and intelligence is poor
Processes not being managed consistently	Differences in the way purchases for similar services are made Different reports used when conducting budget review

Considerations in changing systems

As a first stage, it is worth assessing why this is being discussed:

- What are the issues?
- Do you understand what you have already, where you're not making best use of functionality or where processes are inefficient?
- When did you last check the total cost of ownership of your system arrangements – and compare with implementing and using an alternative?
- If you need additional functionality, have you considered all the alternatives and not just what is available from your current vendor? Best of Breed packages (for example, budgeting and forecasting) can be integrated with existing systems quickly and cost effectively.
- Have you spoken to other customers of the solutions you are using to see what options they would consider from their current or other vendors?
- How willing and able are you to change your processes to fit the chosen solution?
- Do you want a single solution or a fully integrated system that predominantly draws on a single system with capability to interface to third party solution or a system that draws on a number of systems integrating them?

As a second stage, it is important to understand the appetite for changing systems or staying with the same system.

Characteristics of system choice (Table 2)

Characteristics of staying with the same system	Characteristics of changing system
Eliminates requirement for full end-user re-training and reduces change management costs;	Full system re-training by end user (with associated training cost and time implications) – how many will need to be trained and could the organisation cope?
Support team requires less retraining or up-skilling than the alternatives owing to knowing the existing system;	Extensive change management for new processes and new systems;
Existing interfaces to and from line-of-business systems can be reused;	A bedding-in period before efficiencies are realised;

Characteristics of system choice (Table 2) continued

Characteristics of staying with the same system	Characteristics of changing system
▪ Change management can be focused on process improvements, not system familiarisation; ▪ There is short bedding-in period before benefits should be realised.	▪ Considerable re-skilling of the support team; ▪ Interface builds to existing line of business applications; ▪ Leadership commitment.

If the aim is still to change systems, the organisation should consider and prioritise the following factors to assist in selecting another system:

- Do you want a single system for the end user, e.g., similarity of screen?
- If not a single system, do you want proven experience in system integration?
- Some will have Local Government best practice templates.
- Some will use advanced mobile apps.
- Should the functionality of the solution be expanded, maintained at the current level or reduced just to the core modules?
- If the intention is to expand usage, this will remove some of control from individual managers to select their solution of choice; therefore, strong governance is required along with a business case to justify this.
- Do you want a system that is responsive to LG needs, rather than being a mixed-sector supplier?
- How do you want to deal with provision of updates in areas such as statutory reporting, e.g., as part of standard maintenance package?
- Potential implementation cost and what level the organisation is prepared to incur.
- Level of on-going running costs, as these can vary from £550k to £1.25m.
- What are your reporting capability requirements?
- Do you want to have 'key once / use many times' capability?
- Do you want the systems developed as a whole, or are you content for different elements to develop at different speeds?
- Will you want system specialists?
- What is the ability to retrain or up-skill for a change?
- Level of end-user training and change management required.
- The ability of the organisation to cope with change management.

- What is the risk appetite of the organisation?
- Cost and implications for changes to existing interfaces to and from other business systems.

Overall it is important that:

- Key stakeholders are aligned to the proposals.
- The customer experience is considered along with whole organisational impact.
- What can be achieved that is non-system related is considered.
- Senior managers take responsibility and lead the project.
- The organisation and project remain focused on the outcomes wanted.

What are the benefits?

The degree of benefits for each authority will depend on its starting position. Some boroughs may feel that they can achieve similar savings by individual negotiation. However, this will only cover some elements and savings through sharing costs on upgrades, maintenance and hosting of single platform will not be possible. The biggest prize of all is what is possible after system convergence, i.e., a shared back office and the various additional benefits that then accrue.

Programme Athena has four stages of benefits. The four stages of benefits realisation have come about as a clear indexing tool for both benefits realisation and overall project delivery and planning. Using four, simple-to-understand stages, the authorities should be able to better coordinate activity but also understand what savings are being delivered and where there might be opportunities.

Programme Athena's Four Stages of Benefits (Fig. 4)
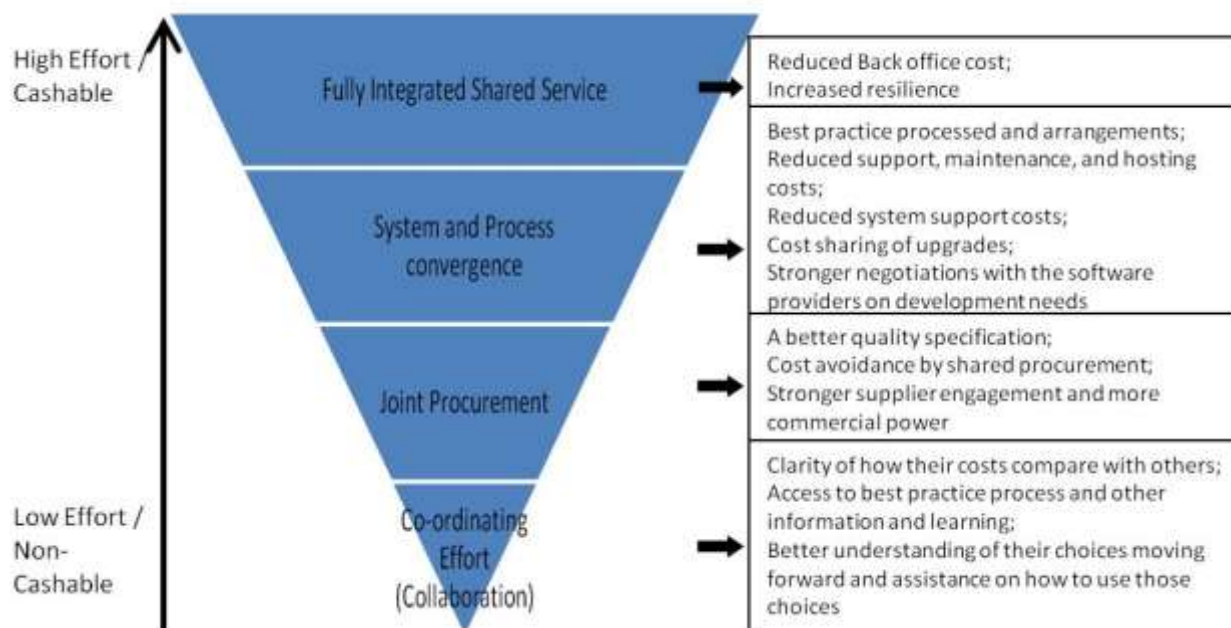
Stage 1: Coordinating Effort/Collaboration
- This is the initial stage and boroughs are just beginning to work together and share basic information in mostly operational contexts. There is information sharing on common systems issues and layouts, with work

carried out to determine some of the differences in the boroughs' use of the same systems.

- A key activity during this stage can be building the business case for moving to shared service or participating in a joint procurement. There is considerable work that needs to take place between boroughs to better understand their goals from the procurement and future plans.

- This stage is also characterised by a significant number of non-financial benefits, such as information sharing and networking, although these are the enablers for further stages' savings:
  - Information sharing and comparing;
  - Solution sharing for common problems and issues;
  - Availability of a critical friend and broker;
  - Alignment of processes;
  - Business and system personnel networks;
  - Supplier management.

Stage 2: Joint Procurement

- This is the first stage where the boroughs are working together on an operational task. There will typically be a lead borough on the procurement, however each member will need to be significantly involved in the development of the procurement specification. Often boroughs will post staff to a project team or there will be different functional leads from each of the participating boroughs.

- As the business case for change has been signed off, this will be when the group determine their procurement approach and engage the market. By working together there is significantly more buying power, and boroughs can leverage a much larger pool of people and expertise.

- The greater buying power also gives boroughs the opportunity to be more flexible about how they setup the systems, or how services are delivered, as the risk is not borne by just one authority, meaning councils can make greater use of shared legal advice and procurement best practice. The savings as this point include:
  - Shared officer time, cost and ability to source expertise;
  - Better design and specification documents;
  - Increased engagement from suppliers;
  - Combined buying power of multiple LAs;
  - Supplier management.

Stage 3: System and Process Convergence

■ Once the group have moved to this stage, they will then begin to more closely align both their systems and processes to facilitate the move a single shared system or instance.

■ This stage sees significant work on agreeing common processes and metrics that all the authorities will utilise. Work will also take place to phase out legacy systems that will be replaces in the shared service or understanding new functionality that is in the shared service that may not have been available previously.

■ As systems are aligned and services begin to be delivered jointly, there will be an increase in cashable savings, but also non-cashable savings like increased productivity and reduced rework or pre-work. This should include:

  □ Reductions in cost of ownership – current and future;
  □ Simplified and standardised common processes;
  □ Increased resilience;
  □ Opportunity for common metrics, comparisons and better business intelligence;
  □ Enhanced system utilisation and optimization;
  □ Better utilisation of modules purchased;
  □ Opportunity for Shared Services.

Stage 4: Fully Integrated Shared Service

■ This final stage is where boroughs have moved to fully sharing services in possible service hubs. This means boroughs actually working together seamlessly to deliver a unified shared service. What is important about this stage is that the benefits from the Shared Service are scalable; a shared service between boroughs in one group will deliver the benefits of a Fully Integrated Shared Service, however the benefit of two groups coming together and then forming a shared service will be greater.

■ The effort increases up to the last stage, as once the process and systems have started to converge, there may be separate issues like governance, trade union concerns and physical location that will be unique to that group only. Each group will need to overcome their own obstacles, as Athena will only be able to provide support and best practice.

- However, there is a marked decrease in effort at the end of the stage as the shared service and governance is established and embedded. The organisation has new best practice processes and the systems to support them, which significantly reduce the effort and resources. The benefits cover:
  - Reduction in on-going total cost of ownership;
  - Improved productivity and reduced transactional costs;
  - Support capacity released throughout the organization;
  - Increased resilience;
  - Enhanced system optimization;
  - Clearer, easier-to-follow processes, better supported by the system;
  - Ability to generate income;
  - Increased access to business intelligence.

In order to understand the level of benefits that can be achieved, Programme Athena has developed a Benefits Book summarising information from empirical and project business cases.

Learn from the market

In the early stages of the project, the market was consulted and, in summary, the views at that point were:

- Shared market view that this is achievable but that there are different ways to consider making the journey.
- It is very ambitious, and hence there will need to be early credibility and a firm belief it will happen.
- Managing the cultural issues within each organisation is essential for success.
- Clarity on the business solution and capability desired is fundamental to putting together a coherent specification.
- The adoption of best practice processes / common process across London is essential if efficiencies are to be achieved.
- Must have a strong governance structure and clear change management policy in place to manage the programme.
- Time and cost to all parties are important things to consider when developing the approach, e.g., procurement, design, etc.

It is important to understand the market interactions and that these do differ depending on the circumstances. There are:

- Software suppliers for which the tier-two providers will also undertake implementation and upgrade work;
- System integrators for the tier-one ERP arrangements, who will be used for implementation and reimplementation of SAP and Oracle;
- Suppliers who host and maintain the system;
- Suppliers who manage all ICT arrangements for a borough, including these systems.

The market has been helpful in informing and moving the Programme forward. Discussions with the market are invaluable sources of information to inform the way forward both individually and as a group of authorities.

Things to consider in any procurement approach

There are a number of considerations in any procurement approach, being mindful of flexibility and convergence opportunities. Any procurement approach should consider and have regard to:

- Boroughs have different contract end dates, and hence any contracts will need to allow for this;
- As a result of some legal challenges, there are debates about how boroughs should be named and the level of engagement from these boroughs in the process;
- Some boroughs are considering whether to change systems or may want to change systems at some point in the future;
- Some boroughs are undertaking other strategic activities that are integrally linked, e.g., outsourcing.
- Frameworks can be priced higher than a contract given that there is no guarantee of the work;
- A framework is normally for 4 years, however contracts called off will need to be longer that given the investment; there are differing views as to whether, for example, a 7-year contract can be called off in year 3 of the framework, however it does appear possible to do this.
- We need to plan for subsequent retendering given that boroughs will be sharing systems at that point and will need to continue to do.
- The Government Procurement Service (formally OCG / Buying Solutions) has a framework.
- The market and suppliers need to understand the approach and not be confused by our approach.

There is legal advice that where licenses were bought in perpetuity an authority can be specific about the system.

In devising a procurement strategy, it is also worth having regard to specific learning:

- Ensure that resources are focused on delivery of a solution that achieves the overall aim.
- The nature of the services to be provided includes design and intellectual services, which may not be established with sufficient precision to permit the award of the contract by just using the open or restricted procedure.

- Ensure clarity for the market on the potential scope of the contract by actively seeking authority's agreement to be named and differentiating between those:
  - Confirming that they want to be named and be actively involved in the project, including agreeing the specification and the valuation. This will generally mean that they will be a party to the contract being awarded and are committing to procuring through this route.
  - Confirming that they want to be named in order to keep this open as an option.
- Ensure clarity from the very beginning about expectations and involvements from all parties in moving forward through a Memorandum of Understanding setting out roles and responsibilities along with engagement.
- Carefully consider the contract length as it will need to allow for all authorities' contracts under that arrangement ending at the same time. The length of contract will need to allow for adequate return on investment. If authorities' contracts end at different times and subsequent procurement exercises award to a different supplier(s), the convergence achieved becomes "undone" and authorities remaining may also be faced with higher costs.
- Any subsequent procurement should be based on a contract being procured by the group of authorities using the system for the same contract period with a further potential iteration of those wanting it as an option, as this then consolidates convergence of those authorities and should achieve a better value-for-money solution.
- For clarity, any contract should:
  - Be capable of establishing a pricing mechanism on an individual-authority basis and as a shared service involving multiple authorities.
  - Ensure that authorities' obligations on issues such as sustainability, information governance and security, TUPE and Code of Practice on Workforce Matters are being met.

Who are the stakeholders?

Stakeholders and their roles (Table 3)

Stakeholder	Type of Role
Programme Athena	- Definition of Vision. - Understanding of the vendors' capabilities. - Defining the overall business case. - Providing the direction and leadership for the boroughs.
Elected Members	Need to understand the arrangements being made along with the financial and human impacts.
Chief Executives, Board of Directors and Senior Management	- Promote the vision and its implementation within their authority. - Make resources available to form the team and backfill positions where necessary. - Champion the process changes that might be needed as a result. - Be keen to obtain cost efficiencies and improved service resilience and service innovation.
Employees directly affected	- Will be at risk of redundancy or TUPE. - Must be satisfied that their hopes, fears and ideas are being listened to and acted upon. - Opportunity for wider skill use and development. - Possible change from back office to a more operational role.
Employees indirectly affected	- Will also be keen to understand changes to them, for example the use of self-service tools and record keeping. - Will be concerned about any adverse effects to service during the transition period.
HR	Ensuing there is the appropriate dialogue and that all the personnel changes are undertaken in a complaint manner.
Unions	Concerned for the welfare of staff throughout the transition to the new service.
Press / Media	May be interested and should be kept informed of the saving being made and the impact in helping to maintain key service.

Stakeholder	Type of Role
Suppliers	▪ Relationships will need to be maintained with suppliers of existing business applications for availability of historic data and / or for the development of interfaces with the new system. ▪ Any changes made to the way suppliers are paid must be to the benefit of this stakeholder group (e.g., electronic invoicing may be good for larger companies but must ensure the smaller businesses are not excluded).
Public	▪ Interested in cutting down bureaucracy and keeping Council Tax as low as possible through cashable savings and efficiencies. ▪ Reducing the impact of funding cuts on front line services.

Governance considerations

Overall

Good governance depends upon well-defined principles, organisation structures, policies and processes. Clearly defined roles should be assigned the authority to complete designated tasks to specific outcomes. In the case of shared services, it is also important to identify clear boundaries between organisations as end–to-end processes will span both providers and customers. Governance arrangements should:

■ Be as simple as possible, to avoid becoming unwieldy and costly to administer.

■ Be transparent and open to ensure that all relevant parties can be assured that the shared system or solution is being governed appropriately.

■ Be able to prioritise.

■ Support customers in demonstrating the value for money of the services they receive.

■ Support the set-up in both on-going business and the take-on of new customers (if need be).

■ Provide different forums to reflect the different interest groups, including strategy, business development and user experience. Each forum will need clear terms of reference.

■ Provide the mechanism for brokering decisions and resolving disputes between the various parties involved.

A governance process needs to consider:

■ How the system/solution/partnership will function;

■ How the services will be delivered, monitored and managed;

■ How changes will be managed;

■ How resources will be managed.

The Governance must cope with:

- Changes to the partnership;

- Day-to-day management and change management;

- Forward planning;

- Resourcing issues;

- Sharing of liabilities and costs;

- Indemnities and insurance;

- Dispute resolution.

Governance arrangements must therefore change form as a project progresses from planning to implementation and, ultimately, going live.

Various models for shared services can exist, including the following:

- Informal arrangements – which may be appropriate for matters such as specific initiatives with limited financial impact, knowledge sharing or temporary arrangements to cover an immediate problem;

- Shared appointment / secondment – a model which has been used to share senior management teams across two (or more) authorities, but which may also be a way of achieving wider collaboration objectives;

- Contractual arrangements – with one authority providing goods or services under contract to another authority either on a cost-recovery or for-profit basis;

- Delegation of functions – a delegation of functions (based on statutory powers rather than contract) to another authority;

- Corporate / Joint Venture – where two or more authorities establish a corporate vehicle (usually a company) either as the vehicle for providing services back to themselves and / or to trade with a view to generating additional income; this could be
  - A company limited by shares;
  - A company limited by guarantee;
  - A community interest company;
  - An industrial and provident society; or

□ A limited liability partnership.

■ Joint committee – this model usually involves one authority hosting the service with the other collaborating partners contributing to costs incurred.

In reviewing and deciding which of these models is best to meet the requirements in their particular instance, the Councils will need to consider:

■ Legal Powers and Procurement position

□ Will the private sector be involved in supporting delivery of the service through either new or existing contracts? If so, are those contracts framed in a way that allows the service to be extended to the contracting authorities that will use the service?

□ Are the relationships which are to be established between public bodies and/or any delivery vehicle contractual in nature?

□ Will the private sector be engaged as an equity stakeholder in the proposed delivery vehicle?

■ Financial implications, e.g., VAT, audit, accounts

■ HR implications, including TUPE

■ Contractual arrangements

□ Arrangements for warranties will need to be in place.

□ Liability arrangements and cover for these will need to be in place.

□ Clarity over intellectual property rights must exist and where these stand to have maximum benefit.

They also need to consider the outcome – which should be considered against clear and agreed criteria, for example:

■ Accountability – Does the model provide a clear path of accountability for the delivery of services?

■ Reassurance – Are partners going to be comfortable to work within the framework defined by the governance model?

■ Representative – Does the model give the opportunity for all partners to be equally represented?

■ Opportunity / Risk – Is there a good understanding of the opportunities and risks associated with the model, and can any risks be effectively mitigated or managed?

■ Market View – Does the view of the model from the external market reflect well on service?

Any arrangement that involves third-party contractual arrangements will also need to consider the client arrangements and how the following responsibilities will take place:

- Monitoring performance;

- Driving business change and service improvement in the contract; and

- Co-ordinating with the supplier the delivery of minor changes to the services.

What are the risks?

The risks will vary, depending on the scale and type of project, but it is vital that the risk are considered and managed. In compiling the programme risk strategy, there are some fundamental questions that will need to be addressed, including:

- What risks are to be managed?
- How much risk is acceptable?
- Who is responsible for the risk management activities?

Determining the level of risk that is acceptable will, in part, be down to the mitigation strategies that are in place to address each of the known risks.

The tables on the following pages provide illustrations of the types of risk that could exist:

- Where authorities are in collaboration and exploration (Table 4.1);

- Where authorities are working together on a project (Table 4.2); and

- Where risks are being managed as part of the overall programme (Table 4.3).

Possible Risks – where authorities are in collaboration and exploration (Table 4.1)

Ref	Risk
1	Lack of engagement across organisations
2	Timescales
3	Access to information from partner authorities
4	Other priorities get in the way
5	Lack of benefit identification and realisation
6	Risk of legal challenges
7	Lack of ambition
8	Funding levels are inadequate to deliver the projects
9	Strategic directions of authorities differ
10	Non-delivery of outcomes

Possible Risks – where authorities are working together on a project (Table 4.2)

Ref	Risk
R001	Procurement risk is required
R002	Insufficient boroughs agree to participate in the shared platform
R003	Insufficient boroughs agree on a procurement vehicle, i.e., unwilling to sign up to a future contract
R004	Councils unable to adopt the new processes as prescribed
R005	Supplier cannot satisfactorily supply an acceptable template for all the Councils
R006	Delays will force Councils to make their own independent arrangements
R007	Councils on the shared platform do not go on to collaborate and share resources
R008	Robust governance is not in place to ensure the councils conform to a project plan
R009	The provider is unable to scale the solution sufficiently as additional Councils join the shared environment
R010	Timescales are too tight
R011	Significant lag time in benefits beginning to be realised by the workforce owing to familiarisation issues
R012	Solution does not realise benefits within 3 years
R013	Spiraling development costs owing to interfaces and associated portals being established for the solution
R014	Any expansion of footprint could require further bolt-ons (interfacing to additional systems)
R015	No senior management sponsorship to mandate that prescribed processes have to be adopted
R016	The workforce reject the changes introduced by the Council

Possible Risks – where risks are in being managed as part of overall programme (Table 4.3)

Ref	Risk	Consequences	Risk Owner	Probability 1 (Lo) - 4 (Hi)	Impact 1 (Lo) - 4 (Hi)	Total Score Max = 16	Mitigation
1	**Programme Risks - Governance**						
1.1	Project scope changes or becomes too complex/unclear	Authorities confused Ambiguity					Disciplined project governance and planning Use of simple visuals Manage interested parties Maintain clear scope Communicate any changes in scope
1.2	Environment changes	Programme forced into different direction					PDG Sponsors + Lead CE monitor
1.3	Knowledge Transfer	Loss of knowledge/duplication Boroughs frustrated Programme looks disjointed					Handover notes & documented strategies Regular touchdowns 1:1s Progress reports
2	**Programme Risks - Funding**						
2.1	Project overspends	Likelihood of project continuing in jeopardy					Close attention to project budget and report Monthly highlight reports to identify deviations, PD to monitor closely
2.2	Lead authority withdraws support and resources	Causes hold up in the programme and loss of resources					Commitment sought Ask another authority to take on the lead
3	**Programme Risks - Procurement**						
3.1	Non-Alignment of procurement activity	Conflicting with the whole programme / undermining the work currently being undertaken. Confused market resulting in One programmes not being taken seriously . Confused messages on procurement strategy.					Maintain awareness Strong Communications and engagements with Boroughs Regular PDG updates Talk to market Arrange for legal representative on a retained basis
4	**Programme Risks - Delivery of Outcomes**						
4.1	Lack of Resources including specialist skills	Failure to deliver outcomes in a timely way Departure of key individuals from the project					Full roles and responsibilities definition for all the one projects Budget to include provision for all roles Pay close attention to all One Project resourcing Ensure that no single individual has sole possession of key information Full training provided to all members of the project team Immediate knowledge and task transfer initiated if individuals leave
4.2	Failure to agree standardised processes	Outcomes not achieved					Compromise on best practice
4.3	Failure for the programme to capture London wide and Authority based benefits / savings	Outcomes not achieved					Benefits realisation capture Ensure SLT buy in to ensure achievement of changes and to agree how savings applied Ensure deliverables are well promoted and how to exploit savings are clear
4.4	Conflicting priorities and strategies between authority and project work	Create timescale clashes and boroughs not engaging Moving at the slowest place causes significant or critical project delays					Flexible planning on different points of entry. Data gathering to capture upgrade plans across London authorities or maintain this Regular resource review Close attention to realistic project planning
4.5	Authorities tied into long term contracts	Inability to participate immediately and realise potential efficiencies.					Flexible planning on different points of entry. Brokering and planning
4.6	Convergence is not London focused	Failure to maximise opportunity for London. Causes issues for London later on					Consider at meetings. Understand consequences
4.7	Programme closes too early	Lose momentum. Outcomes / benefits not maximised					Tapering closure for CA funding Consider alternative funding to extend the programme
5	**Programme Risks - Market Suppliers**						
5.1	Supplier groups engagement and relationship with authorities is strained	Outcomes and benefits not realised Not understanding the complexity of the current commercial arrangements between technology providers and service integrators within the groups					Escalate issues to steering group, project delivery group and Capital Ambition as appropriate Early work to communicate with supplier groups Use what we have
5.2	Risk of legal challenges, particularly around shared services and collaborative working	Failure to deliver outcomes in a timely way if at all Cost implication					Need to study outcomes; engage a legal retainer; arrange procurement network discussion on approach
5.3	Confusing communications to the market (Service Integrators and technology partners) due to differing tender approaches developed by authorities e.g. Westminster's decision to bundle HR, Finance, and Procurement into one Lot.	Lack of market understanding, support and response to procuremenrt tender requests.					Ensure that One groups are fully aware of some of the potential market response to Tenders by ensuring active participation in 'One' projects and market intelligence days
6	**Programme Risks - Engagement with Boroughs**						
6.1	Inadequate / ineffective communications	Poor awareness of project and its objectives HR and ICT fail to engage in project Lack of understanding for the journey of convergence across London					Regular briefings with routine plan of actions
6.2	Programme not able to influence the right people	Authorities abandon the programme Poor levels of engagement					Lobby support/brief Strong Communications
6.3	Strategic directions of authorities differ	Perceived loss of identify and control causing lack of support and buy in at current levels by senior management					Communication and consultation on all levels Network and intelligence Regular updates to SLT, CELC, London Heads of HR etc Clear vision / convergence journey
6.4	Impact of politics	Boroughs unable to work together					Consider through CELC and One Groups
7	**Programme Risks - Environmental**						
7.1	Changes to the current environment, e.g. a more stringent spending review, regionalisation, etc.,	Impact on the current arrangements and progress made on the programme					Plan effectively

Should we become involved in a shared system?

As part of understanding whether an authority is ready to share a system and services, it should consider:

- Why am I looking at shared services?
- What do I want to share?
- When do I want to share?
- Who do I want to share with?
- How should I share?

Once an authority is ready, it needs to consider:

- Project team;
- Commercial due diligence;
- Potential partners and suppliers;
- Legal due diligence;
- Options and choice of structure;
- Implications for employees;
- Development and implementation;
- Ongoing monitoring and management;
- Timelines, having regard to other priorities;
- Any external or peer challenge;
- Risks.

There are opportunities through Athena and other means. As part of accessing products / services from a current framework, an authority will typically need to work through the six stages in the table below.

Stages to involvement in shared system (Table 5)

Stage 1
What product or service does the authority want to acquire?
- Consider and agree outcomes and lots that are required by the authority from the selected framework   - Review outcomes from the contract award   - Understand the cost of the requirements

Stages to involvement in shared system (Table 5) continued

Stage 2
Identification of initial information requirements
- Identify initial information requirements to support requesting a 'call-off' and collate the following for each lot: - Software versions and modules   - Services that are using the systems   - Related contract arrangements including end date, annual cost   - Interfaces in and out   - What environments exist (system specific and manual)   - How the system is supported, maintained and hosted   - Costs against key areas   - Levels of investment and when   - Development plans, e.g. mobile working and upgrades   - Any critical paths, e.g. procurements or upgrades   - Staff supporting the current arrangements

Stage 3
Evaluation
- Identify how to evaluate the offering and understand the detail   - Have "to be" process workshops   - Understand boroughs gap analysis and implications

Stage 4
Internal approval process
- Agree internal approval   - Confirm internal consultation   - Confirm the process for each lot

Stage 5
Obtain a price
Final confirmation that cost of new arrangement is beneficial for the authority and offers 'value for money' for the services in scope internal approval

Stage 6
Final confirmation and practical steps
- Approach Framework Manager   - Complete necessary information required for contractor   - Meetings as necessary between borough & contractor   - Contractor issues 'call off' proposal, including price list with full supporting information   - Boroughs decide whether or not to join

It will also need to make arrangements and understand the other implications of transitioning to the new environment.

Transitioning – arrangements and implications (Table 6)

Engagement
- All key stakeholders involved in development of new best practice business processes (or in line with generic functional or system specific approved processes)   - Are key stakeholders aligned on the organisation's high-level objectives for the project?   - Should and does your project take into account the customer experience as well as making back office processes more efficient?   - Have you considered non-IT approaches to efficiency improvements?   - Are senior people willing to take responsibility for the entire project and the outcomes to be delivered?   - How will you ensure that the organisation remains focused on the key objectives throughout the project?

Dedicated Resources
To plan, initiate, implement and close the programme/project, including the following: - Strong and committed leadership from commencement to end of the initiative   - Solid and robust governance arrangements   - Political will to achieve the change   - Overall Programme/Project Lead   - Dedicated/specific work stream leads   - Full time systems admin   - Resources to lead on: - Interfaces   - Reporting   - Business process change leads   - Data cleansing and migration   - Co-ordination of training   - IT infrastructure   - Commercial arrangements   - Testing and User Acceptance Testing (UAT)   - Infrastructure and data change   - Client arrangements   - Communications

Staffing
- TUPE implications   - Consultation   - Impact and change

Training
- Adequate and tailored training for all user communities – accompanied by the necessary user guides/manuals.   - Skills transfer opportunities for key internal staff of the organisation.

For greater details about specific issues and requirements to enable the sharing of systems, refer to Appendix E: *More details on specific matters.*

Specific requirements to access a current framework:

- **The Managed Service (MS) framework** – details attached in Appendix F: *London Information – Managed Service Business Case, Awards Reports & Specifications* (Supporting Document 9)

- **The One Oracle framework** – details attached in Appendix F: *London Information – Oracle Shared Service Business Case* (Supporting Document 10)

Overall learning from Programme Athena

Strategic

- The journey of convergence is complex, and careful planning with authorities needed to ensure that they are in the best position to become part of the shared solution.

- Some boroughs are considering the outsourcing of functions. One project that has evolved under the Athena banner provides a route to enable this, whilst delivering the core aim of shared solutions.

- Some boroughs are considering whether to remain with their existing system(s). The work to date has evaluated the market offering along with cost comparison, and boroughs are being given access to this. The consolidation taking place provides boroughs with an option to change whilst sharing the cost of the procurement, implementation and on-going support / maintenance.

- Changing systems is a big commitment with a significant cost of transition, both financial and non-financial, to change software as evidenced by the fact that very few boroughs have changed software. The closer processes are aligned and vanilla, the fewer transition implications.

- Some boroughs are currently taking actions to deliver efficiencies themselves through system optimisation at a local level, e.g., internal shared service, increased self-service. This work can make sharing even more complex.

- Procurement rules have caused added complexities, which have been compounded by differing views on the rules. The differing views can also apply to legal advisors.

- Those boroughs not convinced or not inclined to invest may not be considering how difficult it will be to respond in a few years' time.

- Convergence, and ensuring the ability to continue to do this, is fundamental for shared services, but the need is not always recognised.

Logistical

- Some boroughs have support provided via larger, full-scale ICT arrangements, from which these systems would need to be unbundled. Allowances and planning for these contract end dates is necessary.

- Boroughs have support contracts that end at different times. These contract end dates will be allowed for and planned for.

- There are variances in the modules used in each borough, making it difficult to agree on the core requirement. The Programme is targeting best practice, which provides for the most efficient standard processes and, by virtue of this, provides the case for change.

- ICT systems can be very different (Tier 1 and Tier 2) and therefore require different approaches. There are also large cost variations; for lower-cost systems, this means that justifying the cost of transition is more difficult, so a different convergence strategy for those is needed.

- Legacy systems and interfaces into the core systems must be taken on board.

- The differing authorities have different legacy systems and therefore introduce complexity to interfacing within a single environment. The Programme is targeting best practice, which provides for the most efficient functional use and reduced interfaces. Those that remain will be planned for as part of implementation as is the norm.

- Several flavours of vanilla best practice processes

- Initially, aligning processes is more software specific. Once groups of boroughs are together, overarching processes and policies can then be considered.

Information

- Boroughs have invested significant sums in existing systems, be it hardware or configuration or use, and hence the case for change and savings must recognise this.

- Boroughs can find it difficult to understand the complete cost of ownership and be able to identify costs where, for example, these are sunk costs, part of bigger contracts, part of someone's job or on a shared server.

- Understanding and realising the benefits requires strong management and dedicated resources.

- Different interpretations when collating information.

- Where data information-gathering is required, it has worked best when this has been piloted in the first instance.

- Detail is required; however, too much detail then means that the end is never insight. Clear leadership is essential to strike a balance.

- There is a lot of information out there, but not everyone knows it. Constant cross-fertilisation of information is essential.

- The market does have something to contribute, and it is worth listening to suppliers.

Communication and relationships

- People must not feel this is being done to them but be involved and engaged, having the ability to influence.

- Working across boroughs and through peer groups requires relationships and trust to be built.

- An honest broker is a key role to assist in breaking down barriers, addressing issues and challenging preconceived views. Others can be too close to it and miss the wood for the trees.

- Communications and engagement within the boroughs is important and must be promoted.

- Lead boroughs could want to influence how things are taken forward, but their way may not always be compatible with others'.

- Loss of identity and control.

- The need for compromise.

Our advice when starting a similar project

- Agree outcomes wanted and end vision.

- Gather information, including:

  - Software versions and modules;

  - Services that are using the systems;

  - Related contract arrangements including end date, annual cost;

  - Interfaces in and out;

  - What environments exist;

  - How system is supported, maintained and hosted;

  - Costs against key areas;

  - Levels of investment and when;

  - Development plans, e.g., mobile working and upgrades;

  - Any critical paths, e.g., procurements or upgrades.

- Understand who is best to lead what.

- Agree some core metrics for performance aspects.

- Agree tactical strategy, including:

  - Which boroughs are up for what; can support be shared now;

  - "As is" process workshop with aim to understand what each other do; learn some quick wins that could happen (e.g., joint development) as well as devise some golden rules;

  - Have "to be" process workshops;

  - Consider options and evaluate;

  - Complete the specification of what is wanted;

  - Understand boroughs gap analysis and implications;

  - Justification of approach.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix A

Strategic ICT principles

Appendix A

Strategic ICT principles

These specific principles will have been adopted by all public sector organisations in their own ICT strategies and will form the basis of the work now being undertaken to share systems / solutions and services. These principles build on the work that began in 2005 with the launch of Transformational Government and can be grouped under the following three core headings: Smarter, Cheaper and Greener.

Smarter

- Design to improve quality of customer service;

- Ensure security from design through implementation to operation;

- Focus on interoperability to facilitate information sharing and accessibility;

- Work faster from concept to delivery;

- Develop and exploit strong relationships with our suppliers;

- Support innovation;

- Invest in our workforce to increase capability and professionalism;

- Utilise effective portfolio, programme and project management techniques to maximise the impact of ICT-enabled change.

Cheaper

- Adopt greater standardisation and simplification;

- Adopt the principles of using open standards;

- Exploit open-source software to deliver greater value for money;

- Reuse existing assets as the preferred option;

- Exploit a more competitive marketplace;

- Work collaboratively to procure and manage common solutions;

- Develop agreed models for funding cross-public sector ICT programmes;

- Benchmark ICT costs annually.

Greener

- Support sustainable economic development;

- Deliver the green agenda;

- Ensure energy efficiency.

Delivering a lower cost of service using a shared system

The first and main driver of cost reduction is economies of scale. Once the service is created and reaches a critical mass, costs will fall due to:

- A standard way of working across more customers, enabling greater staff synergies;

- Fewer errors or types of errors resulting in fewer staff needed to 'fix' problems;

- Greater customer income enabling greater investment in automation tools;

- The sharing of management expertise across many customers;

- Greater volumes of business giving the leverage to obtain better prices from providers for the same level of service;

- Shared systems across more customers, resulting in lower expenditure on hosting, supporting and maintaining systems;

- Common processes and systems, reducing the cost to support, maintain and upgrade these systems compared to unique and bespoke systems;

- Improvements in financial control and transparency.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix B

Opportunity assessment

Appendix B

Opportunity assessment

Opportunities that may be missed from procure to pay

Vendor Setup

■ Review the vendor request process to ensure that the information essential for the vendor set can be quickly collated and added to the system. Question whether vendor set up is a purchasing or Accounts Payable function.

■ Use a post code or Dunn numbers lookup solution to ensure consistency of data entry and ease of identifying duplicate vendors.

Catalogues

■ Better utilisation of the current catalogues, and identification of where additional catalogues could give significant benefit, typically high volume suppliers.

■ Target should be set for the volumes of transactions processed via catalogues.

Requisition Raising and Approval

■ Filtered dropdowns of the cost elements available in order to minimise the options available to the users.

■ Review the number of product categories and minimise where possible.

Purchase Orders

■ Maximise electronic purchase order.

■ There should be efforts made to close down old, obsolete purchase orders on the system where the goods or services will never be received. This may involve a parameterised system routine to automatically close specified orders.

e-invoicing

■ Mandatory fields can be set to make process simple and, minimising the errors.

Opportunities that may be missed from customer to cash

Invoicing

- Training exercise for those responsible for the inputting of invoices to try and raise the quality of the input.

- Make invoice details more available – even to customers?

- Print account balances on invoices and dunning letters.

Debt Management

- Provide a dedicated team to ensure the timely recovery of the Councils' money.

- Dunning letters should be produced per account (instead of per invoice).

- Consider the use of 3rd parties to recover old and / or small debt.

- Slicken up the process between the second reminder and the solicitor actions.

Opportunities that may be missed from Finance

Budget Setting

- Ensure the quality of the HR establishment so it is representative of the current position to allow it to directly provide the establishment headcount and costs.

- Introduce a regime to conduct a number of zero-based budgets each year in areas of high risk.

Budget Monitoring

- Introduce a risk-based approach to budget monitoring to ensure that the accountants are expending the appropriate time and focused correctly. For example, large, volatile budgets reviewed monthly and smaller, stable budgets reviewed quarterly or six-monthly. Note that the budget holder will be expected to review their budgets monthly, but the level of support from Finance will be based on the risk assessment of the budget.

- Where spreadsheets need to be used, ensure there is a standard format used to eliminate the duplication of effort across the Directorates. Use the current established Accountants forum to agree on the best templates, etc.

- Eliminate as far a possible manual entry.

- Consider a function to allow annotation against budget values.

- Create reports to allow reviewing cost centres with coding Red / Amber / Green, which allows the budget manager to easily drill down to identify where there are issues.

- Regularly removing old or obsolete commitments would allow for a more accurate position to be reported and eliminate the need to manually adjust reports to reflect actuals.

- Ensure virements are labelled either permanent or temporary and that details of virements are easily displayed.

Opportunities that may be missed from support

- Allow the help desk to resolve login issues without passing them to the support team.

- Ensure change request forms are fit for purpose.

- Introduce formal training for new staff to ensure there is a minimum level of competence.

- Establish end-to-end process champions for the major processes and give them the responsibility of defining and implementing a roadmap of continued improvement. The roadmap could include process improvements / system improvements / training requirements, etc.

- Raise the expectation of suppliers as a business partner to help improve the processes and describe the capabilities of the system as standard. Consider risk reward strategies to ensure the Council realise the benefits.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix C

Examples of different governance models

Appendix C

Examples of different governance models

Example 1: Programme Governance structure – organisation roles

Joint Steering Committee (JST)

- Receive monthly (and major exception) reporting for the Programme.
- Take responsibility for any further periodic dissemination of reporting to other elected members (i.e., cabinet or scrutiny) or directors (i.e., authority leadership teams). The Programme Board via the Programme Management Office will retain responsibility for specific operational or exception communications.
- Act as an important (but informal) strategic source of advice and guidance relating to major decisions, issues or disputes.

Operations & Design Board

- Responsible for the coordination of all the technical and process aspects of the platform.
- They will coordinate fixes, technical upgrades, planned down time, etc.
- From the business they will prioritise and coordinate development requests and process improvement initiatives.
- It will consist of a minimum of the Lead process owners, Shared Service Centre support management.

Process Owner

- Within a Council the individual will take responsibility for an end-to-end process.
- Define the KPIs and performance measured by them.
- Identify opportunities for improvement through process, organisational or technical changes.
- Share lessons learnt with other Council Process Owners.
- Define business cases for processes improvements.

Lead Processes Owner

- Ensure effective communication of lessons learnt, process improvements and issues are shared across the Councils.

- Nominated from the process owners and fulfils the role on the Operations & Design Board.
- Propose business cases for future developments.

Example 2: Programme Governance structure – organisation roles

Strategic Partnership Management Board (SPMB)

- Receive monthly (and major exception) reporting for the Programme.
- Take responsibility for any further periodic dissemination of reporting to other elected members (i.e., cabinet or scrutiny) or directors (i.e., council leadership teams). The Programme Board via the Programme Management Office will retain responsibility for specific operational or exception communications.
- Act as an important (but informal) strategic source of advice and guidance relating to major decisions, issues or disputes.

Programme Board (PB)

- Responsible for the delivery of the Programme to the agreed business case (timescales, costs and performance).
- Responsible for the monitoring of Programme risks and issues.
- Responsible for day-to-day decisions with the limits of its delegated authority.
- Responsible for escalation of key decisions to the Cabinet committees of the partner councils.

Joint Monitoring and Liaison Group (JMLG)

- Responsible for the on-going strategic delivery and governance of the shared system / solution or services to the required standards.
- Responsible for decisions within the limits of its delegated authority.
- Responsible for monitoring risks & issues.
- Responsible for the on-going enhancement of the system and shared service arrangements, including the identification of new partnership opportunities.

Client Officer Group (COG)

- Responsible for performance monitoring of the shared system / solution / services with regards to target service levels and customer satisfaction. Provide periodic (and exception) key performance summaries to JMLG.

- Discuss operational issues and escalate to the JMLG for any key decisions (i.e., those with a legal, cost or significant performance impact).

- Identify opportunities for improvement of the system or service to JMLG.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix D

Key activities to consider

in managing a system change

Appendix D

Key activities to consider in managing a system change

Activity
1. People Change

- *Programme-level communications to staff and unions*
  - ☐ Set up of customer group -- agree principles for each service area
  - ☐ Engagement with stakeholders
  - ☐ Stakeholders – develop and agree approach to working
  - ☐ On-going development and implementation of communication plan
- *Staff implications – TUPE*
  - ☐ Assess TUPE implications
  - ☐ Incumbent releasing level 1 and level 2 information
  - ☐ Document TUPE implications for Supplier
  - ☐ Manage the actual TUPE implications
- *Training for staff on new systems and processes*
  - ☐ Research how training has been delivered in other organisations: when / how long / which user groups
  - ☐ Understand how provider will support us in readiness (training & engagement) numbers/facilities etc.
  - ☐ Scope out and assess training needs, numbers, method, materials, demos
- *Identification of resource requirements for HR transition activities*
  - ☐ Role specifications
  - ☐ Resource allocation and establish project team
- *Confirm new team structures*
  - ☐ Identify what the new world looks like from a team perspective
  - ☐ Mobilise team structure

2. Process Change

- *Understand current high-level processes*
  - ☐ Document current "as is" – process mapping & hand-offs
- *Self-Serve – impact assessment and plan*
  - ☐ Impact of rolling out self-serve – assess resource requirements
  - ☐ Establish priority of rollout – or agree to big bang approach
  - ☐ Discuss and fine tune plan and approach with Suppliers
  - ☐ Readiness and implementation (with Suppliers)
- *Alignment of business processes*
  - ☐ Identify level of authority alignment
  - ☐ Gain agreement on common processes
  - ☐ Dialogue with the providers about what kind of processes they have & whether these match our initial expectations
  - ☐ Align processes / readiness in advance of actual migration
- *Alignment of policies*
  - ☐ Identify level of approval authority and workflow
  - ☐ Identify difference in policies and opportunity for convergence
  - ☐ Agreement and fine tuning of policies

3. Testing and UAT

- *End-user impact assessment*
  - ☐ Dialogue with Suppliers re. options to minimise risk
- *Internal testing of new systems*
  - ☐ Identify test user groups (include schools)
  - ☐ Plan and deploy testing on identified user groups
- *Parallel run – how long, who does it, what is involved?*
  - ☐ Dialogue with the providers about dual system run, options and how they manage it
  - ☐ Plan and confirm how long, impact, resourcing, costs, approach
- *Perform parallel run*

4. Infrastructure & Data Change

- *Current data model review – understand what we have*
- *Data Migration prep activities*
  - ☐ Document data format – where is it, what are we most interested in, e.g., is it in system or paper
    documents
  - ☐ Plan migration efforts and agree resourcing
  - ☐ Data cleansing, preparation and readiness activities start
- *Arrangements for historic data*
  - ☐ Discuss approach and agree policy on historic data
  - ☐ Document approach and validate with Suppliers
  - ☐ Migrate historic data and testing
- *Security model – Roles / Workflow / Authority levels*
  - ☐ Understand options for organisational structure and security models from Supplier
  - ☐ Review current hierarchies in systems – role / post based
  - ☐ Validate and migrate hierarchies to new system
- *Decommissioning of existing environment (exit strategy)*
  - ☐ Review contract documentation of vertex to see clauses on exit and their responsibilities
  - ☐ Plan and execute decommissioning activities
- *Incumbent Systems*
  - ☐ Document incumbent systems - high level
- *Interface specifications*
  - ☐ Gather interface specifications - summary
  - ☐ Gather and document interface specifications
  - ☐ Handover specs to Supplier for CD2

5. Business TOM & Department Structure

- *Organisational Structure, roles, responsibilities and job descriptions*
  - ☐ Planning & design
  - ☐ Implementation, governance and recruitment of staff
- *Business Target Operating Model (TOM,) i.e., what will the new world look like? Org structure / Process / Policy*
  - ☐ Agree who is in / out
  - ☐ Agree and document draft target operating model (with a view to better / easier way of delivering current services)
  - ☐ Start implementation stage of "to be"

6. Other Activities

- Plan B arrangements
- Extension of current arrangements

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix E

More details on specific matters

Appendix E

More detail on specific matters

Interface arrangements

Interface management, also referred to as interface control, needs to be considered during the design phase of developing the shared system or solution. Establishing new systems may need to consider whether interfaces with other systems exit and need to be catered for. Those interfaces constitute design constraints imposed on the programmes. As the system is defined, other interfaces between system components become apparent. All of the interfaces between co-functioning items need to be identified and documented so that their integrity may be maintained through a disciplined configuration control process. In some cases, a formal interface management process must be employed in order to define and document the interface.

Interfaces are the functional and physical characteristics which exist at a common boundary with co-functioning items and allow systems, equipment, software, and data to be compatible. The purpose of all interface management activity is that:

- The detailed design of each of the co-functioning items contains the necessary information to assure that the items, when individually designed and produced, will work together; and
- If either item needs to be changed for any reason, its performance, functional or physical attributes that are involved in the interface act as constraints on the design change.

During development, part of the design effort is to arrive at and document external interface agreements, as well as to identify, define, control and integrate all lower-level (i.e., detailed design) interfaces. Interfaces include external interfaces with other systems, internal interfaces between CIs that comprise the system, and internal interfaces between CIs and other components of the system (e.g., personnel, non-developmental items (NDIs), facilities), as well as the interfaces between acquiring activities and supplying activities. In some cases, interfaces between two or more acquiring activities must be established, typically by means of a Memorandum of Agreement between service components or commands with in a service component that are acquirers of or users of interfacing equipment.

Once interfaces have been agreed-to by the parties concerned, they must be detailed at the appropriate level to constrain the design of each item and baseline the configuration documentation so that the normal configuration control process will maintain the integrity of the interface.

Historical data arrangements and management

For the purpose of any project that results in the establishment of a shared system or solution for a number of organisations or a partnership, there is the need to consider and define the data cleansing, validation and management routines and protocols.

It is vitally important to understand and document the structure, format and type of data stored, accessed and used within a system and to ensure that, upon the agreement to share and establish joint working arrangements, each key stakeholder's business needs are clearly articulated and documented.

Other considerations include:

- Data Types, Formats, Standards and Capture Methods;

- Access, Data Sharing and Reuse;

- Short-Term Storage and Data Management;

- Define data management support;

- Apply appropriate levels of data management;

- Data archiving and retrieval.

Data cleansing

The presence of data alone does not ensure that all the management functions and decisions can be smoothly undertaken. There is a compulsive requirement for the data to be meaningful or, in other words, data quality is of utmost importance if management is to take any advantage of the data at their disposal.

Prior to the establishment and use of any shared system / solution environment, it is fundamental that extensive data cleansing exercises are undertaken. These exercises

should be planned in advance and cater for the merger of data sets from different originating systems.

Data quality pertains to issues such as:

- Accuracy
- Integrity
- Cleanliness
- Correctness
- Completeness
- Consistency.

The quality of data is often evaluated to determine usability and to establish the processes necessary for improving data quality. Data quality is a state of completeness, validity, consistency, timeliness and accuracy that makes data appropriate for a specific use.

In a data conversion project the main objective is to convert and migrate clean data into target system. This calls for a need to cleanse legacy data. Cleansing can be an elaborate process depending on the method chosen and has to be planned carefully to achieve the objective of elimination of 'dirty' data.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Appendix F

Supporting documents

Appendix F

Supporting documents

All supporting documents are correct as of their respective date of creation, listed on their cover pages.

Programme Athena core supporting documents

- Benefits Book
- Metrics Paper
- TCO & TCO LITE Guidance and Templates
- Finance Golden Rules

Other Primary Athena documents

- Business Case to Capital Ambition
- Gateway Report
- Procurement strategy
- Earlier Business Cases and PID

London information

- Managed Service business case, awards reports & specifications
- Oracle shared service business case
- Havering ERP Business case

National information

- NEP Presentation
- GO Partnership Business Case
- Cambridge & Northants': Reports and Business Case

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Supporting Document 1 –

Benefits Book (Central Final Benefits Report)

Programme Athena

Central Final Benefit Report

Table of Contents

1. General Benefits from Collaborative Opportunities

Programme Athena is putting boroughs on a shared trajectory towards shared solutions to gain the opportunity and ability to deliver significant savings and efficiencies through ICT enabled support service functions.
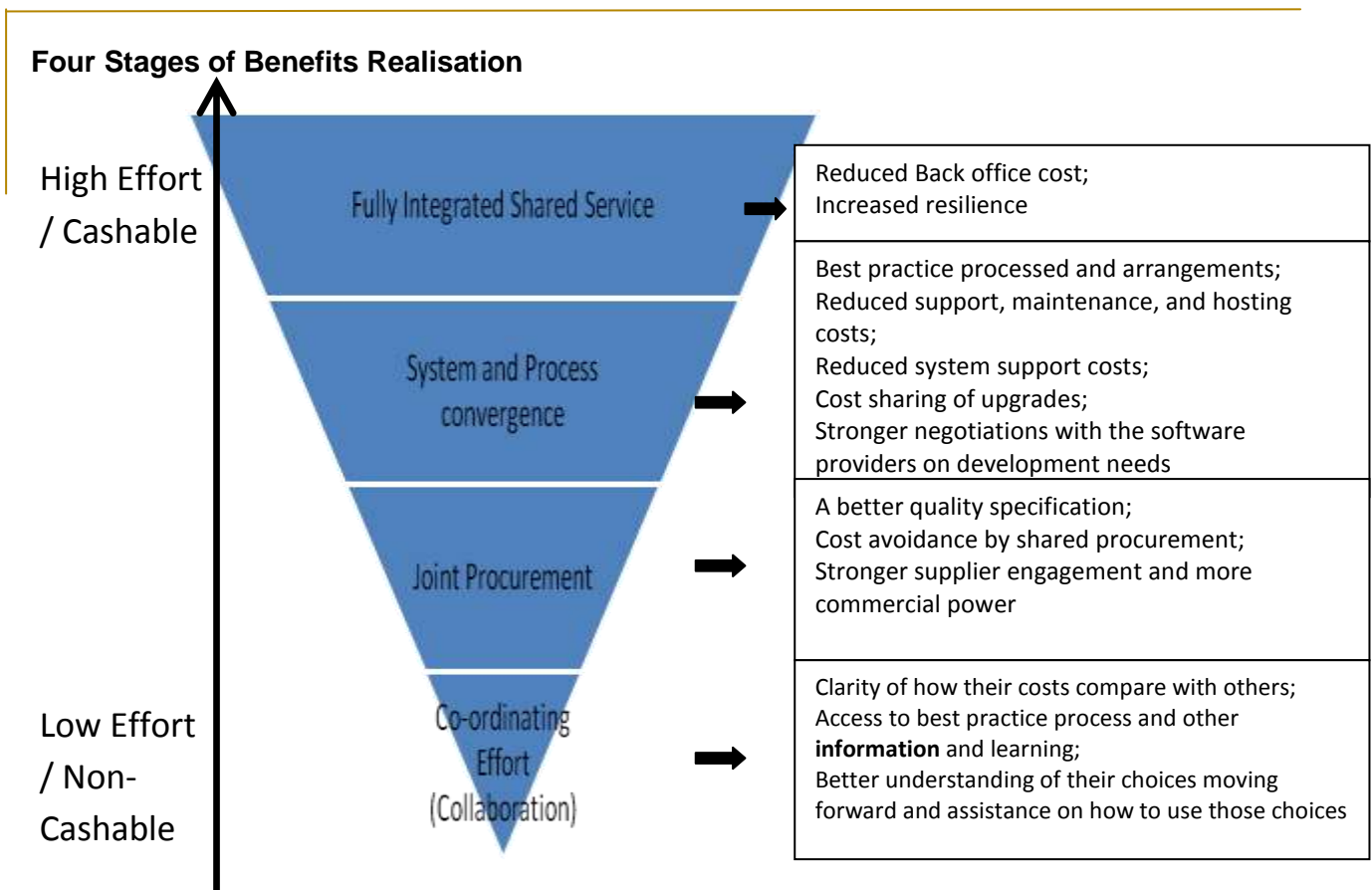
Where we are heading
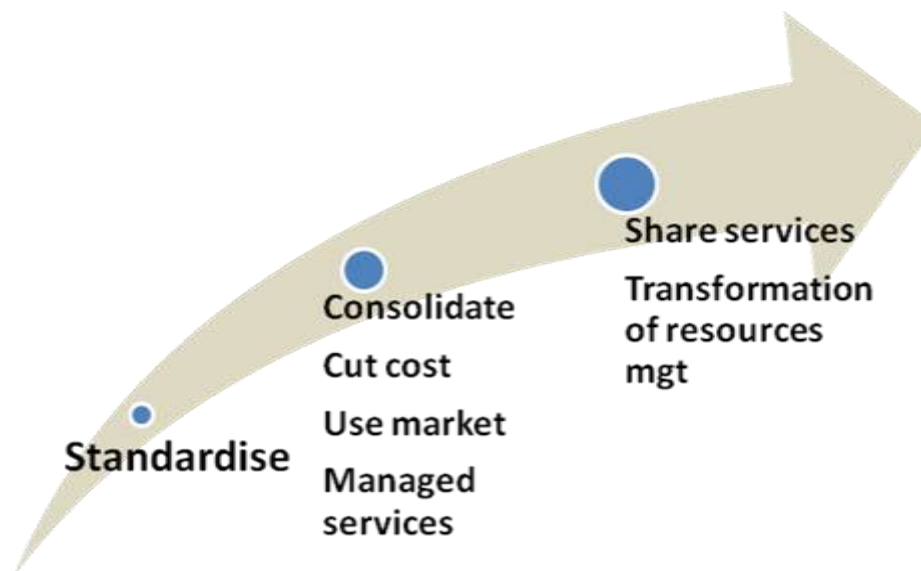
The achievement of benefits is cumulative and some boroughs are now building those benefits with the final step being an integrated shared service. Through the various One groups we can see that is different pace and levels of cooperation, but all share a common trail in that they are using collaboration to drive out benefits to their authority.

This report takes us into the benefits identified by other collaborative working projects across the UK, the early savings and benefits estimates from the One projects, and then where they have reached a stage of delivery where savings can be determine to a point, the actual savings delivered by those One projects.

In complex, multiple partner projects like these, number of benefits is difficult to quantify and identify, however this is taking place by benchmarking services before and after changes, incorporating savings from procurement and establishment, and also looking at the softer benefits that may be delivered.

Through work on Total Cost of Ownership and work with councils more benefits will be identified and delivered of work of Programme Athena.

From the experiences of Programme Athena, including speaking within the One groups, the benefits realisation happens in four main stages and is best demonstrated in this way.

Four Stages of Benefits Realisation

High Effort / Cashable

Low Effort / Non-Cashable

Stage	Benefits
Fully Integrated Shared Service	Reduced Back office cost; Increased resilience
System and Process convergence	Best practice processed and arrangements; Reduced support, maintenance, and hosting costs; Reduced system support costs; Cost sharing of upgrades; Stronger negotiations with the software providers on development needs
Joint Procurement	A better quality specification; Cost avoidance by shared procurement; Stronger supplier engagement and more commercial power
Co-ordinating Effort (Collaboration)	Clarity of how their costs compare with others; Access to best practice process and other **information** and learning; Better understanding of their choices moving forward and assistance on how to use those choices

The four stages of benefits realisation have come about as a clear indexing tool for both benefits realisation and overall project delivery and planning. Using four simple to understand stages the authorities should be able to better coordinate activity, but also understand what savings are being delivered and where there might be opportunities.

Co-ordinating Effort (Collaboration)

- This is the initial stage and boroughs are just beginning to work together and share basic information in mostly operational contexts. There is information sharing on common systems issues and layouts with work carried out to determine some of the differences in the boroughs use the same systems.

- A key activity during this stage is building the business case for moving to shared service or participating in a joint procurement. There is considerable work that needs to take place between boroughs to better understand their goals from the procurement and future plans.

- A Memorandum of Understanding is often used to set a common ground between boroughs that are working together. This tool allows the group to identify the common goals and how they plan to achieve them.

- The local authorities have already come together to deliver some of these savings, as demonstrated in the One Oracle procurement, but there has been a key element of support that helped to make those activities successful. Programme Athena has helped provide support through the absorbing costs, sharing information and best practices, providing facilitation and implementation resources, and more generally providing a stop gap to help authorities come up to speed while they are ramping up their own joint working resources.

Key Benefits

- Information Sharing and Comparing: There is a significant increase in the sources of expertise and guidance for solution development. There is a multiplier effect with the increase in system and process experts which takes place when authorities begin to make greater contacts within service areas as there is a common purpose all resources are working to.

- Solution sharing for common problems and issues: Authorities can harness previous solutions and workarounds instead of creating their own which leads to substantial cost avoidance. Again there is also a much larger pool of expertise and experience to call from.

- Availability of a critical friend and broker: Allowing a new partner to review and critique planning and implementation gives provides for more robust solutions and planning

- Alignment of processes: If an authority will be working with another authority into the later collaborative working benefit stages, then the early coordination will pay dividends as process can be given time to align gradually which will aid in Change Management. Instead of a "Big Bang" with lots of uncertainty, gradual alignment gives everyone confidence in the changes as they can see the changes and know they work. It also decrease the unease of change as they can take place in smaller steps.

- Business and system personnel networks:

- Supplier Management: Our experience has shown that suppliers benefit from greater collaboration of multiple customers. It provides them the opportunity to communicate and influence a single entity . For example, one supplier moved to a single account manager for a group that liaised and aligned each of the authorities to ensure that they were all focused and supported on the shared goal.

- This stage is also characterised by a significant number of non-financial benefits like information sharing and networking although these are the enablers for further stages savings

Joint Procurement

- This is the first stage where the boroughs are working together on an operational task. There will typically be a lead borough on the procurement however each member will need to be significantly involved in the development of the procurement specification. Many times, boroughs will post staff to a project team or there will be different functional leads from each of the participating boroughs. From the One groups we have also seen that authorities do not need to begin at the same time for a joint procurement. We have seen that after the procurement has started, as long as certain administrative hurdles are met, authorities can ramp up into the joint procurement after it has already been going.

- As the business case for change has been signed off this will be when the group determine their procurement approach and engage the market. By working together there is a much more buying power and boroughs can leverage a much larger pool of people and expertise.

- The greater buying power also gives boroughs the opportunity to be more flexible about how they setup the systems, or how services are delivered as the risk is not borne by just one authority, which means councils can make greater use of shared legal advice and procurement best practice.

<u>Key Benefits</u>

- Shared officer time and cost and ability to source expertise: Through working together functions which would normally need to be filled by each council can be shared. This also those "freed up" resources to either support the work in the shared project or within the authority. This cost avoidance is multiplied by the number of posts and

- Better design and specification documents: With an increase in the number stakeholders there is a greater chance that they will be looking to ensure that their concerns are probably documented and resolved. This increase in appraisal gives rise to more robust solutions and also reduces the chance that critical issue will be missed or omitted.

- Increased engagement from suppliers

- Combined buying power of multiple LA's: As a group exercise, the additional buying power and possible risk to income for supplier means that they must provide additional attention and competitive offers so that they don't loose a significant portion of their customer base.

- Supplier Management: The authorities are provided with alternative negotiation methods which are not available to them as a single consumer.

These alternatives can improve service and do not necessarily need to involve reduce pricing.

System and Process Convergence

- Following a successful procurement, the group will then begin to more closely align both their systems and processes to facilitate the move a single shared system or instance.

- This stage sees significant work on agreeing common processes and metrics that all the authorities will utilise. Work will also take place to phase out legacy systems that will be replaces in the shared service or understanding new functionality that is in the shared service that may not have been available previously.

Key Benefits

- Reductions in cost of ownership – current and future: As process and systems come together there are alternatives to hosting and other current and long terms costs which can be considered which can reduce the cost of running all or part of the authorities systems.

- Simplified and standardised common processes: By adopting Best Practice process and implementing them across the group, authorities can begin to takeout costly workarounds or other process steps which may add time or cost or both, but do not provide additional value.

- Increased resilience: Having aligned process, authorities can now turn to their partners and pick up or use services as they will all be using the same processes. This can be extremely useful during disaster recovery.

- Opportunity for common metrics, comparisons and better business intelligence: By sharing processes and systems, there is additional performance management information that can be shared and used to highlight opportunities for cost savings to process improvements.

- Enhanced system utilisation and optimisation: As each authority will have its own stakeholders there will be different demands placed on each system. By sharing system configuration and usage data, authorities can develop a "Best of Breed" approach with the different solutions.

- Better utilisation of modules purchased

- Opportunity for Shared Services: Sharing systems and process provide authorities with a opportunity to create strategic savings by fundamentally

changing the way and number of services they provide. They can also take advantage of the opportunity to increase income by providing services as well.

Fully Integrated Shared service

- This final stage is where Programme Athena is supporting all boroughs to achieve, with authorities fully sharing services in multiple service arrangements, including possible service hubs. Boroughs actually working together, seamlessly to deliver a unified shared service. What is important about this stage is that the benefits from the Shared Service are scalable, a shared service between boroughs in a One groups will deliver the benefits of a Fully Integrated Shared Service, however the benefit of two One groups coming together and then forming a shared service will be greater.

- The effort increases up to the last stage as once the process and systems have started to converge there may be separate issues like governance, trade union concerns and physical location that will be unique to that group only. Each group will need to overcome their own obstacles as Athena will only be able to provide support and best practice.

- However there is a marked decrease in effort at the end of the stage as the shared service and governance is established and embedded; the organisation has new best practice processes and the system to support them which significantly reduce the effort and resources necessary to run the ongoing service.

    Key Benefits

- Reduction in on-going total cost of ownership

- Improved productivity and reduced transactional costs

- Support capacity released throughout the organisation

- Increased resilience

- Enhanced system optimisation

- Clearer, easier to follow processes better supported by the system

- Ability to generate income

- Increased access to business intelligence

Using these four stages we have developed a checklist of individual savings that councils will achieve as they move through the stages. The checklist of savings also provides a further explanation of the benefits. Using the information on benefit

realisation through the mobilised groups and based upon out stages of benefit realisation

Checklist of Savings

This checklist provides a number of savings that we would expect for all council in the stage to be able to achieve. These are the basic savings from working with a collaborative approach and we would anticipate other individual savings for each authority to sit in addition to these.

	Benefit	Classification
Co-ordinating Effort (Collaboration)	▪ Greater understanding of all councils activity	Shared v. single system
	▪ Information Sharing	Cost avoidance
	▪ Solution sharing for common problems	Shared v. single system
	▪ Increased availability of benchmark data	Cost avoidance
	▪ Data quality comparators/ Reductions in data errors	Cost avoidance
	▪ Co-ordinated risk management especially bordering council	Sharing back office
	▪ Share common issues and discuss shared knowledge within an exponentially expanded network of contacts and data sources	Shared v. single system
	▪ Business and system personnel networking	Sharing back office
Joint Procurement	▪ Shared business case which can be tailored to each LA	Cost avoidance
	▪ Additional procurement expertise	Cashable benefit
	▪ Outsourcing opportunity	Cost avoidance
	▪ Possible complete End to End solution	Cost avoidance
	▪ Flexibility to scale solution based upon number of LA's	Cost avoidance
	▪ Allows alternative approaches to be adopted	Shared v. single system
	▪ Risk sharing with other LA's and supplier	Shared v. single system
	▪ Alternative methods of investment	Cost avoidance
	▪ Shared value for money and contract performance framework	Shared v. single system
	▪ Best practice procurement processes	Cost avoidance
	▪ Common list of sourcing and contracts management functionality	Shared v. single system
	▪ Replacement of non-ideal or legacy software and connections	Cost avoidance
	▪ Replacement cost burden sharing	Shared v. single system

Systems and Process Convergence	▪ Reductions in cost of ownership	Cost avoidance
	▪ Reduction in 3rd party integration and support	Shared v. single system
	▪ Reductions in operational staff	Sharing back office
	▪ Improvements in income collection	Sharing back office
	▪ Reductions in performance management overheads	Cost avoidance
	▪ Simplified and standardised common processes	Cost avoidance
	▪ Reductions in time and cost of systems development, changes, upgrades, and enhancements	Shared v. single system
	▪ Improved recruitment process	Cost avoidance
	▪ Improved administrative processes	Cost avoidance
	▪ Alternative means to deliver services	Cost avoidance
	▪ More streamlined organisation	Cost avoidance
	▪ Increased resilience	Shared v. single system
	▪ Common metrics	Cost avoidance
	▪ Opportunity for additional data sharing	Cost avoidance
	▪ Reduction in organisational risk	Shared v. single system
	▪ Enhanced system optimisation	Cost avoidance
	▪ Better utilisation of modules purchased	Shared v. single system
	▪ Better business intelligence, data and reporting with improved workforce planning and decision-making	Cost avoidance
	▪ Clearer, easier to follow processes better supported by the system	Cost avoidance
	▪ Expansion of current single authority shared services functions	Shared v. single system
	▪ Less expensive customisations	Cost avoidance
	▪ Additional savings on shared personnel resources	

Fully Integrated Shared Service	▪ Improved productivity	Cost avoidance
	▪ Improved timings for financial planning and management	Cost avoidance
	▪ Fully integrated ERP	Shared v. single system
	▪ Shared transactional costs	Shared v. single system
	▪ Support capacity released throughout the organisation	Cost avoidance
	▪ Reduction in ongoing support and maintenance	Cost avoidance
	▪ Reduction in user base/licensing costs	Cost avoidance
	▪ No duplication of costs in the management and upgrade of systems	Shared v. single system
	▪ Additional savings from shared back office processing/transactional service that are more efficient	Sharing back office
	▪ Overall reduction in operating cost	Cost avoidance
	▪ Combined hosting arrangements	Shared v. single system
	▪ Increased functionality or additional modules within ERP	Shared v. single system

2. Empirical evidence of Savings from other Collaborative Projects

While supporting authorities in developing their own shared service and collaborative working projects, Programme Athena has also been gathering information on other shared service projects throughout the UK which can help provide both guidance and informed knowledge for ongoing and future One projects. These projects provide both key financial and strategic data which should help form the basis of a complete picture in which a successful collaborative working project needs to complete.

The projects that we have gathered documentation and information from are the: Go Partnership, a shared service project between Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council to provide all transactional Human Resources, Accountancy, and Procurement services; Cambridgeshire and Northamptonshire Local Government Shared Service to deliver transactional finance and HR administrative service with scope to deliver broader support service functions like Revenues and Benefits ; The NHS shared service project in the North East patches, and Richmond, Kingston, and Sutton's shared HR service.

GO Partnership

The Go Partnership business case brings together the overall financial picture of shared served through consolidating costs and benefiting from economies of scale that one council could not achieve alone. The four original partner councils Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council are working together to deliver transactional services across the partnership and to Cheltenham Borough Homes Ltd (CBH Ltd) with a future ambitions to move to full Shared Services for the four GO partner councils.

The four partners believed the majority of savings would be delivered through the reduction of staffing to transactional services as well as productivity improvements in new standardised processes and system. To this end, they believed the benefits of the savings would be delivered by two aspects of the programme: the implementation of the system and the development of the shared service.

The implementation of the system would improve decision making by providing online access to key data, save officer time through e-enabled processes, allow the council to respond more quickly by bringing together all the data concerning human resources, finance and assets and supporting improved modelling and forecasting, supporting co-ordinated procurement ensure the right goods and services are provided at the best possible cost, and lastly playing a role in stimulating and maintaining local economies.

The goal of the shared service is to produce cashable savings from the shared implementation and ICT support & hosting costs, along with shared transactional processing costs and shared costs of advisory services. It would also improve capacity by bringing together staff resources from all the GO partner councils and deliver increased resilience by standardising processes across all organisations and creating skilled teams which can support all of the shared service clients. Lastly, the shared service would provide the opportunity for further partnership working supported by the shared data stored on the system, for example identifying shared procurement opportunities; streamlining policies and procedures which will generate further efficiency gains.

The Service in scope for the partnership included Transactional finance, Procurement, Human Resources, and Payroll. This includes an initial focus around a financial management system, to include general ledger; accounts payable; accounts receivable; bank reconciliation; purchase order processing and asset accounting. The initial scope also included integrated HR, payroll and procurement systems, shared systems administration and for the system to be hosted at Cheltenham Borough Council.

As with many of the projects, savings where dependent on the level of cooperation that was chosen. The greater the amount of tie-in, the greater the savings that were expected. The GO partnership decided on sharing of all accountancy and HR services including advice.

The financial modelling was based on a conservative assessment of savings over a 10 year period and the following table summarises the financial benefits:

Average Net Cumulative Savings after 5 years		
£m average	£m plus 5%	£m minus 5%
0.43	0.46	0.41
Average Annual savings later years		
£m average	£m plus 5%	£m minus 5%
0.67	0.71	0.64
Average Implementation costs £1.42m		
Average Payback 4.35 years or 4.24 to 4.48 years		

Payback is calculated on a cash basis and not discounted.

Source: GO Shared Services Programme Business Case 16 June 2011

Cambridgeshire and Northamptonshire Local Government Shared Service

Cambridgeshire and Northamptonshire County Councils entered a partnership with Fujitsu to create a shared service using a shared Oracle eBusiness Suite. The shared service would enable the two Councils to share the delivery of back office processes and transactional services across a range of key functions, including finance, human resources (HR), on-line procurement and payment facilities. The areas in-scope to the programme included:

- HR (Including Organisational development)
- Finance
- Internal Audit
- Legal
- Procurement Services
- Revenues and Benefits
- Contact Centre

During the development of the shared service, the partnership was expanded to include Slough Borough Council who were already an Oracle eBusiness user.

Average Net Cumulative Savings after 5 years		
£m average	£m plus 5%	£m minus 5%
2.75	2.89	2.61
Average Annual savings later years		
£m average	£m plus 5%	£m minus 5%
0.66	0.70	0.63
Average Implementation costs £2.07m		
Average Payback 3.97 years or 3.77 to 4.16 years		

Payback is calculated on a cash basis and not discounted.

Source:

North East Patches

The North East Patches shared service project was one of the earliest public sector shared service projects that the Athena projects has referenced.

A project designed to get NHS organisations working together through a common Finance and Procurement solution shared across 61 NHS organisations, a single instance of the Oracle Finance and Procurement solution.

The original consortium was based on Strategic Health Authority Boundaries of Northumberland, Tyne, and Wear; County Durham and Tees Valley; North and East Yorkshire and Lincolnshire and was driven out of a desire to replace ageing systems with a premium replacement. They decided to use a shared and collaborative approach to reduce risk and cost in delivering a recognised leading edge solution.

One of the biggest decisions for the project was to either deliver a shared service or just have the partner share a system.

The Shared service options would outsource transaction processing to a centralised shared service which would leverage that processing benefit through leading edge systems and economies of scale. Whereas a shared systems option maintains a distributed, but common transaction processing from which you can leverage transaction processing benefit through leading edge systems and process elimination.

They chose a shared system because:

- Financial Directors were reluctant to give up control of Financial Services
- North East Patches had no recruitment and retention issues
- Financial Services staff were/are relatively low cost
- More financial benefit in collaborative purchasing
- Shared Systems allows staff to move to new roles as Transaction Processing is automated
- Transaction Processing gains through technology remain within the organisation. not the Shared Service Centre
- Substantially reduced initial costs like redundancy costs
- Substantially reduced risks
- Shared System Model is easier to grow to expand to new NHS organisation

Ultimately, the project would provide a managed technical solution and it would be down to each organisations whether they take advantage of the added value opportunities around best practice and economies of scale. This also allowed for flexible arrangements between organisations to develop as there were no hard rules like in a shared service relationship.

Richmond, Kingston, Sutton Shared HR

In November 2011 Richmond and Kingston initiated a review into the feasibility of an HR shared service. Saving will arise from the proposed shared service due to economies of scale and service reorganisations. These savings are expected to be in the range of £250,000 to £300,000 per year. Work is still underway to refine these figures and to develop with Royal Borough of Kingston upon Thames a charging mechanism, for the shared service that allows the Council to commission the appropriate scale of HR service as towards becoming a commissioning council.

Richmond's payroll services will be managed by the shared service in the interim, but not shared, as Kingston have entered into an agreement with a consortium of other London boroughs to run a shared payroll service. Richmond cannot join at this time as the Council was not part of the tendering process. Opportunities to do so will be the subject of a separate business case in due course.

ICT transition costs are estimated at £100,000. These are worst case scenario and work was undertaken to reduce them. A more likely figure is in the order of £40,000. £60,000 has been included for interim support during transition. This support is needed to manage the payroll service at Richmond and the work on integration of HR/ Payroll Systems which will take place after the Shared Service is established. Total transition costs in a worst case scenario are therefore estimated at £360,000, meaning the proposal will have a pay back period of between 14 and 17 months, depending on the final annual savings achieved.

3. Initial Savings Identified in Programme Athena One Projects

As each of the One groups transitioned to mobilised projects they produced business cases which catalogued the initial cost and savings. These business cases would have pulled information from the individual authorities as well as experience from other private and public sector shared service projects including the one's Programme Athena researched above. Some of the groups such as Cedar have also had support from Programme Athena in producing their business case.

As each of the business cases contain similar information, the best way to see some of the difference in approach and results is to compare that information across the different One projects to do this we used the benefits framework to show the progression of the business case through the stages.

One Oracle

Project Summary

Lambeth, Lewisham and Havering have agreed to collaborate to create a Joint Service via a joint committee arrangement for procurement and finance transactional processing services delivered using Oracle Financials and in addition for Lambeth and Havering in relation to HR and Payroll that would:

- Develop joint back office through a shared processing centre for accounting, finance and procurement transactional processing services that are more efficient and generate savings with an overall reduction in operating costs through economies of scale and elimination of duplicate activities
- Work in coordination with Programme Athena and as a realisation of the aims of the programme to standardise, consolidate and share services
- Create a common instance of an ERP system in Oracle E-Business Suite Release 12 with integrated modules and processes by widening the recent implementation of Oracle E-Business Suite at Havering.
- Establish combined system hosting arrangements
- Create new ICT solutions including reporting, planning and forecasting functionality
- Standardise processes, practices, definitions and policies coordinated with best practice to improve the quality and consistency of service provided
- Be open to the inclusion of other London Authorities as partners
- Avoid duplication of costs in the re-implementation to Oracle Release 12

The collaboration will make savings for all councils by creating a shared service for processing financial and procurement transactions using one IT system, and HR

Payroll for Lambeth and Havering. The savings will be used to support front-line services

The development of a joint service supported by a common instance of Oracle E-Business Suite supports ICT objectives to reduce the carbon footprint of each organisation, realise financial efficiencies, establish a significantly improved model for disaster recovery, deliver value for money, deliver more accessible back office and ICT services and define and promote the importance of information assets.

The objectives of the joint service include:

- Operational efficiency, integrated ERP systems, rationalisation and decommissioning of systems
- Effective performance management, streamlined and accessible business analytics.
- Shared services operational arrangements
- An effective process for business process improvement and innovation
- Improved motivation, productivity, competency and skill levels of workforce

Financial Summary - Shared Service

The following table summarises the average projected savings, implementation costs and payback periods per borough. This is based upon the financial information contained in the Strategic Business Case submitted to Capital Ambition in March 2011.

PER BOROUGH Average Net Cumulative Savings after 5 years		
£m *average* 1.86	£m *plus 5%* 1.95	£m *minus 5%* 1.76
Average Annual savings later years		
£m *average* 0.65	£m *plus 5%* 0.68	£m *minus 5%* 0.62
Average Implementation costs £1.88m		
Average Payback 3.32 years or 3.15 to 3.49 years		

Payback is calculated on a cash basis and not discounted.

Oracle Shared System LBBD

Financial Summary - Shared System

The following table summarises the average projected savings, implementation costs and payback periods per borough. This is based upon the financial information from Barking and Dagenham.

Average Net Cumulative Savings after 5 years		
£m *average* (0.48)	£m *plus 5%* 0.09	£m *minus 5%* (1.06)
Average Annual savings later years		
£m *average* 0.69	£m *plus 5%* 0.72	£m *minus 5%* 0.66
Average Implementation costs £2.97m		
Average Payback 5.86 years or 4.88 to 6.83 years		

Payback is calculated on a cash basis and not discounted.

One SAP

Project Summary

The vision as outlined in the One SAP business case rested on a step wise approach to obtaining full realisation; the significant steps detailed in the levels below

(a) **Level 1** refers to all partners coming together to purchase the systems together and so benefit from economies of scale.

(b) **Level 2** refers to the sharing of the system i.e. single hosting of the hardware and software, having one database and one Chart of Accounts.

(c) **Level 3** refers to the achieving consistent best practice processes across the Councils.

(d) **Level 4** refers to the sharing of data processing capabilities such as paying invoices, collecting debts, processing payroll and shared HR and purchasing. For example, this might mean one authority paying all the invoices instead of having a payments team at each of the authorities.

Level	Description	Savings
1	Collective procurement of a platform	Procurement – economies of scale
2	Single system	Procurement – economies of Scale Reduced support and upgrade costs Reduced maintenance cost
3	Single system and processes aligned	Procurement – economies of Scale Reduced support and upgrade costs Reduced maintenance cost Operational effectiveness
4	Single platform with shared processes	Procurement – economies of Scale Reduced support and upgrade costs Reduced maintenance cost Operational effectiveness Reduced operational costs – economies of scale

Financial Summary

The following table summarises the average projected savings, implementation costs and payback periods per borough. It assumes two authorities using a shared system and is based upon the financial information contained in the abridged version of the SAP business case of July 2011.

Average Net Cumulative Savings after 5 years		
£m average 2.28	£m plus 5% 2.39	£m minus 5% 2.17
Average Annual savings later years		
£m average 0.89	£m plus 5% 0.93	£m minus 5% 0.85
Average Implementation costs £2.18m		
Average Payback 2.50 years or 2.38 to 2.63 years		

Payback is calculated on a cash basis and not discounted.

One Cedar

Project Summary

One Cedar is a combination of Camden, Islington and Hackney coming together to consider collaborative opportunities on their HR and Financial systems.

In regards to the potential scope of collaboration, level of existing sharing and having considered the appetite of each authority, the original May 2012 business case considered the four options:

> Option 1 - Remaining as is (the "do nothing" option).
> Option 2 - Boroughs continue with their own arrangements liaising and sharing information on new developments e.g. adopt new modules together using it in the same way.
> Option 3 - Working with Cedar to build a Greenfield system

Option 4 - Using one Councils instance for the other remaining Councils – a Brownfield site

Greenfield Option

Following the May 2012 business case the Greenfield option was favoured. The overriding principle was to build a new system which is then deployed in each organisation using the same hardware, database and operating system and software.

The Greenfield option also incorporates the assumption that there would be a shared systems support and development team, which provides support for all authorities using the same hardware and database.

The proposal also incorporates the development of a shared data warehouse for reporting; Camden and Hackney each operates individual data warehouses and Islington currently reports from the live system.

The three authorities would share a common chart of accounts format, which would reduce maintenance and streamline statutory and non-statutory reporting.

The development of a shared Greenfield site offers the opportunity for authorities to adopt and share the cost of other modules not currently utilised in the single authority environment.

Hackney would have the opportunity to adopt Collaborative Planning.

Islington would have the opportunity to adopt e procurement and e portal modules and processes. It is understood that if adopted this would be undertaken in a phased approach, subsequent to go live on the new site. Therefore the proposed solution would enable current invoice authorisation and payment arrangements to continue.

Camden would have the opportunity to adopt the marketplace approach

All authorities would have the opportunity to review arrangements for printing AR invoices and for developing shared e- invoicing arrangements, which could enable further savings to be achieved, e.g.by leveraging volumes. It is also intended that shared hosting and support arrangements would incorporate the Paris system and there is likely to be further opportunities to improve arrangements and processes for this system.

This option gives boroughs the opportunity to extend access to other modules and to have in house support and assistance with the implementation and development of new modules, giving the ability to have a more integrated system.

The best practice methodology and the adoption of a lean/systems thinking approach to the process mapping would also offer further opportunity for more efficient working practices. During the initial scoping phase a number of such opportunities where identified and some of these are being taken forward as quick wins

 Other benefits include:

- Shared knowledge

- Resilience

- Strong in house development function, reducing reliance on supplier consultancy in future

- Collaborative Approach to working

- Ability to develop the system

- Single product master file leads to consolidated supplier spend analysis which feeds in to enhance purchasing/buying power

- Providing a foundation with which to share services across the partnership.

Financial Summary – Shared System

The following table summarises the average projected savings, implementation costs and payback periods per borough. It assumes three authorities using a shared system and is based upon the financial information contained in the business case of March 2012.

Average Net Cumulative Savings after 5 years		
£m average	£m plus 5%	£m minus 5%
0.93	0.98	0.88
Average Annual savings later years		
£m average	£m plus 5%	£m minus 5%
0.46	0.48	0.43
Average Implementation costs £1.40m		
Average Payback 3.07 years or 2.92 to 3.23 years		

Shared Service

In February 2013 the business case financial information was updated and emphasis was put on a *shared service* rather than the May 2012 business case for a *shared system* only.

Benefits include:

- Constructive relationships have developed between the three boroughs over the past year and the boroughs' leaderships hold common views regarding shared versus outsourcing options,
- One Cedar gives the ability to broaden the scope in the three boroughs and provides ownership and control over products,
- Positive perceptions of level of change are held by service users.

Financial Summary – Shared Service

The following table summarises the average projected savings, implementation costs and payback periods per borough. It assumes three authorities using a shared system and is based upon the financial information contained in the business case of February 2013.

Average Net Cumulative Savings after 5 years		
£m average	£m plus 5%	£m minus 5%
0.97	1.02	0.92
Average Annual savings later years		
£m average	£m plus 5%	£m minus 5%
0.61	0.64	0.58
Average Implementation costs £2.09m		
Average Payback 3.42 years		
or 3.26 to 3.60 years		

Managed Service Tri-Borough

Project Summary

Three boroughs, Westminster, Hammersmith and Fulham and Kensington and Chelsea, have entered a contract with a single supplier.

The new services will provide an outsourced HR and Finance operation for a range of the transactional aspects of those functions. Strategic capability and decision making in both Finance and HR will be retained in-house

As well as direct cashable savings there are other benefits to migrating to a managed services approach. These include the removal of responsibility for all ICT used to deliver these services (in line with the infrastructure free strategy for the boroughs), lower overheads through transformation of the way the Intelligent Customer Function is provisioned leading to clearer accountabilities and responsibilities, clearer and concise governance arrangements for the management of the services and alignment with the Pan-London convergence strategy.

Further benefits may accrue from wider adoption by other boroughs who are framework participants through the sharing of management costs and the volume discounts that are defined in the contract.

Financial Summary

The following table summarises the average projected savings, implementation costs and payback periods per borough. This is based upon the financial information from two of the three boroughs.

Average Net Cumulative Savings after 5 years		
£m average	£m plus 5%	£m minus 5%
4.76	4.99	4.52
Average Annual savings later years		
£m average	£m plus 5%	£m minus 5%
1.04	1.09	0.98
Average Implementation costs £3.81m		
Average Payback 3.87 years or 3.78 to 3.97 years		

4. Savings from Individual Projects

Managed Service

As the Tri-Borough Managed Services Procurement for Finance and HR transactional services has successfully concluded, Hammersmith and Fulham has recommended to cabinet to begin calling of the Managed Service contract. This would mean that a range of Finance and HR transactional services available under the main Framework contract, would begin to be delivered by the preferred supplier BT.

The terms of the call off are that a Council enters into a contract with the preferred supplier, BT, for five years (with the potential to extend for a further three years) at an annual cost of £1.5 million to provide the full range of services covered by the Tri-borough Managed Services Framework Agreement for Finance and Human Resources (transactional services).

A further £4.15 million has been set aside by Hammersmith and Fulham to fund the transitional costs involved in moving finance and HR transactional services to the preferred supplier. That figure includes redundancy risk of approximately £345,000 as the preferred supplier, BT, is likely to provide all services from the North of England, and should staff elect not to transfer under TUPE, then they will be entitled to redundancy.

The managed services procurement will result in direct cash savings on the current running costs of back-office services. The benefit is derived from the adoption of newer technology and standardised processes with no bespoke customisations in place (both of which drive up cost of maintenance) as well as the opportunity to deliver the services from outside London where cost of staffing these functions is likely to be lower. In addition, the adoption of the Managed Services Framework by all Tri-Boroughs has the potential to yield increased savings and/or support the delivery of those savings targets already committed to by Tri-borough services.

As well as direct savings, there are also intangible, indirect benefits from the Managed Service. These include the removal of responsibility for all ICT used to deliver these services (in line with the infrastructure free strategy for the boroughs), lower overheads through transformation of the way the Intelligent Customer Function is provisioned leading to clearer accountabilities and responsibilities, clearer and concise governance arrangements for the management of the services and alignment with the Pan-London convergence strategy. Further benefits may accrue from wider adoption by other boroughs who are framework participants through the sharing of management costs and the volume discounts that are defined in the contract.

Oracle

(Still dependent on the One Oracle post-procurement savings)

5. Wider Benefits from Collaborative Working

While we have identified the cashable benefits of collaborative working and shared services it is important to recognise that the full benefit of these initiative will not always be able to be quantified through financial mean alones. There are a number of non-cashable benefits that are associated with shared services like increased productivity and improved customer satisfaction with streamlined services that are not easily put into financial facts and figures.

Through the One Oracle project, Programme Athena spoke to some of the project managers to gather an understanding of some of the non-cashable benefit they were able to identified through the **Co-Ordinating Effort (Collaboration)** and **Joint Procurement** stages of the project. At Brent some of the benefits they recognised were:

- Greater level of trust and respect with the other authorities that signed the Memorandum of Understanding (MoU)

  - The MoU was a key document to the success of the joint procurement as it signalled the authorities commitment at the highest level of the organisation to working towards the shared service goal

  - The MoU also provided principles to work from instead of specific, and limited, actions to work to

  - Signalled a long term commitment to working together

  - This lead to a "spill-over" effect on collaboration – Meaning work taking place near the joint procurement would be done collaboratively although it was not directly supporting the procurement.

- Increased discipline in terms of the joint procurement where previously service managers would have requested customisations instead of changing processes to suit the system.

  - The technical collaboration also provided peer support in convincing organisations that the "vanilla" solution was best

  - The organisational discipline needed to make a single instance work is greater than any single authorities internal discipline. There is now greater evidence for resisting ad-hoc or last minute changes or workarounds

- Reduced internal organisational drift meaning that per authority internal conversation were easier to have and also provided another lever in which to convince people that the "vanilla" solution would be utilised unless customisation was absolutely necessary

- Increased focus on enablers for the shared service as the principle of a shared service was so clear, the One Oracle group made sure that those areas which supported that goal were prioritised.

  o All activity can be considered in terms of the questions – "How does this activity support the shared service"

  o The collaboration made working together on non-Oracle services seem more likely, and provided additional confidence in collaborative working.

- Significant benefit with technical resources working in a close partnership

  o There was a significant pool of shared knowledge that would not have been available to a single authority working in isolation

  o The collaborative approach was probably the single most important factor in the joint procurement success. While there were leads on all the workstreams all authorities felt they were making a significant positive contribution to the project

- A very regimented approach to the procurement with strict rules on the procurement kept the project on track and working to the timeline

- Due to the procurement approach, with multiple authorities all having to get each procurement step ratified and approved, if deadlines were missed there would be significant time lapses before the project could catch up to gateways again

- The legal approach created a very narrow pathway for the procurement which provided a clear focus for how the project needed to be run.

  o If there had been a more permissive legal guidance around how the procurement could proceed, there might have been time delays while the partners selected which approaches to take a certain procurement stages, but the legal advice minimised the number of choices that actually needed to be made

From the viewpoint of Barking and Dagenham, some of the non-cashable benefits they experience through these two stages were:

- Strength of partnership

- The project was based on a principle-(as outlined in the Memorandum of Understanding) instead of a discrete exercise

  o Principal of convergence

- A greater connection to the shared goal of 1 June 2013 implementation with the added people involved in the project

- A greater sense of pragmatism – working with the SI, came to the conclusion for Wave 1, Phase 2 and Wave 2 boroughs, it made sense for them to go in groups of 4 or 5

- Facilitation – more understanding of what was going into the solution and greater engagement with the internal organisation as people knew other people from other organisation were feeding into the process so they wanted to as well.

- Flexible approach to collaboration meant that One Oracle didn't mandate that everything happen all at once. It gave flexibility to some boroughs to come onboard at a later stage and those authorities that were ready could press ahead.

Closer Collaborative working
Joint working has been the cornerstone of the partnership and made single authority working less desirable

- There have been issues with working with 6 different boroughs, but as the issues have been resolved it has strengthen the bond and work practices more. As these hurdles have also been cleared there has been a corresponding increase in the players desire to see problems solved rather then leaving the partnership. There is now a very strong commitment throughout the organisation to see the partnership succeed, through the continued self-reinforcing buy-in process of presenting then overcoming problems together. It can be considered as a emotional and professional "sunk cost" on the partnership that now drives people to want to see the partnership succeed

- The success of the partnership on the Oracle joint procurement is also a catalyst. It makes joint working much more likely. People will see its successes and want to replicate them in other areas like Social care. The authorities now have a base understanding of each other and can build from here instead of starting at square one.

- Stronger negotiating position

  o The ambition and solutions come from 6 different sources rather than just one council

Robustness

- There has to be a level of compromise for the 6 councils, but the compromise is not at minimum level. Due to the approach to the procurement, the professionals on each workstreams are following the principle of a vanilla system and working to that or are convincing their peers to adopt a best practice approach.

- Internal challenge

- The final solution is much more robust then if any single authority had developed it in isolation. There have been 6 sets of stakeholders involved in the process each with their own viewpoints and interests. There is significantly less chance that there will be any future problems that have not been considered by at least 1 stakeholder from 1 of the groups.

Programme Athena "Enabled" savings

The Programme Athena team has been in place since 2010 supporting the mobilization of collaborative projects within London councils. A key resource for councils has been the ability to call upon the learning and knowledge of a dedicated collaborative working body which is software agnostic and possessed both a specific knowledge of the public sector working environment and also knowledge of the particular functional requirements of the software and process that would be utilised in those collaborative projects.

While Programme Athena has taken many forms it is imperative to point out that the continuity and organisational knowledge provided by the team which authorities could call upon should not be understated. If you were to assemble a "Commercial team" or consultancy project office with a similar level Senior Managing consultant, a Programme Manager and single Business analyst for the 28 months the programme has been in existence you would likely pay much more then the funding which was allocated from Capital Ambition funding.

The savings enabled by Programme Athena range from the hard cashable savings, like when workshop have been delivered, to cost avoidance, such as when guidance and legal opinions have been shared, to the softer benefits, providing meaningful contacts and pointing people in the right direction. While we have listed some of the benefits that have been recorded by the team, it is nearly impossible to record each and every time Project Athena has enabled some interaction or provided a key brokering conduit from mundane to major issues

The logical way of approaching the benefit of the programme is through the 4 stage benefit framework. As there are fewer projects within the Fully Integrated Shared Services stage there will obviously be fewer interactions in which the programme could support, however the real benefit of the programme has been through the initiation and start-up of the One groups, where once they are mature and self-perpetuating Athena has taken a supporting role providing assistance when requested or when opportunities have arisen.

Co-ordinating Effort

- Options appraisals and business cases from market testing show the costs of changing systems and sharing systems providing valuable information to appraise boroughs own circumstances. There is an estimated saving across the boroughs of £150,000.

- Reviews in some boroughs have identified savings potential by system optimisation and process review. This is being shared to enable all boroughs to consider and use. There is an estimated saving across the boroughs of £125,000.

- Boroughs are aligning system development work so this is undertaken jointly to reduce costs. There is potential for savings of £200,000.

- Sharing of legal advice in respect of the procurement of software specific systems has saved an estimated £50,000 so far across London.

- Programme Athena has helped provide support through the absorbing costs, sharing information and best practices, providing facilitation and implementation resources, and more generally providing a stop gap to help authorities come up to speed while they are ramping up their own joint working resources.

- A centralised point of contact for multiple authorities to signpost them to the opportunities available from the Managed Service. Including presenting material from the Managed Service at other One group meetings and related functional boards.

- Provided a point of contact Kingston when engaging options for a finance system replacement

- Discussed our approach with the pan-London Highways Project which represent a saving to authorities of £1,800

- Presenting to North England boroughs on Athena learnings providing issues/lessons learnt and approach to take, increasing their knowledge shared service experience. A similar exercise by external consultancy would be £5,400.

- Strengthened best practice by sharing the Oracle and Cedar Chart of Accounts with Tower Hamlets for them to develop as a basis for their own chart of accounts. This represent significant consultancy and officer time cost avoidance

- Supported procurement best practice across authorities by shared ISOP & ISFI procurement documents with Westminster council

- Facilitated procurement strategy workshops, and documented procurement systems with an eye on providing an analysis of procurement system requirements and opportunities providing a savings of £2,900

- Signposted Hounslow to details of Midland Trent cost of implementation

- As a broker, Athena has made connections for Hounslow putting them in touch with Lambeth council to allow them to consider the cost and prospect of calling off Oracle framework

- Provided a brokering service for councils considering new delivery options by informing colleagues of the scope and approach being adopted by the Managed Service negotiation

- Brokered a relation between Hackney and Lambeth to talk though legal issues and counsel's advice received as experienced by the One Oracle Project

- There has also been support for project governance as when Athena supported the Cedar project manager when meeting with the 3 Directors of Finance to determine options for governance arrangements for Cedar

- Acted as a central information distribution centre circulating updates relating to reduced consultancy rates from Northgate (as secured by the ICT Category Management Board) to all contacts

- Provide a central recruitment hub for Northgate group by circulating details of secondment opportunity at Tower Hamlets and any other resourcing requirements informally

- Providing an overview of Athena, progress to date, what has been achieved, lessons learnt to Essex County Council giving them alternative procurement opportunities they had not been previously considering. This include sharing specific details of the scope and ability to join the Managed Service.

- We have opened up opportunity channels to other public sector bodies including providing an overview of Athena, progress to date, what has been achieved, and lessons learnt with key contacts in a procurement function within the NHS and the central government E-Government Director and the Director of IT Strategies and Smart Cities

- Athena has been the catalyst for significant cost avoidance by providing a blueprint for other shared service project. For example the PM working on behalf of Islington and Transport for London would like to replicate the Athena blueprint for Highways systems across London – to extract and apply from the Athena experience, in order to save time, effort and money.

- Support for councils has been through multiple channels including service forums. This means we have shared information at London SOCITM meetings, SOCITM Annual Conference, Top Talent Programme (SOCITM /IBM), London Councils Summit 2012, London Heads of HR meeting (NE's presentation),and London Connects

- To achieve maximum exposure for authorities, Athena has provided a communication function to prepare media articles and line up representatives for media interviews.

- Produced individualised roadmap/options reports to each Chief Executive to quickly and easily explain current progress and future opportunities.

- Providing general updates regarding progress, achievements and next steps for individual/group key contacts across London

- Establishment of the Communities of Practice forum via the LGA Knowledge Hub

Join Procurement

- Overall counsel on engagement and procurement approach

- Shared Lambeth QC's advice on perpetual licences shared with all authorities providing significant cost avoidance for each council who has used advice

- Athena signposted other authorities to Havering's legal counsel on Oracle shared procurement

- The approach and implementation of the One Oracle procurement has been shared with multiple One groups, authorities outside of London and other public sector bodies. The cost to develop this approach by an external consultancy and explain/train its execution is estimated to be at least £26,000

- Provided procurement related advice to Hackney – to determine way forward for the Cedar authorities

- Primary contact for information sharing with the Cabinet Office undertaking a data centre consolidation exercise. Supplied comparison, including, challenges and lessons learnt, of the Total Cost of Ownership and metrics to exercises being undertaken on both accounts

- Meet with technical contacts at the Cabinet Office to discuss the collaborative approach to using network connectivity pan-London – discussion regarding how Athena can help facilitate this discussion

- Discussions held with GPS around the utilisation of Central government contracts by local government around the licensing of ERP systems and how authorities could benefit from the Central government pricing approach

System and Process Convergence

- Two workshops have identified all opportunities for aligning financial policies, procedures and processes. This work is now being progressed through the deputy CFO network in London. This work is estimated to save in the region of £250k

- Additional workshop for the One Cedar group which have identified Quick wins and also mapped To-Be processes for multiple financial processes. The facilitation and business process modelling for this exercise is in the region of £45,000

- Fielded question from Cedar project manager in regards to establishing the more favourable Chart of Accounts for the Cedar environment. Obtained information from One Oracle regarding the Chart of Accounts structure being used and pros/cons for the options being considered. To further in the information for comparison, Essex County Council was also contacted to understand their approach.

- Shared information across Midland Trent authorities regarding the establishment of the Payroll Service to help inform Greenwich including implementation options, current configurations, and possible issues they will need to consider.

- Metrics have been established to compare costs and performance across authorities in a consistent manner. By sharing and all using these metrics, savings of £25k are estimated.

- The development of the common metrics developed with representatives of all One groups through a facilitated workshop and shared with all authorities presents a cost savings for all authorities taking part in the metrics exercise of £5,500

- Facilitation of SAP process workshops and documentation of SAP processes including To-Be processes and "golden rules" have provided a cost avoidance for participating authorities of at least £45,000

- Lead a series of Agresso system and process workshops which feed into the Agresso business case and system optimisation and requirements. Similar work by consultant would have costed at least £45,000

Fully Integrated Shared Services

- As we are still in a phase where many authorities are implementing project and making system changes so there is limited information available on the savings from fully integrated shared services that Athena has supported however as shared services come online there will be a need to coordinate and communicate the service to potential customers and to prepare those customer for the internal changes that will need to be made to engage those service. Project Athena is uniquely placed to support these types of savings in future.

- The Merton, Sutton, and Kingston HR Service represents the most advanced shared service within London and a greater understanding of the benefits they have derived will provide insight, at a lower level, as to the savings that other authorities will be able to achieve in this benefit phase.

6. Summary

From the information presented on both local and national shared service projects it is evident there are significant benefits to be achieved from collaborative working. The savings that have been achieved in other areas and the identified savings of the One group projects show that the cost of deploying collaborative projects provide a significant return on investment and .

To that end, as of March 2013 the London authorities have made significant progress against the collaborative working benefits framework to achieve savings across a range of projects. The graph below shows us where each authority and project is against the framework with some indicative dates around when project anticipate participate in full shared services.

Borough Shared Service Groupings

Four stages of Benefit   **Authorities**

Fully Integrated Shared Service	• Oracle Tier 1 — estimated 2015 • SAP • Managed Service — from March 2013

System and Process convergence	**Oracle Tier 1** • Lewisham • Lambeth • Havering • Barking & Dagenham • Brent	**Oracle Tier 2** • Bexley • Bromley • City of London • Hillingdon • Newham	**SAP** • Waltham Forest • Barnet **SAP Outliers** • Harrow • Enfield

Joint Procurement	**Cedar** •Camden •Hackney •Islington •Wandsworth	**Managed Service** •Hammersmith and Fulham •Kensington and Chelsea •Westminster	**Agresso** •Sutton •Haringey •Ealing •Hounslow •Kingston •Redbridge

Co-ordinating Effort (Collaboration)	• Richmond (S) • Southwark (S) • Greenwich (A, Tri) • Merton (Midland) • Tower Hamlets (Nor)

Key:
A — One Agresso
O — One Oracle
Mid — Midland Trent HR workstream
Nor - Nor
S — One SAP
MS — Managed Service

We can also see that there is significant work to be done to see more authorities in the final sector of the benefits framework. Currently Richmond, Sutton, Merton and Kingston are the only authorities with true shared service and there is limited to a single service but as borough consider and take up Managed Service and project like One Oracle complete the implementation of their single instance we should see both greater savings and documentation that other authorities can use to better calculate the savings they may achieve in a full shared service. On a borough by borough basis we can see the direction of travel on the benefits framework below:

Individual Authority Shared Service progress

Four stages of Benefit | **Authorities (Direction of Travel)**

Four stages of Benefit	Authorities (Direction of Travel)
Fully Integrated Shared Service	• Richmond (⇔) • Sutton (⇔) • Merton (⇔) • Kingston (⇔)
System and Process convergence	• Barking & Dagenham (⇧) • Bexley (⇔) &Fulham (⇔) • Brent (⇧) • Bromley (⇔) •Kensington & Chelsea (⇔) • Croydon (⇧) • City of London (⇔) •Westminster (⇔) • Lambeth (⇧) • Hillingdon (⇔) • Lewisham (⇧) • Newham (⇧) • Havering (⇧) •Hammersmith
Joint Procurement	•Camden (⇧) •Sutton (⇔) •Hackney (⇧) •Haringey (⇔) •Islington (⇧) •Ealing (⇔) • Waltham Forest (⇔) •Hounslow (⇔) • Barnet (⇔) •Redbridge (⇔) • Harrow (⇔)
Co-ordinating Effort (Collaboration)	•Southwark (⇔) •Greenwich (⇔) •Merton (⇔) •Tower Hamlets (⇔) •Wandsworth (⇔)

Key:
A – One Agresso * O – One Oracle * Mid – Midland Trent HR workstream * Nor – Northgate HR workstream
S – One SAP * MS – Managed Service

Where are the benefits

The projects in London and through the UK have shown that there are both hard cashable savings and non-cashable savings from collaborative projects. A common theme from both local and non-local projects is that there are definitely significant non-cashable savings such as improved productivity, better working relationship, and increase levels of expertise that are delivered from working more collaboratively.

A common theme from the cashable savings that have been identified is that the primary sources of savings are through procurement of systems, changes to processes, and efficiency savings driven from changes to systems or processes. We

have seen significant savings through all three areas, but projects have shown it is not necessary to draw savings from all three areas to achieve cashable savings. This gives authorities the opportunity to tailor their project to suite their needs.

Next Steps

As there are a number of project like One Oracle and Managed Service which are being to implement the framework for shared services and collaborative working, whether through the implementation of a shared instance or completion of a open framework of services, there are being to be more options for some of the smaller authorities to join projects that are further along then their own. This increased "competition" should provide authorities with even greater leverage when dealing with suppliers but also give authorities both long and medium term options which they can pursue.

The implementation of the projects will also provide an opportunity for projects to go back and review their actual savings over the next 5 years against those savings that were identified in the original business case. This review process will highlight those areas where they need to better estimate savings for other collaborative opportunities but can also give those authorities looking to engage in these types of projects both additional evidence of accurate savings and a more precise period of payback which may alleviate some concerns people within those authorities might have. A savings profile with high confidence is a tool that also support the use of collaborative working in other areas. While the projects that we have focused on now are around key support services, the experiences and know-how that have been obtained can be transferred to other services like Children's or Adults Service.

What can we improve

While authorities have done a good job using historical information from other shared service projects, Programme Athena has been working to increase the amount of cross project communication. This can take the shape of sharing briefings at other project meeting or putting project teams into direct contact with each other. For there to be unassailable cases for collaborative working, project should also be sharing high level benefit and cost information to ensure that the best cost and benefit estimation techniques are being utilised. Robust business cases will support all projects by providing a justification for those authorities not in collaborative working opportunities to engage with other project and authorities to obtain the same level of savings that they can see has been delivered elsewhere. By proving business cases with high levels of confidence, we increase the buying power of authorities who do work collaboratively and also lower the barriers of entry for those authorities who might be considering taking the next step to joining a collaborative project.

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities

June 2013

Supporting Document 2 –

Metrics Paper

PROGRAMME ATHENA

Metrics Final Report –
the outcome of the exercise
March 2013

1. Introduction

1. 1 The purpose of this paper is to summarise the work that took place in developing and implementing a common metrics set to support the collaborative working in and across the one groups.

1. 2 This covers such things as:

- The development and implement of the Programme Athena metrics set
- The initial feedback and modification from the initial data gathering exercise
- The results from the London wide metrics workshop held in ;
- Indicative areas of improvement and results improvement which can be achieved by greater knowledge and process sharing in London

2. Why Develop Athena Metrics

2. 1 Programme Athena is putting boroughs on a shared trajectory towards shared solutions to gain the opportunity and ability to deliver significant savings and efficiencies through ICT enabled support service functions.

2. 2 For an organisation to justify shared systems and services as well as considering different systems and way to deliver services; there is a need to be able to compare the performance and efficiency of services across different authorities. There are a number of services which all authorities deliver but there was not a corresponding understanding of performance and cost against those common processes across London. Reasons for this include:

- Many services following 'go –live' would move to a 'business as usual setting' without ever setting a baseline of performance.

- There is not a comprehensive way to measure performance and then to be able to objectively compare where authorities sit in relation. Through the use of benchmarking clubs and the National Indicator set we were moving in the right direction, however there has been feedback that both those two systems have some limitations which is why we are developing a set of common metrics which will be fit for purpose and will enable valid and credible comparisons to be made without significant levels of administration.

2. 3 Programme Athena has aimed to tackle comprehensively the issue of common metrics to be able to give decision makers the information they need to make decisions about services. The metrics on their own

provide important information and when utilised with information from Total Cost of Ownership, authorities should have significant information, which will be able to support business cases if required, available to make robust decisions about shared services and their possible options.

2. 4 The common metrics focus is on the core support areas of Human Resources, Finance and Payroll. It is hoped that these core set of metrics will continue to be used and embedded and then further qualitative metrics can be introduced to add further context to the performance of services. We hope the metrics that have been selected will be of use from those operational groups as they represent a dataset that mirrors real world performance and is also important to local stakeholders.

2. 5 There are also a number of other benefits to authorities by participating in the metrics exercise.

- It allows service managers and decision makers to see the performance of specific systems and functions instead of just overall costs.

- It provides a catalyst for authorities to review processes where performance and cost is different

- Transparency of information in areas being considered in shared services and allows for a shared and consistent information benchmark for authorities

- Support collaborative workings

- Provides baseline from which information can be built for key decisions

2. 6 The initial Athena metrics are listed in Appendix A. The initial metrics were based upon work stared by the One Oracle group. The metric set sought to build upon that base and add in further areas which had been identified as have little comparable information across authorities which would be necessary for collaborative working.

2. 7 The approach adopted and chronology are set out in Appendix B

3. Results from Final Data Gathering Exercise

General

3. 1 Following the extension to January 2013, 9 authorities submitted new or amended information and 2 authorities felt that their original returns were sufficiently close to the amended definitions to re-submit

those returns without changes. This meant that there were 11 authorities who gave data during the final exercise. Given the updated data (from the 11 final data gathering exercise authorities) and archival data (5 authorities from the initial exercise who did not respond in the final exercise), there is a wealth of performance information from 16 London authorities which should provide an excellent resource in local benchmarking.

3. 2 The primary difference between the Final data gathering exercise and the initial data gathering exercise was the greater understanding of definitions, but also more granular data on some of the major metrics. For example, in AP1 "Accounts Payable cost per invoice"

3. 3 Given the time spent on definitions, there were still some divergent values but on the whole there was a much tighter return on the values of actual data and clearly there was greater understanding among authorities as to the data that was being requested. This ensures that when authorities share the data they can be confident that difference in results . This is documented in the general reduction of difference between highest and lowest value across the different areas.

3. 4 A significant change to the data that was received was also the amount of HR data that was received in the final exercise. Previously, only 6 of the 12 metrics had responses from half of the authorities, whereas in the final exercise there was a 50% or greater response on all but 2 metrics

Financial Management

3. 5 Within FM1 "Total Cost of the Resources support services function per £000 Net Current Expenditure", we were able to see quite clearly the benefits of having more granular data. Two authorities had higher than average shared services costs, but even with similar cost the results were not the same. Even though they had similar core cost with similar levels of staffing, the cost per unit of expenditure was well above average in the Oracle system whereas the SAP system was much lower.

3. 6 There were also differences in performance in the non-ERP to ERP systems. In FM2, "Number of Accounts in Chart of Accounts" due to limitations in the way Cedar can report, all Cedar respondent had much higher numbers of accounts then their ERP counterparts. We can see this clearly in the as one authority with Cedar had an excessive number more accounts, whereas a SAP borough, had the lowest.

3. 7 An analysis that was added in the final data gathering exercise was One group averages and I think this will be useful for both One group and authority benchmarking. Within One groups, software difference

should be a discounted factor in performance difference. In FM5 "Time in days to complete year end reporting and published accounting statement production process" there is a significant difference in the final time to produce year end reports. From the limited sample there is over a 100 day difference, and although it takes into account the SAP includes one of the authorities with lower performance in this metric, there was feedback during the workshop about how there was difficulty in putting together some of the reports in SAP.

3. 8 During the workshop we also heard about some of the ways in which authorities are harnessing software to improve performance. For example one authority has started to use online reports and has one of the lowest scores for FM4 "Cycle time in days to complete the financial forecast".

Accounts Receivable

3. 9 In AR2 "Percentage of Electronic Receipts" there are further clear differences in the abilities of the software which can lead to real difference in performance. A number of authorities all have a high number of AR payments, in fact all make over 20,000 payments per year, however using Oracle, some of those authorities are much better at making those payment electronically. There was feedback that some of the smaller system were not as tied into some of the other payment and ordering systems to make this possible. Obviously with automated electronic payments there is much less of a cost so the difference between below average and average performance does have a cashable value

3. 10 In a similar vein, sometimes the cost of the software can lead to higher service cost which must be offset by better performance. In a per unit measure like AR3 "Cost per invoice" a higher software cost, such as in the case of one of the authorities which uses Oracle, their unit cost per invoices is about 20% higher than an authority which processes a similar number of invoices but uses the Cedar system which has a lower licensing cost.

Accounts Payable

3. 11 There are also differences in performance around the smaller systems. Two authorities which handle a similar number of Accounts Payable invoices, around 200,000 according to AP2 "Percentage of Accounts Payable invoices automated (processed and matched)". However one, suing CEDAR, has a much higher percentage of

automated invoices then another, which uses Agresso. Work that authority has done on one of the Cedar modules helps to explain the over 50% better performance than the other Agresso authority, but that would need to be substantiated by further discussion.

3. 12 Some of the differences that have been observed have been down to system differences, but the data also helps us to uncover areas where process difference yield better results. For AP4 "Invoices Paid on Time (within 30 days)" most authorities, whether on SAP, Oracle, Agresso, or Cedar scored over 90%. As many authorities are one of the largest commissioners in the area, payment of invoices is seen as both a political and financial goal. Multiple authorities during the workshop said that this metric was monitored by politicians as well as through normal financial monitoring. Even though there was high performance among some Oracle authorities, we can see from the results that one Oracle authority performs below the average. This may be down to the fact that other authorities are under political pressure to perform on this metric and thus greater resources are provided or that other Oracle borough use a more efficient process. This is metric provides an opportunity to look behind the system to the internal process to determine why there is such a difference in the level of system "like for like" performance.

Conclusions

3. 13 The final metrics exercise provides some real insight into the performance of different authorities and different systems that were not previously available. As highlighted earlier the focus on function specific performance opposed to service costs or general levels of output put a much finer point on the results as the results will be focused on very specific elements with services. This focus should help authorities in making changes to those specific areas to improve performance.

3. 14 Analysis of all authority averages, One group averages, and differences between highest and lowest respondents gives authorities more information about their relative performance then must performances exercises. The results from the exercise give authorities some context about their direction of travel and what they need to do to improve and by how much. It also may push One group authorities closer together by giving them a shared performance metric in which they can gauge their performance in the group.

3. 15 One of the central goals of this exercise was not to be a performance "league table", but to give people the tools and information to seek out other authorities in which they can collaborate and learn. Some of the performance difference will be based upon system

functionality and that may produce a driver for change, but authorities will need to work with each other to determine how they can work together and improve.

4. Moving Metrics Forward and Next Steps

4. 1 The Programme Athena metrics exercise has been a success in terms of the level of participation, knowledge gained and the fact that authorities now have a baseline of performance, in which they can use during their collaborative working and option appraisal.

4. 2 The intention is that each participating authority will now receive a detailed report showing their information against anonymised information from all others. The contacts will also be put in contact with each other so that they can share. This dissemination of the final results will also give further impetus for authorities to make contact with each other to find out further reasons around difference in performance and how they make changes to improve service results..

4. 3 PDG are asked to consider if and how this metric work should be disseminated to SLT and CELC including role of the Sector Improvement Board.

4. 4 Moving forward; options for the work to continue are:

- Initial discussions have been held with representative from the SOCITM Metrics Survery about incorporating the Programme Athena metrics into their yearly metrics exercise. The Programme Athena metrics are complementary to their metrics set and would provide a much more holistic set of cost data for authorities. Currently the SOCITM data set is very focused on overall cost and performance of service areas, e.g. the whole ICT service, instead of the cost of individual processes or service. The Athena metrics therefore could provide an insight for council to isolate which service or process may be driving the cost in a service area.

- All authorities could decide to run the exercise together and nominate a single authority to perform the analysis of metrics. As the next exercise will be building upon this year initial work, including the development of a metrics network, it would be much easier for an authority to carry on the exercise then for it to begin one afresh.

- London Councils through its work on Sector Improvement may be a consideration however there are clearly resource implications.

- There may be an opportunity to liaise with CIPFA on incorporating the metrics into their regular reporting.

A final determination as to the future of the metrics work will be taken by the Project Delivery Group who will be requested to provide a view.

Common Systems Metrics

Ref.	Functional . Area	Metric	Primary/Secondary Metric	Completion Category	Description & Rationale
FM1	**Financial Management.**	Cost of the Finance function	Primary	**Compulsory**	Measures the cost of the Finance function of the organisation per £000 gross revenue turnover. This will be a primary benchmark of the cost effectiveness of your financial management service.
FM2		No of Accounts in Chart of Accounts	Secondary	**Compulsory**	Count of all subjectives contained within the Chart of accounts. This metric provides indication of overall management of the information and degree of localisation and over time will determine if there is "bloating" of the Chart of Accounts. It will allow comparisons with other authorities to determine if the Chart of Accounts is still streamlined.

FM3		Percentage of Manual Journal Entries	Primary	**Compulsory**	This measure demonstrates the efficiency of the journal entry process through the proportion of journals that are manually entered. This metric demonstrates the efficiency of the finance function, as manual interventions mean there are issues with the financial system or processes
FM4		Cycle time in days to complete the financial forecast	Primary	**Compulsory**	This measure demonstrates the timeliness of the financial monitoring reports, prepared for end users on an ongoing basis. This shows how quickly you're able to produce financial data which may indicate if your system is able to produce the required information.
FM5		Time in days to complete year end reporting and published accounting statement production process	Primary	**Compulsory**	This measures the effectiveness of the finance function by assessing its ability to produce a timely and accurate set of final audited accounts.
FM6		Percentage variation between the forecast outturn at month 6 and outturn at month 12	Secondary	Optional	This measures the accuracy of forecasting within the organisation. A positive value for the indicator indicates that successful corrective action has been taken, while a negative value indicates either unsuccessful or no action has been taken.

					This measures the proportion of debt within a period that is dealt with within three intervals of the repayment period (typically 90 days).
AR1	**Account Receivable**	Invoice days outstanding	Primary	**Compulsory**	This measures the proportion of debt within a period that is dealt with within three intervals of the repayment period (typically 90 days).
AR2		Percentage of Electronic Receipts	Secondary	**Compulsory**	This measure the number of non-physical receipts that are processed. This demonstrates the efficiency of the organisation in relation to payments in AR, as electronic payment as less expensive to process and also how well the organisation is performing on moving suppliers onto electronic methods of billing.
AR3		Cost per invoice 2009/10	Primary	**Compulsory**	This is a measure of the cost per transaction (invoice).
AR4		Day's Revenue Outstanding (Value Only) (Average time for invoice to be paid)	Secondary	**Compulsory**	This measures the average number of days it takes a business to convert its accounts receivable into cash. It is by value than volume as it relates specifically to cash flow.
AR5		Accuracy (volume)	Secondary	Optional	This metric measures the accuracy of invoices raised on a volume basis. This is a rolling figure. The metric can be used to produce an approximate cost for waste (non-accurate invoices)
AR6		Collection Rate by Value and Volumes (12 month period – rolling)	Secondary	Optional	Linked to the indicator AR4#, this measure the collection rate of accounts receivable. This measure provides and indication of how successful an authority is at collecting debt. Better debt collection mean there is a more regular source of income.

AP1	**Accounts Payable /Purchase to Pay**	Accounts Payable cost per invoice	Primary	**Compulsory**	This measure the overall cost of AP as a unit cost per transaction. This metric allows an overall cost comparison of the AP service
AP2		Percentage of Accounts Payable invoices automated (processed and matched)	Primary	**Compulsory**	This measures the proportion of AP invoices that are processed and matched automatically. This measure provides and indication of the amount of automation in the financial or procurement system. Greater automation is an indication of a more efficient and less expensive service.
AP3		Accounts Payable payments made electronically (i.e. not by cheque)	Secondary	**Compulsory**	This demonstrates the efficiency of the organisation in relation to payments in AP.
AP4		Invoices Paid on Time (within 30 days)	Primary	**Compulsory**	This measures the accuracy of the invoice to pay process in meeting payment terms.
AP5		Percentage of missing GRN tasks as a proportion of all GRN tasks	Secondary	**Compulsory**	This indicates compliance with goods received notices (GRN) requirements. A high volume of missing GRN tasks indicates low compliance with authority guidelines and increased delay in the payment of invoices.
AP6		Accounts payable invoices Processed per FTE	Primary	Optional	This indicates the level of resource required to process invoices into the system and gives an indication of the performance element of invoice entry. Where a low volume per FTE is recorded, this may indicate issues with invoice entry. It may also indicate invoice entry complexity

AP7		Proportion of PO invoices as a percentage of all invoices entered	Secondary	Optional	This metric measures the ratio of PO invoices to all invoice that are raised. Higher volumes of PO invoices will make the invoice entry process more efficient.
AP8		The number of orders distributed electronically to suppliers as a proportion of all orders - this may be counted through the capture of email addresses against the supplier record.	Secondary	Optional	The number of orders distributed electronically to suppliers as a proportion of all orders - this may be counted through the capture of email addresses against the supplier record. A high number of electronic orders would indicate a reduced usage of print and post, supporting a less expensive service
AP9		Accuracy (first time matched)	Primary	Optional	This is a measure of the accuracy of invoice matching

PR1	**Procurement**	Percentage total spend under management (Spend associated with contractual terms processed through the eProcurement system)	Primary	**Compulsory**	Percentage of spend on contracts or agreements as a total of spend on all bought-in goods and services. This is not just PO spend as a proportion of total spend. This includes spend on PO and Non-PO invoices for bought-in goods and services and indicates the level of "uncontrolled" spend taking place
PR2		Percentage of suppliers enabled to receive and deliver electronic transactions	Secondary	**Compulsory**	This metric measure the scale of electronic processing within the authority's supplier base. This provides a rough indication of the extent of the ability to reduce usage of print and post.

PR3		Cost of Procurement function per employee	Primary	Optional	This measures the cost of the Procurement function of the organisation on an employee basis.
PR4		Cost of the Procurement function as a percentage of organisational running costs	Secondary	Optional	This measures the cost of the Procurement function of the organisation compared to the total running costs of the organisation.
PR5		Percentage of compliant Pos raised	Primary	Optional	This provides detail around the organisational compliance in procurement for raising POs.
PR6		Percentage of POs raised retrospectively	Primary	Optional	This provides detail around non-compliance in raising POs, specifically around timeliness and compliance with the result being raising POs retrospectively

HR1	HR & Payroll	Cost Per Payslip	Primary	**Compulsory**	Measure of the cost of the Payroll function of the organisation on a payslip basis. Shows the overall cost of the payroll section on a unit cost per transaction and efficiency per transaction.
HR2		Ratio of HR staff to total employees	Primary	**Compulsory**	This provides a measure of how cost-effective the HR function is, comparing the number of HR staff to the size of the organisation is serves. This calculation provides a representative figure of the headcount each member of HR staff is responsible for.
HR3		Costs of HR service per employee	Primary	**Compulsory**	Measures the cost of the HR function of the organisation on an employee basis. Shows the cost of the HR service as a unit cost per employee and efficiency for employee.

HR4		Average elapsed time from a vacancy occurring to the acceptance of an offer for the same post	Primary	**Compulsory**	This identifies the length of time taken on average to fill a vacancy in the organisation. This indicates effectiveness of the recruitment process.
HR5		Cost of the HR function as a percentage of organisational running costs	Secondary	Optional	Measure the cost of the HR function of the organisation compared to the total running costs of the organisation.
HR6		Cost of the Payroll function per employee	Primary	Optional	Measures the cost of the Payroll function of the organisation on an employee basis.
HR7		Cost of the Payroll function as a percentage of organisational running costs	Secondary	Optional	Measure the cost of the Payroll function of the organisation compared to the total running costs of the organisation.
HR8		Cost of recruitment per vacancy	Primary	Optional	The metric gives and indication of the overall cost efficiency of the recruitment service by calculating the amount the organisation spends on filling each vacancy. A high cost per vacancy could indicate a less competitive recruitment service.
HR9		Percentage of employees involved in employee performance management process	Secondary	Optional	This provides a measure of the compliance with the organisations performance management (appraisal) process. A low percentage will indicate low compliance with one of the council's primary performance monitor
HR10		Percentage of people still in post after twelve months	Secondary	Optional	The metric looks at both the quality of recruitment placements and general satisfaction within the organisation. Measured on an annual basis, this is a measure of staff retention within the organisation over a 24 month period.
HR11		Equalities Data	Secondary	Optional	A series of measures to identify the diversity of the workforce:
HR12		Time lost to absence	Secondary	Optional	This measure expresses the percentage of total time available which has been lost due to absence.

Appendix B

Initial Data Gathering Exercise

The initial data gathering exercise was commenced in July 2012 following the development of the Programme Athena metrics. Through PDG representatives were put forward to support the collation of data from each authority.

As the exercised commenced during the summer and to meet the resource needs of the authorities, the exercise was extended from late August to 28 September

The initial metrics were supported with a separate definitions document which outlined the information that was required for each metric. Authorities were sent the initial information on 14 July 2012. We received 13 respondents by September 2012.

Metrics Feedback Workshop

During the Initial data gather exercise, we received some feedback which would potentially reduce the effectiveness of the take-up of the metrics if they were not addressed. This included that the metric set was very tightly focused on a few key process and that there had not been a large scale process to agree definitions taking account the myriad of different delivery methods and contexts

Taking on board the feedback a Metrics workshop was held on 19 October to further specify metric definitions, share initial results and respond to any general concerns about the methodology or results of the exercise. Further to this it was reiterated that:

- The data set was not for performance management (e.g. League tables)

- This should support initial discussion and work on collaborative working/shared services especially to focus on activities rather than service areas

- Support initial baselining for business case work in collaborative working

- Any information and collaborative working/shared service will need further research to drive out the cause of differences

Another issue that was identified during the initial exercise that may have effected response was that the exercise was run during a ddifficult collection period during

the summer when some resources were either unavailable to produce the necessary information to get the information approved for dissemination.

Following feedback from the meeting, a summary of the workshop and a revised set of metrics was developed and a definitions we refined to ensure there was shared understanding and to use where possible data from regularly collected sources to aid in completion of the metrics.

Following on from the feedback during the initial data collections, it was pointed out that for the metrics exercise to be of most value there needs to be a consensus around how each of the metrics was calculated. We feel that through the workshop we were able to work out where there might have been issues with methodology or definitions that would have caused difference in metric results due to different interpretations of the metrics definitions.

Final Data Gathering Exercise (December – February 2013)

Following the re-issue of the metrics set and definitions, we initiated the Final data gathering exercise to build upon the initial exercise and produce a final set of metrics which would support the authorities prior to the closure of the Programme Athena programme office.

Feedback from Metrics Review Workshop 19/10/12

The feedback from the Metrics Review Workshop has been summarised and is listed by metric below. Along with this Summary of the Metrics Review Workshop, a revised Metrics Definitions and Metric templates document have been distributed which reflect the changes that were discussed.

Generic feedback

1. It was agreed by the Workshop that while there were benefits to using both actual and budget figures to complete the exercise, the final exercise would use 2011/12 Actuals exclusively.

Financial Management

Metric
Total Cost of the Finance function per £000 Gross

FM1:

1. The metric FM1 will change name from "Total Cost of the Finance function per £000 Gross Revenue Turnover" to "Total Cost of the Resources support services function per £000 Net Current Expenditure"
2. Change reference of Facilities management to Estates management
3. All metrics which measure the cost of the service will utilise Direct Employ costs (personnel costs) opposed to service budgets (service costs)
4. Direct Employee Costs are composed of the following elements:
    a. Salary
    b. National Insurance contributions
    c. Pension contributions
        i. These costs relate to the 03100 subjective codes if using CIPFA guidance
5. In relation to the services listed in the metric (Estate management, HR, Finance, etc.), the figure will just be for the core teams where there are more devolved arrangements or where there multiple teams fulfilling the same function
6. The metric will no longer consider the Revenues and Benefits service as one of the support service cost it is including
7. The breakdown of the FM1 will now include a separate line for each functional area, allowing authorities to break out the cost of each of the service and then see a total cost in the final figure.
8. The metric will now include the Internal Audit and Risk service as one of the support service cost it is including
9. The term "Gross revenue turnover" will be replaced with "Net Current Expenditure". This figure will now include the Revenue from the General Fund and HRA excluding period 13 outturn. This figure will be net of external income excluding internal departmental/client recharges, capital charges and support service charges
10. Within the definition document we will remove the reference to benchmarking information as it was not being utilised by authorities

Metric
Number of Accounts in Chart of Accounts

FM2:

1. The definition will remove reference to the 5 segments and make clear, the metric is a count of just subjective
2. The metric will also make clear that it Includes capital codes in count of subjectives

Metric
Percentage of Manual Journal Entries

FM3:

1. Metric will not include any virement in the count of journal entries
2. To aid in the information capture, the metric will now include all manual journal entries including punch errors, year end entries, batch files, feeder files, and suspense
3. The metric is only measuring those entries in the general ledger
4. In future, if most authorities are able to separate out those manual entries which deal with regular process versus those that are corrective and performed in an ad hoc fashion, then it would be more beneficial to measure the ad hoc rather then process based manual entries
5. The breakdown of the FM3 will now include a separate line for year end entries, punch errors, batch files, feeders, and suspense, allowing authorities to break out the number of each of the types and then see a total cost in the final figure.

Metric
Cycle time in days to complete the financial forecast

FM4:

1. The metric for FM4 and FM5 will now be based upon the principle "Best First draft". The metric is not measuring the amount of time that it takes for the report to go through the authorities approval system, rather how long does it take the Finance/Support team to produce their initial "Best first draft" which would then normally go to directors, or business unit managers for feedback
2. There are some authorities that have online systems of financial reporting, therefore reports are not sent out per se but are made available to business unit managers for error correction. For authorities like this, the consensus was that the period end would begin when those reports are made available to business unit managers online.
3. The metrics for FM4 and FM5 should only count days of the working week, therefore excluding weekends.

Metric
Time in days to complete year end reporting and published accounting statement production process

FM5:

1. As with FM4 this metric, will use the "Best first draft" principle when calculating time to complete year end reporting.

Metric
Percentage variation between the forecast outturn at month 6 and outturn at month 12

FM6:

1. The description & rationale in the Definitions document is incorrect, in that the corrective action scenario is reversed

Accounts Payable

Metrics
Accounts Payable cost per invoice

AP1:

1. The denominator "Number of invoices" will change to "Number of Payments" which will include both invoice and non-invoice payments
2. The template will also feature additional lines to include room for individual Social services, periodic, and benefits payments
3. The definition will make more explicit that the metric is looking at the central or core AP team
4. The numerator will only consider Direct Employee Costs are composed of
    a. Salary
    b. National Insurance
    c. Pension costs
        i. These costs relate to the *03100* subjective codes if using CIPFA definitions in your Chart of Accounts

Metrics
Accounts Payable payments made electronically (i.e. not by cheque)

AP3:

1. The numerator "Number of electronic AP payments" will be changed to remove the reference to just AP payments
2. The denominator "Total Number of AP Payment" will be changed to remove the reference to AP Payments will now be carried forward from AP1 within the template

Metrics
Accounts payable invoices Processed per FTE

AP5:

1. This metric has been superseded by most authority systems and procedures and will no longer be collected

Metrics
Accounts payable invoices Processed per FTE

AP6:

1. The numerator "Total Number of invoice" will change to "Total number of payments" and will now be carried forward from AP1 within the template

2. The definition will make more explicit that the metric is looking at the central or core FTE of the AP team in the denominator of the formula

Metrics
Accuracy (first time matched)

AP9:

1. The denominator of the formula will change to specify that it is only considering PO invoices.

Accounts Receivable

Metrics
Invoice days outstanding

AR1:

1. The formula will change in line with advice to match the metric time frame, January 2011 to March 2011
2. The formula will be replaces with the below formula:
   a. (31-60 day debt +61-90 day debt)/0-90 day debt
3. The same exclusions from the original definition document will apply:
   Debts with active recovery plans, council tax, NNDR, rents and benefits overpayments

Metrics
Cost per invoice 2009/10

AR3:

1. The metrics title will remove the reference to 2009/10 and will utilise the 2011/12 actuals
2. The metric will not include overheads or recharges
3. We will include credit notes and negative invoices as they are a source of work and contribute to the Accounts Receivable performance
4. Note: total invoices direct from financial system

Metrics
Day's Revenue Outstanding (Value Only) (Average time for invoice to be paid)

AR4:

1. Where it is possible for authorities, we will separate out the average over 12 months versus the full 12 month figure given at the end of year
2. The formula will use the language "Amount outstanding at end of month" instead of "Balance outstanding in period end"

Metrics
Accuracy (volume)

AR5:

1. While there was discussion around the validity of including credit notes and refunds, it was decided by the group to continue using the current definition

Accounts Payable

Metrics
Percentage total spend under management   **(Spend associated with contractual terms processed through the eProcurement system)**

PR1

1. The numerator of the formula will change from "Total contract revenue spend" to "Total contract spend" which will include the total revenue and capital expenditure of the authority
2. The metric template will add an additional line to the metric to separate out the total contract spend with and without capital costs
3. The metric will now take into consideration all revenue and capital expenditure excluding employee costs, recharges, HRA, and schools

Metrics
Percentage of suppliers enabled to receive and deliver electronic transactions

PR2

1. The metric definition will be changed to remove the over specification of suppliers within the e-Procurement or electronic buying platform

Metrics
Cost of Procurement function per employee

PR3:

1. The definition will make more explicit that the metric is looking at the central or core procurement team
2. The denominator of the formula will change from "Total Number of Employees" to " Number of Employees (FTE)"

Metrics
Cost of the Procurement function as a percentage of organisational running costs

PR4:

1. The denominator of the formula will change from "Total Running Cost of the Organisation" to "Net Current Expenditure" and will also be carried over from FM1 in the metric template

HR & Payroll

Metrics
Ratio of HR staff to total employees

HR2:

1. The denominator of the formula will change from "Number of HR Staff" to " Headcount of the Core HR Team"
2. The numerator of the formula will retain the use of organisational headcount but will change to Number of Employees (Headcount)

Metrics
Costs of HR service per employee

HR3:

1. The denominator of the formula will change from "Number of Employees" to " Number of Employees (FTE)"
2. The "Cost of HR" will not include the cost from pensions administration

Metrics
Cost of recruitment per vacancy

HR4:

1. The total number of vacancies includes both internal and external vacancies. An internal vacancy is any vacancy where a recruitment is limited to current staff, but does not include secondments, FTC contracts, temporary workers, seasonal workers, and contractors.
2. The numerator of the formula will change from "Total working days taken to fill all vacancies" to "Total Working days from date when approval was given to fill vacancy "

Metrics
Cost of the HR function as a percentage of organisational running costs

HR5:

1. The cost for Total Cost of the HR function will be carried over from HR3 in the metrics template
2. The denominator will change from "Total Running Cost of the Organisation" to "Net Current Expenditure" and will also be carried over from FM1 in the metric template

Metrics
Cost of the Payroll function per employee

HR6:

1. The Total Cost of the Payroll function will follow the personnel cost convention and include Salary, National Insurance, and pensions contributions

2. The denominator of the formula will retain the use of organisational headcount but will change to Number of Employees (Headcount)

Metrics
Cost of the Payroll function as a percentage of organisational running costs

HR7:

1. The cost for Total Cost of the Payroll function will be carried over from HR6 in the metrics template

2. The denominator of the formula will change from "Total Running Cost of the Organisation" to "Net Current Expenditure" and will also be carried over from FM1 in the metric template

Metrics
Percentage of employees involved in employee performance management process

HR9:

1. The denominator of the formula will change from "Total number of employees" to "Total number of employees eligible for performance management process"

Metrics
Percentage of personnel still in post after twelve months

HR10:

1. Following the discussion at the workshop, the alternate formula:
   "Number of staff recruited in 2010/11 who have completed 12 months service during 2011/12 ÷ Number of staff recruited in 2010/11"
   will now be utilised to measure this metric as it was felt it better measure the retention of an organisation.
2. The formula will now indicate that the posts that are to be measured are for permanent positions.

Metrics
Equalities Data

HR11:

1. The definition for Percentage leadership posts occupied by women will now be clarified to "Percentage of post occupied by women who are Head of Service or equivalent and higher
2. The denominator of the formula will change from "Number of Employees" to " Number of Employees (FTE)"

Metrics
Time lost to absence

HR12:

1. The name of the metric will change to "Time lost to sickness absence", with corresponding changes to the definition to remove reference to annual, maternity/paternity, and special leave
2. The metric formula will be changed to reflect the object of the metric, with a calculation of Total sick leave days per employee (FTE)

Programme Athena

'State of Readiness' Guide for Local Authorities

Appendix C: Initial Data Gathering exercise Results

Financial Management Metrics

	Authority A	Authority I	Authority K	Authority F	Authority G	Authority N	Authority E	Authority H	Authority C	Authority D	Authority L	Authority B	Authority M	Authority J	Authority Average	Difference between highest and lowest values	Standard Deviation
FM1 Total Cost of the Finance function per £000 Gross revenue	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total Cost of Finance function	Average +1 or -1 deviation	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	£11,973,982	£35,796,924	£12,633,224
£000's Gross Revenue Turnover	Average +1 or -1 deviation	1-2 deviations	1-2 deviations		Average +1 or -1	1-2 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	2-3 deviations	1-2 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	£371,627,614	£1,114,546,728	£442,684,186
FM1 Metric	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	£2.78	£26.70	£8
FM2 Number of Accounts in Chart of Accounts	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
FM2 Metric	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	4+ deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	9,396	79,991	20,720
FM3 Percentage of Manual Journal Entries	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of manual journal entries	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1		Average +1 or -1	2-3 deviations		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1			Average +1 or -1	61,779	376,502	122,716
Total number of journal entries	1-2 deviations	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations		Average +1 or -1	742,375	2,967,949	1,125,319
FM3 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	1-2 deviations		Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1			Average +1 or -1	27.72%	87.70%	33.98%
FM4 Cycle time in days to complete the financial forecast	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
FM4 Metric	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	19	46	12
FM5 Time in days to complete year end reporting and published accounting statement production process	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
FM5 Metric	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1		Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	N/A	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	131	145	53
FM6 Percentage variation between the forecast outturn at month 6 and outturn at month 12	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Percentage Budget Variation from baseline at month 6	Average +1 or -1 deviation	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	4- deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	0.10%	6.77%	1.58%
Percentage Budget Variation from baseline at month 12	1-2 deviations	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-0.19%	5.00%	1.43%
FM1 Metric	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	1-2 deviations	4- deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	0.29%	5.33%	1.55%

Accounts Receivable Metrics

	Authority A	Authority I	Authority K	Authority F	Authority N	Authority E	Authority H	Authority C	Authority D	Authority L	Authority B	Authority M	Authority J	Authority Average	Difference between highest and lowest values	Standard Deviation
AR1 Invoice days outstanding	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Aged debt (90 days) in the period	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	4+ deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	£7,098,407	£50,292,986	£13,573,717
Outstanding debt in the period	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1		Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	£7,931,031	£32,236,893	£8,793,328
Total debt in the period	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	£23,170,299	£80,390,865	£25,672,112
AR1 Metric	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-5.8%	104.7%	27.9%
AR2 Percentage of Electronic Receipts	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Number of electronic AR payments	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	4+ deviations	46,320	368,745	102,337
Total number of AR payments	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	4+ deviations	58,994	367,878	100,124
AR2 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	57.2%	93.9%	26.2%
AR3 Cost per invoice 2009/10	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total Cost of processing invoice		Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1		1-2 deviations	Average +1 or -1		Average +1 or -1	-1 to -2 deviations	£329,115.11	£329,500.00	109472.6692
Total number of invoices processed	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1		1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	£40,096.18	£78,762.00	2142:11324
AR3 Metric	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	2-3 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	£14.63	£46.01	£13.28
AR4 Days Revenue Outstanding (Value Only) (Average time for invoice to be paid)	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Value of invoices raised in period	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	-2 to -3 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1	2-3 deviations	£52,317,766	£95,360,868	£22,943,560
Balance outstanding	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	1-2 deviations	1-2 deviations		Average +1 or -1	Average +1 or -1	1-2 deviations	£27,241,232	£90,619,483	£33,028,772
AR4 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1		1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	205	329	141
AR5 Accuracy (volume)	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
No. of positive invoices raised in previous 12 months	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	-1 to -2 deviations	31,137	74,517	23,185
Total No. of invoices raised in previous 12 months	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1		-1 to -2 deviations	Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	-1 to -2 deviations	37,671	78,762	22,907
AR5 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	81.4%	93.6%	26.4%
AR6 Collection Rate by Value and Volumes (12 month period – rolling)	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Balance collected at period end	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	-1 to -2 deviations		Average +1 or -1		-1 to -2 deviations	-1 to -2 deviations	2-3 deviations	£50,888,287	£62,330,251	£17,514,179
Value of invoices raised in period	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	-1 to -2 deviations		Average +1 or -1		Average +1 or -1	-1 to -2 deviations	2-3 deviations	£57,971,941	£64,575,237	£18,124,902
AR6 Metric	1-2 deviations	Average +1 or -1	-1 to -2 deviations	1-2 deviations		Average +1 or -1	Average +1 or -1		Average +1 or -1	1-2 deviations	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	66.0%	17.9%	6.0%

Accounts Payable Metrics

	Authority A	Authority I	Authority K	Authority F	Authority N	Authority E	Authority H	Authority C	Authority D	Authority L	Authority B	Authority M	Authority J	Authority Average	Difference between highest and lowest values	Standard Deviation
AP1 Accounts Payable cost per invoice	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total cost of the AP function	2-3 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	Primary	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	£457,285	£1,006,923	£305,662
Number of invoices		2-3 deviations	Average +1 or -1	1-2 deviations			Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	-1 to -2 deviations	Average +1 or -1		£136,679	£209,538	£85,425
AP1 Metric		Average +1 or -1	Average +1 or -1	1 to -2 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	1 to -2 deviations	Average +1 or -1		Average +1 or -1		£3.15	£3.80	1.49
AP2 Percentage of Accounts Payable invoices automated	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of automated invoices		1-2 deviations	Average +1 or -1	Average +1 or -1		1-2 deviations	Average +1 or -1			Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	54,616	143,795	46,315
Number of invoices		Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	102,657	202,158	57,054
AP2 Metric		Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	1-2 deviations	Average +1 or -1		Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	50.4%	85.9%	33.2%
AP3 Accounts Payable payments made electronically (i.e. not)	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Number of electronic AP payments	Average +1 or -1		Average +1 or -1	-1 to -2 deviations		1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	61,302	76,758	23,340
Total number of AP payments	Average +1 or -1		Average +1 or -1	-1 to -2 deviations		1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	1-2 deviations	71,429	69,222	24,827
AP3 Metric	Average +1 or -1	1-2 deviations	Average +1 or -1	-1 to -2 deviations	Average +1 or -1			Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		1-2 deviations	87.2%	30.0%	8.8%
AP4 Invoices Paid on Time (within 30 days)	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of invoices paid within 30 days	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1		Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	107,341	183,091	61,010
Number of invoices	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	-1 to -2 deviations	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	115,801	183,589	59,536
AP4 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	-1 to -2 deviations	Average +1 or -1	89.28%	24.55%	9.80%
AP5 Percentage of missing GRN tasks as a proportion of all	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total No. of missing GRN tasks		Average +1 or -1			Average +1 or -1			-1 to -2 deviations						12,615	22,677	10,682
All GRN tasks		1-2 deviations			Average +1 or -1			Average +1 or -1						29,479	50,461	19,957
AP5 Metric		Average +1 or -1 deviation			Average +1 or -1 deviation			-1 to -2 deviations						36.2%	58.5%	20.2%
AP6 Accounts payable invoices Processed per FTE	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total number of invoices	2-3 deviations	Average +1 or -1	Average +1 or -1	1-2 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	131,320	269,282	64,557
FTE in AP team	1-2 deviations	1-2 deviations	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	12	29	9
AP6 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1					12,738	22,997	6,972
AP7 Proportion of PO invoices as a percentage of all invoices entered	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total number of PO invoices	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		49,255	159,896	46,680
Total Number of all invoices	2-3 deviations	Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		114,227	229,646	70,968
AP7 Metric		Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	1-2 deviations			Average +1 or -1	Average +1 or -1		-1 to -2 deviations		71.1%	101.9%	37.0%
AP8 The number of orders distributed electronically to	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total Number of orders distributed electronically	Average +1 or -1		Average +1 or -1	Average +1 or -1					Average +1 or -1		Average +1 or -1	1-2 deviations		9,364	17,090	6,834
Total number of orders	1-2 deviations		Average +1 or -1	Average +1 or -1					-1 to -2 deviations		Average +1 or -1	Average +1 or -1		19,552	50,179	17,296
AP8 Metric	-2 to -3 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1				Average +1 or -1		Average +1 or -1	Average +1 or -1		80.1%	100.0%	33.4%
AP9 Accuracy (first time matched)	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of invoices matched first time		Average +1 or -1		Average +1 or -1		1-2 deviations			Average +1 or -1	Average +1 or -1				37,607	104,576	41,338
Number of invoices	2-3 deviations	Average +1 or -1		Average +1 or -1		Average +1 or -1			Average +1 or -1	Average +1 or -1		Average +1 or -1		86,852,375	621,421,827	234,854,506
AP9 Metric		Average +1 or -1		Average +1 or -1		Average +1 or -1			Average +1 or -1	-1 to -2 deviations				69.5%	71.5%	32.3%

Metrics Paper

June 2013

Programme Athena

'State of Readiness' Guide for Local Authorities

Procurement Metrics

	Authority A	Authority I	Authority K	Authority F	Authority N	Authority E	Authority H	Authority C	Authority D	Authority L	Authority B	Authority M	Authority J	Authority Average	Difference between highest and lowest values	Standard Deviation
PR1 Percentage total spend under management (Spend associated with contractual terms processed through the eProcurement system)	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total contract revenue spend	Average +1 or -1		1-2 deviations	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	-1 to -2 deviations				-1 to -2 deviations		£135,402,983	£253,000,000	£73,645,926
Total revenue spend	Average +1 or -1		1-2 deviations	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations				Average +1 or -1		£245,693,428	£421,998,593	£120,148,797
PR1 Metric	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	1-2 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation				-1 to -2 deviations		55.3%	45.4%	14.2%
PR2 Percentage of suppliers enabled to receive and deliver electronic transactions	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of suppliers registered on electronic buying platform	-1 to -2 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	1-2 deviations	-1 to -2 deviations	1-2 deviations			Average +1 or -1 deviation			Average +1 or -1 deviation		3,022	7,080	2,580
Total number of suppliers	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1		-1 to -2 deviations	-1 to -2 deviations			Average +1 or -1		5,055	8,887	1,947
PR2 Metric	-1 to -2 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	-1 to -2 deviations	Average +1 or -1 deviation			-1 to -2 deviations	Average +1 or -1 deviation		Average +1 or -1 deviation		57.3%	100.0%	43.8%
PR3 Cost of Procurement function per employee	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary		Primary	Primary	Primary	Primary			
Total Cost of Procurement Function	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		£921,218	£2,366,781	£608,537
Total Number of employees	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	1-2 deviations	Average +1 or -1		1,241	3,884	1,831
PR3 Metric		Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1			Average +1 or -1	Average +1 or -1			£27,574	£693,842	£29,394
PR4 Cost of the Procurement function as a percentage of organisational running costs	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total Cost of Procurement function	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		£921,218	£2,116,381	£608,537
Total Running Cost of Organisation	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	-1 to -2 deviations	Average +1 or -1	1-2 deviations	Average +1 or -1	1-2 deviations	-1 to -2 deviations		£721,766,110	£1,177,918,000	£370,483,070
PR4 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		0.2%	0.8%	0.2%
PR5 Percentage of compliant PO's raised	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of POs raised compliantly	Average +1 or -1		Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	-1 to -2 deviations	Average +1 or -1			Average +1 or -1	Average +1 or -1	16,113	33,143	10,430
Total number of POs raised	Average +1 or -1		Average +1 or -1	Average +1 or -1	2-3 deviations		-1 to -2 deviations	-1 to -2 deviations	Average +1 or -1			Average +1 or -1	Average +1 or -1	18,203	38,758	11,671
PR5 Metric	-1 to -2 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation		1-2 deviations	1-2 deviations	Average +1 or -1 deviation			-1 to -2 deviations	1-2 deviations	89.9%	24.2%	8.8%
PR6 Percentage of PO's raised retrospectively	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Number of POs raised retrospectively	Average +1 or -1		Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	-1 to -2 deviations	Average +1 or -1			Average +1 or -1	1-2 deviations	3,118	9,050	3,909
Total number of POs raised	Average +1 or -1		Average +1 or -1	Average +1 or -1	2-3 deviations		-1 to -2 deviations	-1 to -2 deviations	Average +1 or -1			Average +1 or -1	Average +1 or -1	18,203	38,758	11,671
PR6 Metric	1-2 deviations	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation	Average +1 or -1 deviation		-1 to -2 deviations	-1 to -2 deviations	Average +1 or -1 deviation			Average +1 or -1 deviation	1-2 deviations	13.3%	24.2%	9.0%

Metrics Paper

Programme Athena

June 2013

'State of Readiness' Guide for Local Authorities

HR & Payroll Metrics

	Authority A	Authority K	Authority F	Authority N	Authority E	Authority H	Authority C	Authority L	Authority M	Authority Average	Difference Between highest and lowest values	Standard Deviation
HR1 Cost Per Payslip	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total Cost of Payroll function	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1		Average +1 or -1	£563,966	£1,305,270	£437,697
Number of payslips produced	1-2 deviations	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	-1 to -2 deviations	Average +1 or -1	Average +1 or -1		Average +1 or -1	115,538	241,636	50,214
HR1 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	2-3 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	£22.49	£109.08	£43.18
HR2 Ratio of HR staff to total employees	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Organisational Headcount	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	Average +1 or -1		Average +1 or -1	5,887.5	10,881.0	3,589.7
Number of HR staff	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations			1 to -2 deviations	57.4	78.4	30.5
HR2 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	-1 to -2 deviations	1-2 deviations	Average +1 or -1	1-2 deviations	94.6	195.3	70.3
HR3 Costs of HR service per employee	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total Cost of HR Function	1-2 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	£3,600,564.63	£3,529,730.00	£1,388,024
Number of employees	1-2 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1	Average +1 or -3			Average +1 or -1	5,019	11,472	4,004
HR3 Metric	-1 to -2 deviations	Average +1 or -1		Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1		£1,011	£1,309	£514
HR4 Average elapsed time from a vacancy occurring to the acceptance of an offer for the same post	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total working days taken to fill all vacancies	-1 to -2 deviations		Average +1 or -1	Average +1 or -1		1 to -2 deviations	1-2 deviations			11,412	17,032	7,423
Total number of vacancies filled	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		Average +1 or -1	1-2 deviations			152	520	47
HR4 Metric	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations		-1 to -2 deviations	Average +1 or -1			59	65	24
HR5 Cost of the HR function as a percentage of organisational running costs	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total Cost of HR function		Average +1 or -1		1-2 deviations	Average +1 or -1	Average +1 or -1	1 to -2 deviations			£3,237,678	£2,932,058	£1,192,733
Total Running Cost of Organisation		1-2 deviations		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		£613,750,665	£947,691,680	£388,836,102
HR5 Metric		Average +1 or -1		1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1			0.6%	1.4%	0.7%
HR6 Cost of the Payroll function per employee	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total Cost of Payroll Function		Average +1 or -1	-1 to -2 deviations	Average +1 or -1	-1 to -2 deviations	1-2 deviations	Average +1 or -1		1-2 deviations	£726,957	£1,035,540	£369,450
Total number of employees		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1 to -2 deviations	1-2 deviations		1-2 deviations	7,219	13,839	5,555
HR6 Metric		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations		Average +1 or -1	Average +1 or -1	£212.10	£896.07	£314.28
HR7 Cost of the Payroll function as a percentage of organisational running costs	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total Cost of Payroll function		Average +1 or -1	-1 to -2 deviations	Average +1 or -1	-1 to -2 deviations	1-2 deviations	Average +1 or -1		Average +1 or -1	£726,957	£1,035,540.00	£369,450
Total Running Cost of Organisation		1-2 deviations	Average +1 or -1	Average +1 or -3	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1		£599,810,054	£947,691,680.11	£388,359,079
HR7 Metric		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	1-2 deviations	Average +1 or -1	Average +1 or -1		0.2%	0.8%	0.3%
HR8 Cost of recruitment per vacancy	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary			
Total cost of recruitment function		Average +1 or -1	Average +1 or -1							£189,070.50	£5,459.00	£3,800
Number of vacancies filled		Average +1 or -1	Average +1 or -1							£195.00	£50.00	£35
HR8 Metric		Average +1 or -1	Average +1 or -1							£978.79	£221.84	£157
HR9 Percentage of employees involved in employee performance management	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Number of employees complying with appraisal process		Average +1 or -1	Average +1 or -1	1-2 deviations	1-2 deviations	Average +1 or -1			Average +1 or -1	2,008	3,598	1,587
Total number of employees		Average +1 or -1	-1 to -2 deviations	1-2 deviations	1-2 deviations	-1 to -2 deviations			Average +1 or -1	2,724	3,922	1,744
HR9 Metric		Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1	Average +1 or -1			Average +1 or -1	80.2%	70.4%	27.9%
HR10 Percentage of personnel still in post after twelve months	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Employees completing twelve months service	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1					Average +1 or -1	636	1,498	636
Vacancies filled in the previous twelve months	1-2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1					Average +1 or -1	862	2,294	968
HR10 Metric	-1 to -2 deviations	Average +1 or -1	Average +1 or -1	Average +1 or -1				Average +1 or -1	Average +1 or -1	82.9%	24.6%	9.0%
HR11 Equalities Data	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Percentage leadership posts occupied by women												
Percentage employees who consider they have a disability									As this information is demographical, no analysis will be carried out			
Percentage employees aged 50 or over												
Percentage of BME employees												
HR12 Time lost to absence	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary			
Total absence days in the period												
Total days in the period									Response from only 1 authority			
HR12 Metric												

Metrics Paper

Programme Athena

June 2013

'State of Readiness' Guide for Local Authorities

Appendix D: Final Data Gathering Results

Financial Management Metrics

Metrics Paper

Programme Athena

June 2013

'State of Readiness' Guide for Local Authorities

Accounts Receivable Metrics

UPDATED FIGURES

	Authority G	Authority B	Authority C	Authority P	Authority F	Authority O	Authority L	Authority E	Authority M	Authority Average (All)	Authority Average (Updated)	One Oracle Average	One SAP Average	One CEDAR Average	Difference between highest and lowest values	Standard Deviation
One Group	SAP	Cedar	Oracle	Oracle	Cedar	Cedar	Agresso	Oracle	SAP							

AR1 Invoice days outstanding

	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary							
Debt from 31-60 days in the period								1-2 deviations		£2,559,406	£2,559,406	£2,394,048		£2,724,767	£3,611,989	£1,507,952
Debt from 61-90 days in the period					-1 to -2 deviations					£1,578,732	£2,223,185	£2,661,098		£1,766,272	£2,018,544	£1,296,815
Total debt (0-90 days) in the period		1-2 deviations				1-2 deviations				£19,602,265	£29,414,611	£8,357,728	£6,502,000	£58,109,340	£79,515,725	£31,014,806
AR1 Metric				1-2 deviations				1-2 deviations		25.15%	39.93%	75.67%	26.14%	11.08%	69.81%	33.27%

AR2 Percentage of Electronic Receipts

	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary							
Number of electronic AR payments		-1 to -2 deviations					1-2 deviations			43,960	13,757	14,875	17,782	4,156	31,594	9,981
Total number of AR payments					-1 to -2 deviations		1-2 deviations		1-2 deviations	50,595	29,329	25,692	35,574	20,502	43,559	13,455
AR2 Metric		-1 to -2 deviations				-1 to -2 deviations				58.88%	47.26%	57.72%	51.35%	31.78%	65.55%	23.03%

AR3 Cost per invoice 2009/10

	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary							
Total Cost of processing invoice							1-2 deviations	-1 to -2 deviations	1-2 deviations	£329,440	£353,452	£313,918	£384,000	£268,164	£284,546	£118,385
Total number of invoices processed				-1 to -2 deviations	-1 to -2 deviations					37,781	34,573	26,996	54,734	20,325	58,354	19,120
AR3 Metric			2-3 deviations							£12.89	£15.16	£19.86	£6.82	£18.42	£36	£13

AR4 Day's Revenue Outstanding (Value Only) (Average time for invoice to be paid)

	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary							
Value of invoices raised in period								-1 to -2 deviations		£52,826,690	£54,160,316	£41,476,918	£80,791,361	£58,330,839	£37,564,373	£11,730,729
Balance outstanding at period end								2-3 deviations		£24,189,081	£14,452,684	£8,979,802	£32,886,566	£7,705,037	£80,679,390	£21,706,232
AR4 Metric								-2 to -3 deviations		262	280	292	194	319	387	108

AR5 Accuracy (volume)

	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary							
No. of positive invoices raised in previous 12 months					-1 to -2 deviations				1-2 deviations	31,750	32,848	24,782	53,611	16,947	60,178	19,899
Total No. of invoices raised in previous 12 months					-1 to -2 deviations				1-2 deviations	37,965	36,330	26,352	55,721	20,344	60,529	19,576
AR5 Metric			-1 to -2 deviations							82.35%	88.20%	83.98%	95.49%	86.10%	24.63%	8.01%

AR6 Collection Rate by Value and Volumes (12 month period – rolling)

	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary	Secondary							
Balance collected at period end	-1 to -2 deviations									£46,680,679	£43,348,282	£38,741,721	£31,549,195	£54,719,575	£82,304,390	£21,612,731
Value of invoices raised in period										£55,174,686	£48,170,081	£41,805,418	£35,910,684	£63,957,299	£71,011,208	£24,564,806
AR6 Metric	1-2 deviations					-1 to -2 deviations				88.93%	91.46%	92.48%	92.91%	87.01%	13.20%	4.85%

Metrics Paper
June 2013

Programme Athena
'State of Readiness' Guide for Local Authorities

Accounts Payable Metrics

UPDATED FIGURES

	Authority G	Authority B	Authority C	Authority P	Authority F	Authority O	Authority L	Authority E	Authority I	Authority M	Authority Average (All)	Authority Average (Updated)	One Oracle Average	One SAP Average	One CEDAR Average	Difference between highest and lowest values	Standard Deviation
	SAP	Cedar	Oracle	Oracle	Cedar	Cedar	Agresso	Oracle	SAP	SAP							

Procurement Metrics

UPDATED FIGURES

	Authority G	Authority B	Authority C	Authority P	Authority F	Authority O	Authority L	Authority E	Authority I	Authority M	Authority Average (All)	Authority Average (Updated)	One Oracle Average	One SAP Average	One CEDAR Average	Difference between highest and lowest values	Standard Deviation
	SAP	Cedar	Oracle	Oracle	Cedar	Cedar	Agresso	Oracle	SAP	SAP							

Metrics Paper

Programme Athena

June 2013

'State of Readiness' Guide for Local Authorities

HR & Payroll Metrics

UPDATED FIGURES

	Authority G	Authority B	Authority C	Authority P	Authority F	Authority O	Authority L	Authority E	Authority I	Authority M	Authority Average (All)	Authority Average (Standard)	One Oracle Average	One SAP Average	Northgate Average	Midland Trent Average	Difference between highest and lowest values	Standard Deviation
	SAP	Oracle	Midland Trent	Oracle	Northgate	Northgate	Midland Trent	Northgate	SAP	SAP								

Metrics Paper
Programme Athena
June 2013
'State of Readiness' Guide for Local Authorities

PROGRAMME ATHENA

'State of Readiness' Guide
for Local Authorities
June 2013

Supporting Document 3 –

Total Cost of Ownership (TCO) Exercise

Guidance (a, c) and Templates (b, d)

Capital Ambition is part of
LONDON
COUNCILS

PROGRAMME ATHENA

Total Cost of Ownership (TCO)

Exercise Guidance

September 2012

Programme Athena
Total Cost of Ownership (TCO) Exercise Guidance

1. Overarching Framework for Cost of Ownership – Background Information

Programme Athena aims to support the creation of shared solutions for London public sector organisations to gain the opportunity and ability to deliver significant efficiencies and service improvements for ICT enabled support service functions. In order to support the case for change, there need to be clear and demonstrable benefits to councils to provide the time and investment to move into shared service arrangements. Two organisational blockers to accepting shared services have been the perception that either shared services would be more expensive then their current service costs or that the services they provided better performance then a shared service would. We have found through the data that we have collected that it is impossible to determine how much more or less expensive shared service would be for borough, and without a clear answer to this question a blocker still remains. This is why Programme Athena is tackling comprehensively the issue of total cost of ownership.

Total Cost of Ownership (TCO) aims to produce a concise format for councils to be able to compare "like for like" costing of their back office services. This information when included with the benefits of shared service will make a compelling case for authorities to move from their historical single instance into more cooperative working practices. Programme Athena is developing a clear map outlining the type and level of benefits that councils can start to expect as they go down the road to shared services. Part of the case for change is understanding the value and savings that may be available to councils if they do use shared services. To understand the level of savings, we first need to understand how much council's spend on their ICT setups for these services. The Cost of Ownership worksteam has been established to provide a transparent methodology for councils to determine the whole cost of running their back office systems for finance, HR, and procurement.

To capture and understand the "true cost" of these services we have gone for a scenario based approach to develop the councils' TCO. With the scenario based approach, we can offer local authorities an opportunity to compare costs with greater confidence, having developed and agreed a standard means of calculation.

In developing these scenarios, there are three major concepts we are trying to resolve to make the comparisons as clear as possible: Cost Order, Cost Driver, and Cost Elasticity.

Cost Driver

The Cost Driver looks at the sections of our normal costing framework and then prioritises them on how significant a role they play in the total cost of the service. A core cost of almost all services is the staff cost and we recognise this cost will constitute a significant portion of most services. To mitigate from putting too much emphasis on personnel costs, we have separated the collection of non-personnel cost drivers within the TCO tool. Therefore primary system cost like annual module cost or maintenance cost form our core cost and then legacy

integrations and energy cost form 3rd and 5th order cost, respectively. While there are a number of costs that make up the cost to run a service, we can prioritise those costs and then determine which activities in the shared service journey will impact those costs and when councils can anticipate benefits. We can also determine if there are other councils which have better controls or limit certain central costs better than other councils and share that information.

Below is a diagram of how we see cost order:

Total Cost of Ownership

Cost Attribute

There are certain costs within each service that have different drivers, and as such there are 4 primary aspects that we have sought to include in our analysis of CoO. They are:

1. Process
2. Contract
3. Set (Fixed)
4. Variable.

The way we see the cost drivers is that every cost will have one or more drivers or influencers that sits under the attribute of cost order. These drivers will determine the basis of how the cost is determined. Process and Contract costs are driven either by the process that we chose to use or a contract that has been signed. Both of these are typically influenceable costs, but influenceable over different periods. You may have a process that you can change tomorrow that could significantly reduce costs, but you may have just signed a long term contract and costs are fixed for a significant length of time. The opposite could be true where there is a process with many inputs or interdependencies that is very expensive but cannot be easily changed and a contract that is very soon to be re-negotiated.

The same applies with Set and Variable costs. Costs may be variable or set because of a contract or process, however those attributes may be inherit in the part of the service that you are costing. For example, training costs are almost always variable even if you use a contract as you don't know what training you will require year on year.

One interesting cost which is a good example to use with cost drivers in utilities costs. Some councils will agree a long term tariff with a utility provider which means a set price based on a contract basis. Other authorities may use utility services which offer a variable cost, however the price is not based upon a contract or the process used.

As part of the CoO we need to understand how our cost fit in with these four drivers and then use them to help build more comprehensive scenarios.

Cost Elasticity

The last element is around three variables to cost which may or may not overlap with the other two concepts, but still need to be explored. These variables will focus on the actual context for the cost opposed to more theoretical understandings of the cost. The three variables are: criticality, flexibility, and variability. Criticality is about how important the cost is to delivering your service. This will be the easiest for services to gage as it is a basic measure of priority elements in a service.

Flexibility is a function of how flexible the cost is and this should relate to the Set (Fixed) & Variable cost driver. This measure relates back to the example that was given in the Cost driver to give an indication of how flexible the actual cost is for each borough.

Variability will have a historical element and will consider how the cost has actually changed over time. Some variable (cost driver) cost will actually be relatively steady over time even though the cost or demand is variable. For example you may have a tiered costing for licenses so as you increase/decrease usage your license costs will conversely fall or rise. However while the cost may be variable, if you end up having a relative fixed number of users, the variability of your variable cost is actually low.

2. Total Cost of Ownership – Context for TCO exercise

Described below is information highlighting the review of the process that the Athena team will be undertaking to facilitate the development of TCO costs for specific back office functions pan-London.

Who

The Total Cost of Ownership (TCO) workstream will be managed by Heads of ICT with the assistance of Programme Athena. We are working with a pilot authority (Newham) and once the approach and tools are fit for purpose we will then be leading a London-wide exercise that is organised through sub-regional groups (e.g. East London Partnership). Heads of ICT will be requested to participate in the sub-regional workshops. Therefore support personnel or system administrators may be called into workshop for us to compile the essential feedback to make the process easier for everyone and to also provide necessary to complete the TCO returns.

What

The focus of TCO is to understand the entire cost of the ICT provision of back office services. This will include all functions that sit behind front line services that are not situated within the business. These costs will range from the pale to the significant and using the TCO tool we will prioritise and categorise those different costs.

The focus of the TCO is on cost of the **Purpose** (what you do), **Processes** (how you do it), and **Paraphernalia** (what is required to deliver the process). This is exercise will take note and consider staff cost however they only form a portion of the TCO; the approach taken centres on non-personnel costs which immediately focus the exercise on the process and functions within the service.

When

We completed a run though of the work with the pilot authority early June. The trialled approach and initial tools were then discussed were signed off by Programme Athena's PDG Board. At this point we assessed operational commitments and availability of ICT leads and resources due to leave and the Olympics, and produced a tighter, more detailed implementation plan.

An introduction of Athena and the TCO exercise was shared with Heads of ICT at the London Connects meeting on 8 June. Following the introductory sub-regional workshops taking place the week commencing 25 June we will begin work with the authorities on the TCO returns. We will also be working with SOCITM to hold a briefing session on 20 July to introduce the TCO workstream to a wider audience and gain buy-in for a long term approach to TCO from the forum.

Where

The TCO workstream will take place in all 33 London boroughs subject to agreement from Head of ICT at 20 July SOCITM meeting. It is critical that we receive early feedback from a number of pilot authorities at the TCO approach and tools will need to cater to all London boroughs.

During these difficult financial times, there has been greater pressure on finding innovative ways to deliver savings. One way authorities have responded is by exploring shared service and expanded joint working, whether expanded information sharing, joint procurements or even fully integrated shared services. When authorities think about working together, one obstacle is the amount of time and resource that has already been invested or lack of clarity around how much their entire service actually costs. The Total Cost of Ownership exercise remedies this situation by providing an clear and agreed framework for gathering systems and support costs that will allow for easier comparisons of service costs and will give decision makers information about future cost that will put

How

The first step of TCO work has been to develop a high level framework and data collection tool which will give boroughs a high level of data confidence about every authorities cost without placing an undue administrative burden on them. We also wanted to be sure there was sufficiently useful information available, as a high level spreadsheet would not add value or help with the decision making.

We will then work with the pilot authority in a workshop setting to trim and amend the TCO tool and guidance to cater to all local authorities. The workshops will help us define both the collection tool and the information that we want to collect. The end of the pilot will also produce a provisional completed TCO for the trial authority that we will be used as a worked example for other authorities

Once we have the feedback from the pilot authority we will then go the Project Delivery Group where we will obtain backing and sign-off of all authorities on the TCO tool and approach, agree a timeline for collection, and begin working with borough representatives on running the TCO through their organisations.

Following the sign-off from authorities on the shared tool and approach we will be working with the authorities to collect the necessary information to complete the tool, and then analysis the different returns to produce a comprehensive comparison report.

3. Total Cost of Ownership

The goal of TCO is to:

1.) develop a methodology and set of tools for authorities to be able to accurately and easily determine the costs of running back office systems and compare them to other authorities:

We have developed the tool around those areas by measuring **Functions** (Purpose), **Service & Maintenance** (Process), **Licensing** (Paraphernalia), **Processes** (Process), and **Infrastructure** (Paraphernalia).

We will then build up costs from each of those areas to develop the Total Cost of Ownership. We will also add detail to the cost using the 3 primary concepts for TCO: Cost Driver, Cost Attribute, and

The methodology scope includes only those costs which sit within the realm of ICT and are not personnel costs. Each process will be made up on some amount of Support (ICT) and Front Office (business) Costs.

Total cost of ownership is interested in finding out what the portion of back office is, without getting twisted into knots, and what the cost of that support function is. We then want to compare it against similar authorities and against other functionally similar processes.

TCO Workshop Objectives

1. Create a clear and limited scope to the Total Cost of Ownership work which allows boroughs to understand which costs we are considering and which are significant, but out of scope

2. Create an understanding of the main cost drivers within the ICT support service

3. Build up a picture of each of the cost drivers using the cost attributes to better define what is driving the cost. The primary aim is to be able to complete a spreadsheet like this for each service areas (Hr, Finance, Procurement):

```
┌─────────────────────────────────────────────────────────────────┐
│  TCO: Process Cost Summary                                        │
├─────────────────────────────────────────────────────────────────┤
│  HR                                          Costs                │
│                                                                   │
│  Recruitment                          £    X,XXX (ICT only)       │
│                                                                   │
│  Sickness absence management          £    X,XXX (ICT only)      │
│                                                                   │
│  Disciplinary                         £    X,XXX (ICT only)       │
│                                                                   │
│  Grievance                            £    X,XXX (ICT only)       │
│                                                                   │
│  Total cost of HR Service Delivery    £ XXX,XXX (system + Process)│
├─────────────────────────────────────────────────────────────────┤
│  Total Cost of systems support        £ Hardware + ICT + Front Off.│
├─────────────────────────────────────────────────────────────────┤
│                                                                   │
└─────────────────────────────────────────────────────────────────┘
```

4. Understand the individual processes within the authority that A.) Contribute most significantly to cost in the service; B.)Involve the greatest amount of officer time to maintain; C.)Are there organisationally unique/bespoke processes

5. Bring together the information on cost drivers, attributes, and elasticity into a single format whereby borough representative can receive sign-off of agreed Total Cost of Ownership

PROGRAMME ATHENA

Total Cost of Ownership (TCO)

Template

September 2012

Programme Athena
Total Cost of Ownership
Return template
2011-12

Return for:

(Council Name)

Introduction

What is Total Cost of Ownership:

Total Cost of Ownership (TCO) is a concise format for councils to be able to compare "like for like" costing of their back office services. This exercise will not just consider tangible ICT spend (e.g. hardware costs) but will also gather detail on all support costs to deliver particular processes.

In order to be prepared to complete this exercise you will need to know and have available information on the annual costs of systems related to the delivery of Finance, Procurement, and HR services. You will need to have an understanding, including cost and grade, of the system support personnel who support those systems. You will have to have an understanding of the ICT costs that relate to these systems and processes as well.

It may be helpful to you to have a copy of the establishment or map of the hierarchy as it relates to the teams which use these systems or take part in Finance, Procurement, or HR services.

This exercise will cover the financial year 2011-12 and we will expect that you will be using the most up to date actual figures where possible. It may be that you are unable to provide actual figures, and in that case we would gladly accept budget or approximate figures except where noted.

We feel that this exercise should support work that may already be taking place within your authority and as such it may provide a tool for capturing baseline costs if you will be transitioning to a different delivery method or system configuration for your HR, Finance or Procurement system. Considering you may already be in a state of change, it may be more beneficial to baseline your to-be systems and support structures rather than your previous costs. This will allow authorities to establish a post-change baseline from which they can measure improvement in future years.

Completing the Template:

The spreadsheet will require that you complete all 6 columns with details on the relevant section. We have included instructions at the beginning of each section as well as additional definitions for some measures in Column J. The breakdown of the columns is as follows:

-Cost inc. Revenue & Capital: All annual costs including revenue and capital for the area consider should be listed. If there are multiple costs (e.g. multiple staff, license costs, etc.) they should be listed separately and a note made to which item they correspond.

-Cost Order: The importance of the cost to the total cost of service as the completer understands should be noted. As a guide we have provide these ranges:

1-2: High importance in service costing

3-4: Medium importance in service costing

4-5: Low importance in service costing

However the completer should chose only one number to indicate cost order

-Criticality: This column indicates how important the cost is to delivering your service. It is measured against a scale of High, Medium, and Low.

-Flexibility: This column indicates how flexible the cost is and this should relate to the cost attribute of the item. It is measured against a scale of High, Medium, and Low.

-Variability: This column indicates how the cost has actually changed over time and will have a historical element. It is measured against a scale of High, Medium, and Low.

-Notes: This area is completely free for the completer to provide the textual information for each area of consideration. Listing of staff, systems, or personnel should be provided in this section along with detail around cost attributes that may be pertinent. The listing of costs in the first column should marry up with details in this column.

As an overall cost consideration, when we consider total cost of a staff member that will include their:

 -Full Salary Cost (including tax contributions)

however we will not include corporate recharges, pension contributions, professional fees/subscriptions, training budget, or leave entitlement.

Additional Entry clarifications:

Within the Service & Maintenance, Processes, and Staff sections there will be a requirement to provide a count of personnel. To ensure that we are within data protection, but are able to compare the different people who may support a system we are using a salary banding in

which we are asking you to just provide the number of people who sit in each banding. The bands are detailed below:

Personnel Banding Tiers

Band	Salary Range (£)
Band A:	£17,000-£23,999
Band B:	£24,000-£28,999
Band C:	£29,000-£34,999
Band D:	£35,000-£39,999
Band E:	£40,000-£44,999
Band F:	£45,000-£49,999
Band G:	£50,000-£54,999
Band H:	£55,000-£59,999
Band I:	£60,000-£64,999
Band J:	£65,000-£69,999
Band K:	£70,000+

How the Template Works

There are 6 sections to the template are Functions, Service & Maintenance, Licensing, Processes, Infrastructure, and Staff.

As per the context document, the focus of the TCO is on cost of the **Purpose** (what you do), **Processes** (how you do it), and **Paraphernalia** (what is required to deliver the process).

We have developed the template around those areas by using the 6 sections: **Functions** (Purpose), **Service & Maintenance** (Process), **Licensing** (Paraphernalia), **Processes** (Process), and **Infrastructure** (Paraphernalia) and **Staff** (Process). To build up the entire picture we utilise a cascading approach where information from the previous section supports the information from the next section.

This means that the Function section is really the lynchpin of this exercise, where we gather our systems costs, and then through Service & Maintenance we flesh out those costs. Moving to Licensing, we gather further information on the additional licensing costs of the systems which were identified in Functions.
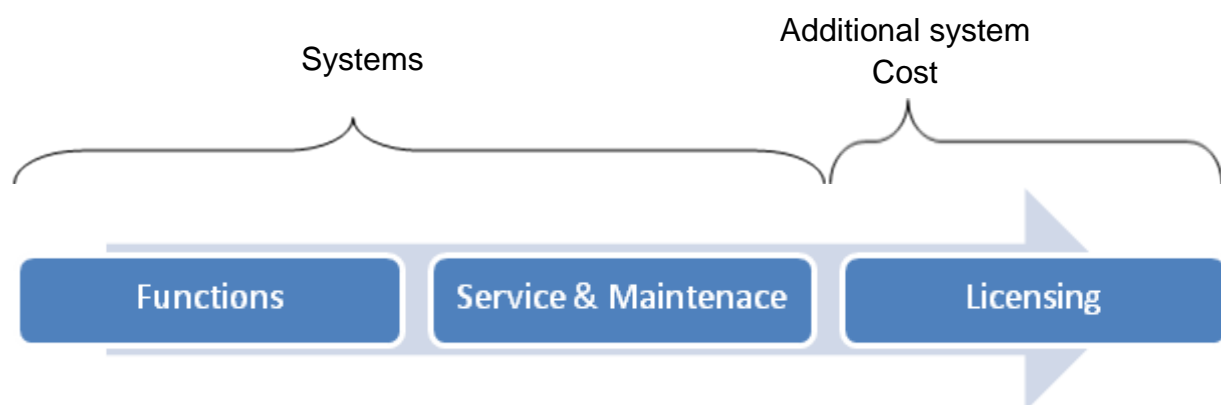
We then add personnel into the picture in the Process section, associating them with the systems they support. Following that we look at the machinery, and its cost, that run the systems from Functions in Infrastructure. Finally we bring together all the staff who support the systems in the Staff section.
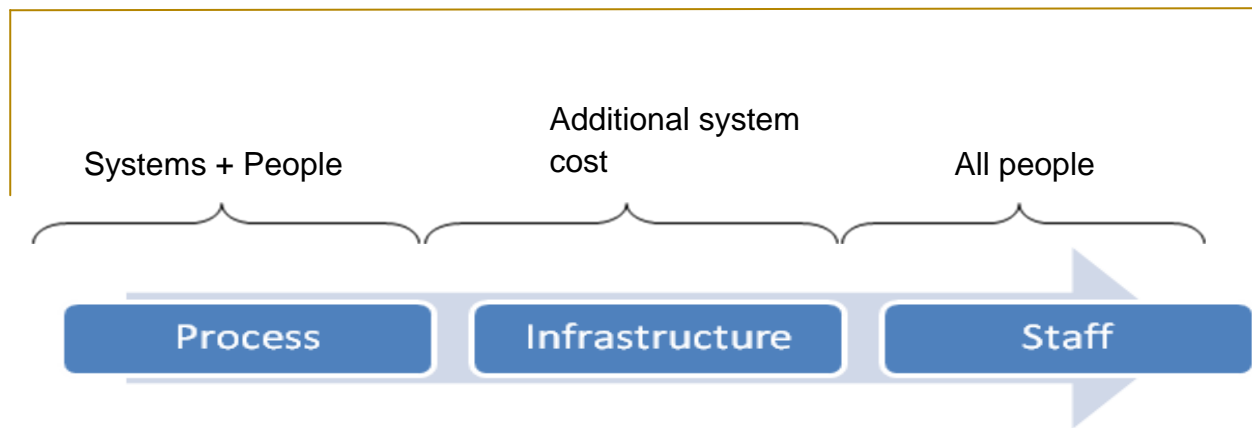
Using this approach we believe that we ensure that we capture the full costing of the purpose, process, and paraphernalia of the HR, Finance, and Procurement services.

Function Activities

As part of the TCO of ownership exercise it is imperative that there is a shared understanding of the functions that should that are in-scope. As part of the introduction workshop, we received clear indication that to be useful to authorities, all authorities needed to have a clear understanding of the processes and services that are delivered as part of the 8 functions which the TCO template uses as a driver for cost collection. On this sheet we have begun to give a clear set of activities we believe are to be considered as part of those functions. If there are services and functions that are not included in the definitions then it will be added to other improvements that will be made in future and may be considered in the future but reduce the complexity of this exercise they will not be changed mid-collection.

We have listed the activities for each of the functions below:

Payroll & Pensions

    Payroll

        includes pay data management, calculating withholdings, payroll processing, filing of all payroll-related taxes , checking preparation, generating and distribution of payslips, managing Direct deposit and assorted payment options, completing all relevant HRMC paperwork and returns, including reporting to proper tax authorities and statements of deposits and filings made on your behalf, managing Wage garnishments and other court orders and related administration, and producing relevant management reports

    Pensions

        includes administration of the Local Government Pension Scheme for employees, councillors and staff of admitted bodies, provision of advice on pension rights, establish and maintain pension records and pensions data, provide Premature Retirement Severance (PRS) estimates, calculate estimated and actual retirement benefits, investigate and calculate transfers in and out of the Local Government Pension Scheme, monitor and determine eligibility of continuous service, ensure that changes in circumstances e.g. hours, maternity leave, strikes are accurately recorded, and arrange payment of all pension and redundancy entitlements

Human Resources

Recruitment (Talent Management)

includes background screening, criminal record checks and pre-employment checks , job postings including person specifications development and storage, resume or application screening and administration , skills and competency tracking and development, support of recruiting process: from initial job posting to interview recommendations, creation or support in creation and modification of Job descriptions, and the initiation of the new hirer/starter process

Employee Assistance

includes provision of guidance to staff, and administration of any employee assistance programs

Benefits administration

includes any health and welfare benefits like employee discounts or additional benefits packages tied to their employment contact, voluntary benefits (like death in service beneficiary administration), or administration tied to benefits packages that might have come from

HR Administration

includes HR Data storage, management, retrieval and reporting, maintenance and reporting of organisational hierarchy, paid time off balances and end of year accruals, New starter processing, gathering employee time/work data, retirement and termination processing

Absence management

includes monitoring attendance and leave administration, reporting of leave organisation leave accruals, and long term management of long term sickness

Government and Organisational HR reporting and report on HR/Equalities compliance

TUPE

Case Management

includes the management of case related to grievance, disciplinary, bullying and harassment, ensuring manage and staff comply with relevant on applicable European, national, and local laws and regulations governing the employment relationship, complaint handling whereby it involves a complaint not covered under grievance, disciplinary, bullying and harassment and involves a staff member complaining over another staff member, including investigation and coordination of responses to most types of wrongful employment practices complaints

Occupational Health

includes physician referrals, providing outreach to injured worker and their management, return-to-work programs, Inspections, reports and data tracking as required

Health and Safety

includes initial evaluation of workplace hazards and risk associated with operations and effectiveness of safety controls with formal recommendations if necessary, screen and desk assessments, safety training, Safety program development and implementation, HSE and Safety code compliance review, assistance and instruction, necessary administration for work-related injuries including taking and recording reports of injuries, Accident investigation and follow-up, Return-to-work programs, Inspections, reports and data tracking as require

Training and Development

includes employee development, booking and arranging training rooms and courses, course material storage and printing, training material development, course recharges and administration

Procurement

    Sourcing

    Demand Management

    Supplier Performance Manage (Contract Management)

    Requisition Processing

    Supplier administration

    Auction services

    Contract & Framework Administration

General Ledger

    includes making, review and editing postings and journal entries, monitoring and editing beginning and ending balances of accounts, budget setting and management, managing and reconciling internal charges/recharges, segment management, supporting cost centre budget management , financial report running

Accounts Payable

    includes processing, validation and payment of the invoices, transaction processing, resolving payment queries, managing approvals exceptions, overseeing the Procure to Pay process including exceptions and error handling, processing matched and unmatched invoices for authorisation and payment, conduct enquiries to locate invoices and associated payment information, managing supplier set up administration, supplier records management, manage sale orders, period close, financial and government reporting, payments and remittances, 3rd party invoices/credits, supplier invoice reconciliation, payment accuracy control, cash management, maintaining AP/PO supplier master dataset, receipting and scanning invoices or making electronic copies of invoices, managing payment interface files loads, monitoring and resolving overpayments, manual invoice matching to

purchase orders where not done electronically, purchase order maintenance, payment processing, and maintenance and administration of purchase cards

Accounts Receivable

includes maintain accounts receivable ledger, manage and process disputes and deductions, manage customer requests and inquiries, customers set up and management, raising and dispatching of customer invoices, applying receipts to customer accounts, allocating miscellaneous receipts, maintenance of customer database, debt management, monitoring third party contractors associated with debt collection, i.e. bailiffs, collection agents, trace agents and solicitors, review and manage outstanding debt per customer, creating and mailing out dunning letters on customer accounts

Income Collection

includes allocation of income to relevant departments and business units, locating missing payments made to the authority, liaising with the Council's main bankers on all banking issues, administration and maintenance of the primary banking software, regular reconciliation of income accounts, manage and monitor payments, receipts of cash, cheques, BACS, CHAPS and wire payments, reconcile bank statements, and transfer cash balances within the council.

Fixed Asset (Property Management)

includes maintenance of the fixed asset register, maintenance of asset values, ordering and recording asset valuations, and determining accounting asset values from financial and property data

Authority Profile

Council Profile:

As part of the feedback from the trial, it was felt that some objective characteristics were critical in the comparison of different authorities 'costs. To incorporate this context into the TCO exercise we have developed an "Authority Profile" which provides an area for information which may have a bearing upon the costs and systems that are necessary to fulfill a service in a particular authority. The "Authority Profile" will then feature in the final TCO to help authorities compare like for like services and understand the context behind other authorities' costs.

In the below chart, there are a number of measures that are listed in Column B which relate to organisational measures that will contribute to the Authority Profile. In the corresponding field in Column C provide a high-level figure which answers the measure in Column B.

	Measure	Return	Explanatory Text
HR	No. of staff supported by Human Resources		This figure should include all permanent staff both full and part time, agency and contract workers, temporary workers and shared staff who work at least part time in your authority. It should not include seasonal workers, or workers who are in your payroll system from an external organisation who do not work at least part-time for your organisation (for example a school teacher)
	No. of staff and other workers processed through the payroll function		
	No. of active staff within the LGPS or other council adminstered pension schemes		This should include staff that are still making contributions or are receiving benefits from the LGPS or other council adminstered pension scheme
	Average number of days per FTE of sickness absence per year		

	Measure	Return	Explanatory Text
Finances	No. of residents		This figure will come from the latest census returns
	No. of NNDR businesses		This figure will co me from the latest census returns
	Amount of Total Net Annual Capital spend		
	Amount of Total Net Annual Revenue spend		
	No. or invoices processed annually in Accounts Payable system		
	Amount of Total No. of debtor with debt <365 days old		This figure should be composed of debtors from the AR system and should mainly consist of individual with debt from the following areas: • Council Tax • National Non Domestic Rates • Housing Rents • Overpaid Housing Benefit • Sundry Debts • Service charge arrears • Arrears for contributions to capital / planned works
	Total No. of customers		The customers that are in scope will be those that are active in the system or are not archived.

Measure	Return	Explanatory Text
Procurement — Amount of influenceable spend		'Influenceable' spend is defined when there is an opportunity to influence the procurement process with one or more of the following elements being controllable: • Cost • Quality • Service level/delivery • Trading process The following types of transaction meanwhile, are deemed to be non-influenceable and should be excluded from the figure: • Employee-related expenditure – expenses, payments to pensions, company car payments etc. • Payments to individuals – foster carers, grants etc. • Licence payments • Statutory payments (defined by legislation or prescribed by Governmental agreements/understanding) • Payments to HM Revenues & Customs and other public sector bodies (unless for commercially available services) • Refunds for rent, council tax, licences, car parking and bus passes etc. • Investments and other funds transfers The London's Head of Procurement utilise a shared spend analysis tool which should have a figure that can form a basis for this measure
Total No. of suppliers		
Total No. of contracts		
Total No. of frameworks		

Programme Athena - Total Cost of Ownership Template

Groupings	*(inc. Revenue & Capital) Council Na £*	Cost Order	Criticality (H,M,L)	Flexibility (H,M,L)	Variability (H,M,L)	Notes	Explanatory Text

Instructions:

The basis of this section is to understand the cost of the main pieces of software which support the HR, Finance, and Procurement systems. The Function section of the template is the area in which we collect all the primary costs of just the software, which in most cases is the annual service and maintenance license cost of the systems related to the functions which are listed in Column B. We have included space for two systems, however you should list however many systems that are necessary to support the function. You can do this by inserting additional lines. In some systems there will be a separate invoice cost for the license for the system (which will include a number of users, for example a site license) and for licenses for the users (for example software which uses a per user or named user license). The Function section is only concerned with those invoiced costs which relate directly to the cost of the software for the year.

There may be cases where the cost of the just the software paid annually is not related to service and maintenance. An example given is the Oracle Payroll module where the annual payment is based upon the number of individuals in payroll system. In this instance and similar instances, we are focusing on the cost of the software so this should be included in this section.

In the case where software is provided through a managed service, the managed service cost for the system should be included in this section. Where a single system may be delivering multiple functions we are asking that authorises attempt to apportion the managed service cost over the relevant functions. If you do apportion costs over multiple functions, please note your methodology in Column I for the relevant function and weighting.

You should list all significant systems, by name, (including internally developed systems) which relate to the listed functions in Column I. In Column C please include the software service and maintenance cost or the single, annual invoiced amount for use of the software, excluding any user based (e.g. per user or concurrent user) license costs. In cases where there is a perpetual license that license cost will be included here as long as there is not a separate charge for the software. If there is a separate charge for the software include that cost here, but the perpetual license fee in the Licensing section.

When completing this section you should consider all the activities that relate to the functions and then the systems that relate to these activities. You can also consider the questions and guidance in Column J.

Groupings	(inc. Revenue & Capital) Council Name £	Cost Order	Criticality (H,M,L)	Flexibility (H,M,L)	Variability (H,M,L)	Notes	Explanatory Text
Payroll & Pensions							
	£ System 1 Revenue						
	£ System 1 Revenue						
	£ System 1 Capital						
	£ System 2 Revenue						
	£ System 2 Capital						
Human Resources							
	£ System 1 Revenue						
	£ System 1 Capital						
	£ System 2 Revenue						
	£ System 2 Capital						

Functions

Functions (cont)	Procurement							
		£ System 1 Revenue						
		£ System 1 Capital						
		£ System 2 Revenue						
		£ System 2 Capital						
	General Ledger							
		£ System 1 Revenue						
		£ System 1 Capital						
		£ System 2 Revenue						
		£ System 2 Capital						
	Accounts Payable							
		£ System 1 Revenue						
		£ System 1 Capital						
		£ System 2 Revenue						
		£ System 2 Capital						

	Accounts Receivable								
		£ System 1 Revenue							
		£ System 1 Capital							
		£ System 2 Revenue							
		£ System 2 Capital							
	Income Collection								
		£ System 1 Revenue							
		£ System 1 Capital							
		£ System 2 Revenue							
		£ System 2 Capital							
	Property (Fixed) Asset Management								
		£ System 1 Revenue							
		£ System 1 Capital							
Functions (cont)		£ System 2 Revenue							

		£ System 2 Capital						

Instructions: The Service and Maintenance section of the template is the area in which we consider all the ancillary costs for the systems that have been considered in the Function section. This section builds upon the software costs to get a better picture of the total software cost of supporting these systems. Where possible you should include the cost for the year for all the items listed in Column C. You should be completing this section taking into account all costs that are anticipated or planned for the next 12 months. For upgrade plans there are different levels of implementation for when the cost is included in the exercise which is better explained in .

Service & Maintenance	**Contract Arrangements**							The basis of this question is to capture some of the financial cost of software contracts that may not distinctly related to the software or licensing. An example given, was a fee paid to a software manufacturer for increased voting rights for functionality in future release versions This should include any fees paid to the software provider that do not include licenses, module maintenance/upgrade, or non-project management consultancy days. If there are no other costs, this should be noted with an "N/A" in Column C.
		£ System 1 Revenue						
		£ System 1 Capital						
		£ System 2 Revenue						
		£ System 2 Capital						
		£ System 3 Revenue						
		£ System 3 Capital						

| Service & Maintenance (cont) | Internal Support Provision | | | | | | | | The rationale behind this figure is to provide an indicative figure on the total personnel cost from core ICT to support the Finance, Procurement, and HR systems. The single figure you provide should include the cost of the specialist technical resources, both permanent staff and contractors, that support the systems listed in the Function section as a business as usual activity. As we are considering just specialist resource, dependent on your support arrangement, we will not be including Tier 1 or Helpdesk staff if they are on a non-specialist nature. If you operate a Helpdesk with specialist resource or a tiered support structure and have Tier 2 support responding to end-user queries they you should include them in this cost. As management are overall cost to the entire ICT service and not a specialist resource supporting systems we are not including any management costs.

The core ICT personnel that should be included are the staff that support the hardware the systems run on, for example the server team, and any staff who support the software, like DBA's. This figure will need to be apportioned if possible to take into account these personnel will also support other systems. If you are able to provide an approximate amount of time they support the finance, procurement, and HR systems that should be noted in Column I. If you are unable to provide an apportioned cost, please include the whole cost per year for those personnel and note that the cost if for 100% of the staff time. |
|---|---|---|---|---|---|---|---|---|---|

| Service & Maintenance (cont) | Software Upgrade plans | | | | | | | | The costs of software upgrades where the plans have been approved or budget assigned will be included in this measure. If plans are only aspirational then they should be included. The planned future costs should include future contingency that will "be made available" as well as the implementation, or one-off project costs, software purchase costs and any per-user or named user license purchase costs.

The cost should include any project management cost included as part of implementation to deliver the upgrade. The project costs should only be included if the upgrade is delivered as a one-off discrete project, not if the upgrade is part of business as usual activity. The other ancillary costs that should included are any overtime or building opening time on top of normal payments and activity. This will incorporate the costs related to software including upgrading or changing to another "like for like" software. |
| | Hardware / Infrastructure Upgrade plans | | | | | | | | The costs that should be considered here are any planned future costs, or if there is a future contingency that will "be made available", of the hardware upgrades that are anticipated for the named HR, Finance, or Procurement systems. The hardware plans that should be included need only be projections or planned cost to meet any To-be operating model or support architecture. Therefore if there are plans for changes to systems then the hardware requirements for those plans should be noted here. The cost should include the hardware itself and any consultancy time , any overtime or building opening time that would be required outside business-as-usual activity. |

Service & Maintenance (cont)	**Consultancy and External one-off development**							This measure reviews the cost of external one-off consultancy for each of the systems listed in the functions sections. This figure should not include the cost of consultancy where the external consultant is included as part of the service and maintenance contract of the system. Any consultancy or one-off development carried out consultants, whether independent or from software maker (if not included as part of the service and maintenance fee) should be included in this section.
	Organisational Support Training							Where support staff are providing training to high level administrators or other support staff, for example "train the trainer" training , then the cost to release them for this training will be entered here. This should be costed using the time spent actually giving the training as averaged over the year.
	System required Training							This measure records the cost of the training that is required for staff to support the systems listed in the Function section. This includes any specialist training that is required by the supplier for staff that support the system, for example if certain system administrator rights are only given to an individual who has attended a particular course, or if there is a generic training that is required to update the skills to the staff member to continue supporting the system, for example if a staff member who does not have .NET training , but needs the skills as the software has changed to that system. These training costs should only be included if they are incurred in the year, historic training, personal professional development, or generic skills maintenance are not included as they are overall ICT training cost.

Instructions:
The basis of this section is to understand the cost of the user licensing of systems that have been identified in the Functions section. A benefit to breaking apart the costs of software and licensing is to give transparency to the overall costing and provide an insight into how better negotiations/different licensing models could impact the total cost of ownership of these systems.

The User Licensing section of the template is complementary to the Function section on licensing in that the Function section captured only the licensing related to the software, which from an end user perspective is the cost of the software per annum, whereas the User Licensing section capture the cost of the license for the users of the systems, especially where the licensing system for users is on a named user or per user basis.

The costs per system of the user licenses should be included in Column B with a note about the basis of the costing (whether it is named user, per user, or some other variation). If there is a complex licensing arrangement for a piece of software, an explanation of those licenses which form the greatest percentage of the total spend on license should be noted instead of figures on all user licenses in their entirety. If a system only has a site license with a number of users and you do not exceed that number, then there will be no cost listed here, just the service and maintenance charge in the Function section. If you "top-up" users, using a separate methodology then those cost of the "top-up" should be included

We have included space for four systems, however you should list however many systems that are necessary. You can do this by inserting additional lines.

In the case where software is provided through a managed service, there may be no additional user licensing cost which means no cost would be entered her. As per the Function section, the cost of the managed service will be included in the Function section as managed service fee can be seen as the annual fee to access the hosted system.

You should list all significant systems, by name, (including internally developed systems) which were identified in the Functions section in Column I. In Column C please include the user licensing, as invoiced, for the system.

System required Training	Licensing Arrangements							Please provide a breakdown of costs for the licenses and the structure in which your system handles licensing. As there is extreme variance in supplier arrangements and discounts the more information that you can provide in the Note section, the better.

Instructions: The Processes section of the template moves on from the consideration of the software and the software anciliary costs, including user licensing, and moves to understanding the people and systems that relate to the common process which are delivered in each council.

To this end, for each process we are collecting 3 costs. The first is the cost of the system(s) that support the process. The cost of the system may be replicated from the Functions section but the idea behind that so there is again clarity around which systems support which individual processes. The second is the cost of the people who support the process/system. This allows for people to understand what sort of personnel are supporting the systems and will allow people to make initial considerations if they were to change systems or setups. To ensure that we are complying with data protection but giving people a high level understanding of the people providing support we are utilising the Personnel Banding Categories as defined on the Definitions sheet. The third area is around any processes or exceptions that add significant cost to the process outside of the system and personnel. If there are significant cost elements, for example a manual intervention to ensure data quality is high that means 3 staff are checking data entries each day, then this additional cost needs to be considered as part of the process in each authority. These other material costs should be described in Column I to let people understand the nature of the additional cost. These three costs will be included for each process where they can be calculated.

The 3 areas which we are considering as part of TCO: Human Resources, Finance, and Procurement and we have indicated the common processes within each of those areas and in Column C will be gathering the three costs from the systems, system support and material additions for each of those processes. You may be reusing the cost from the Function section but this should include all software that is used to deliver the indicate process.

As far as people, the costs that should be included for staff are laid out in the Introduction and Definitions sheet. Staff should be disaggregated and by Personnel Banding Categories. The staff that should be included are back office staff who support the systems which are used to deliver the services. While some staff may regular use the system, they are out of scope as they are end users of the system rather then actually supporting the system operating

	HR							
Processes (HR)	Recruitment (Permanent Staff)	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
Processes (HR cont)	Recruitment (Agency) & Agency Management	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Starters & Leavers (Joiners & Terminations)	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Payroll & Payroll Admin	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
Processes (HR) (cont)		£ Other Material costs						
	Pensions	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Learning and Development	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
Processes (HR) (cont)	**Expenses (Travel) Management**	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Performance Management	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Establishment / Hierarchy Management	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Occupational Health	£ System 1 Revenue						
Processes (HR) (cont)		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Health and Safety	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Case Management	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
Processes (HR) (cont)	**Sickness and Absence**	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Job Evaluation	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
Processes (Procurement)	**Procurement**	Within certain authorities, processes like Raising a purchase order are not included within the Procurement function, but inside the Finance function. The opposite can also be the case, like with Procure to Pay. We have included in these processes here as a guide and they should not be taken as the only way to deliver there services. If you are unable to gather information from the service under which it is listed you may need to consider asking another service. We have highlighted some services where this may be the case in <mark>yellow</mark>.						
	Supplier Administration	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
Processes (Procurement) (cont)		£ Other Material costs						
	Contract Management	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						

		£ Other Material costs						
	Sourcing / corporate contract management	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						

Processes (Procurement) (cont)	**Raising purchase order**	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Goods receipting	£ System 1 Revenue						
		£ System 2 Revenue						

		Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
		£ System 1 Revenue						
		£ System 2 Revenue						
Processes (Procurement) (cont)	**Invoice verification**	Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
		£ System 1 Revenue						
		£ System 2 Revenue						
	Purchase card administration	Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
Processes (Finance)	**Finance**							
	Procure to Pay	£ System 1 Revenue						

		£ System 2 Revenue						
		Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
		£ System 1 Revenue						
		£ System 2 Revenue						
	Income Collection	Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
Processes (Finance) (cont)		£ System 1 Revenue						
		£ System 2 Revenue						
	Debt Management and Overpayment	Band_Staff:						
		Band_Staff:						
		Band_Staff:						
		£ Other Material costs						
	Cash Management & Treasury	£ System 1 Revenue						

		£ System 2 Revenue					
		Band_Staff: Band_Staff: Band_Staff:					
		£ Other Material costs					

Processes (Finance) (cont)	**GL processing**	£ System 1 Revenue					
		£ System 2 Revenue					
		Band_Staff: Band_Staff: Band_Staff:					
		£ Other Material costs					
	Maintain Chart of Accounts	£ System 1 Revenue					
		£ System 2 Revenue					
		Band_Staff: Band_Staff: Band_Staff:					

Processes (Finance) (cont)	Asset Accounting	£ Other Material costs						
		£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Treasury Management	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						
		£ Other Material costs						
	Financial Analysis and Reporting	£ System 1 Revenue						
		£ System 2 Revenue						
		Band_Staff: Band_Staff: Band_Staff:						

		£						
		Other Material costs						
	Project Management / Reporting / Business Intelligence	£						Outside of day to day operations, there may be additional support that your system require from external consultancy on best practice, support of optimisations, or management of ICT related or enabled projects that should be considered in this section. This will also include any performance management and reporting functions that are related to the systems in question.
		System 1 Revenue						
		£						
		System 2 Revenue						
		Band_Staff:						
		Band_Staff:						
		Band_Staff:						
Processes (Finance) (cont)		£						
		Other Material costs						
	External Org support (e.g. Schools)	£						For this section, please indicate the costs to provide service to any external organisation like an ALMO or to a school for just HR, Finance, and Procurement services. You may have a fee which you charge to external organisations which may be useful in determining your costs especially if the fees is set on cost recovery.
		Organisation 1						
		£						
		Organisation 2						
		£						
		Organisation 3						
		£						
		Organisation 4						

Instructions: The Infrastructure section of the template is the area in which we consider all background ICT spend for the systems and processes we have been considering. These cost include server costs, support and maintenance cost for your hardware, and other core ICT hardware costs. These cost will typically be held within the ICT division and will need to be disaggregated from the overall ICT spend.

For authorities that use a managed service, we would also them to try to apportion cost as best as they can for this portion of the exercise. If they are able to apportion costs, we would ask them to give a breakdown of the apportionment in Column I in the appropriate row. If they are unable to apportion cost or disaggregate their managed fee for elements of their infrastructure we would ask them to note them in the Hardware costs notes section.

In general, TCO is not looking at the cost of delivering the entire ICT services, but rather the cost of just the services with HR, Finance and Procurement.

Infrastructure	**Hardware costs**							This section should include all hardware that is necessary to run the system. This will not include your full ICT suite, however there should be some servers or other infrastructure that is necessary for the system to operate. The cost should be broken down roughly into Finance, HR, and procurement services if possible.
	Disaster Recovery costs							This should include the costs that you pay for any disaster recovery/business continuity services that you purchase that cover any Finance, HR, or Procurement services
Infrastructure (cont)	**Capital expenditure**							While capital expenditure is different every year, there may be future "in pipeline" capital plans where the capital that will be invested into upcoming year should be included especially if shared services is able to release or reduce that planned capital expenditure
	Legacy / 3rd Party systems costs							These are the costs associated with the legacy or 3rd party systems (e.g. Crystal reports) which are necessary to support the service using the main system. This should also include any costs, including consultancy, for the data integrator necessary to connect legacy systems to your main system

	Energy costs						There will be significant variation around energy cost again due to the number of suppliers and billing methods, but it is included here for completeness as it is a significant revenue figure that needs to be borne. As this may also be a problematic figure to obtain and then apportion, we would ask that if you are unable to provide a single figure that you just make a note in Column I that the information was available but you were unable to apportion it across your systems.

Instructions: The Staff section of the template is the area in which all staff that have been identified through other sections of the template can be totalled up. This also gives completers the opportunity to "summarise" partial staff into whole FTE's. While the TCO exercise is not an activity-based costing piece of work you may find that throughout the TCO process you identify significant portions of staff member time which are in scope. This section will provide an opportunity to summarise those partial staff and provide a clear indication of all staff who you consider to be in scope of this exercise. The staff should be broke down by personnel bands as laid out in the Introduction sheet, with a total figure for each band given in Column C. If additional bands are needed please amend the return to fit your needs.

Staff	Personnel Costs		N/A	N/A	N/A			

PROGRAMME ATHENA

Total Cost of Ownership (TCO) LITE

Guidance

November 2012

Programme Athena
Total Cost of Ownership (TCO) LITE Exercise Guidance

1. Overarching Framework for Cost of Ownership LITE – Background Information

Programme Athena aims to support the creation of shared solutions for London public sector organisations to gain the opportunity and ability to deliver significant efficiencies and service improvements for ICT enabled support service functions. In order to support the case for change, there need to be clear and demonstrable benefits to councils to provide the time and investment to move into shared service arrangements. Two organisational blockers to accepting shared services have been the perception that either shared services would be more expensive then their current service costs or that the services they provided better performance then a shared service would. We have found through the data that we have collected that it is impossible to determine how much more or less expensive shared service would be for borough, and without a clear answer to this question a blocker still remains. This is why Programme Athena is tackling comprehensively the issue of total cost of ownership.

Total Cost of Ownership LITE (TCOL) aims to produce a concise format for councils to be able to compare "like for like" costing of their back office services. Originally, a much more comprehensive template was developed however there was a much more significant amount of time and effort required to complete the template which were not ideal for a large take-up of the exercise. Therefore we reviewed the design and purpose of the template and the level of information that was necessary to support authorities. A higher level of common data would be more beneficial to council looking at working together then a comprehensive, "deep dive" into key areas. This provided authorities with a platform of cost to begin collaborative working, whether that is through a business case or cost comparison, and if they needed to look in more detail on cost, authorities could work with each other on better understanding

This information when included with the benefits of shared service will make a compelling case for authorities to move from their historical single instance into more cooperative working practices. Programme Athena is developing a clear map outlining the type and level of benefits that councils can start to expect as they go down the road to shared services. Part of the case for change is understanding the value and savings that may be available to councils if they do use shared services. To understand the level of savings, we first need to understand how much council's spend on their ICT setups for these services. The Cost of Ownership worksteam has been established to provide a transparent methodology for councils to determine the whole cost of running their back office systems for finance, HR, and procurement.
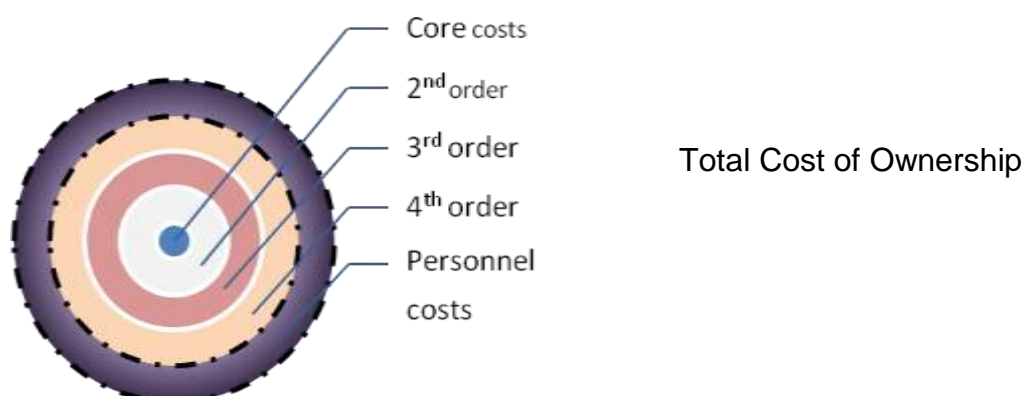
To capture and understand the "true cost" of these services we have gone for a scenario based approach to develop the councils' TCO. With the scenario based approach, we can offer local authorities an opportunity to compare costs with greater confidence, having developed and agreed a standard means of calculation.

In developing these scenarios, there are three major concepts we are trying to resolve to make the comparisons as clear as possible: Cost Order, Cost Driver, and Cost Elasticity.

Cost Driver

The Cost Driver looks at the sections of our normal costing framework and then prioritises them on how significant a role they play in the total cost of the service. A core cost of almost all services is the staff cost and we recognise this cost will constitute a significant portion of most services. To mitigate from putting too much emphasis on personnel costs, we have separated the collection of non-personnel cost drivers within the TCO tool. Therefore primary system cost like annual module cost or maintenance cost form our core cost and then legacy integrations and energy cost form 3rd and 5th order cost, respectively. While there are a number of costs that make up the cost to run a service, we can prioritise those costs and then determine which activities in the shared service journey will impact those costs and when councils can anticipate benefits. We can also determine if there are other councils which have better controls or limit certain central costs better than other councils and share that information.

Below is a diagram of how we see cost order:

Total Cost of Ownership

Cost Attribute

There are certain costs within each service that have different drivers, and as such there are 4 primary aspects that we have sought to include in our analysis of CoO. They are:

1. Process:
2. Contract:
3. Set (Fixed):
4. Variable:

The way we see the cost drivers is that every cost will have one or more drivers or influencers that sits under the attribute of cost order. These drivers will determine the basis of how the cost is determined. Process and Contract costs are driven either by the process that we chose to use or a contract that has been signed. Both of these are typically influenceable costs, but influenceable over different periods. You may have a process that

you can change tomorrow that could significantly reduce costs, but you may have just signed a long term contract and costs are fixed for a significant length of time. The opposite could be true where there is a process with many inputs or interdependencies that is very expensive but cannot be easily changed and a contract that is very soon to be re-negotiated.

The same applies with Set and Variable costs. Costs may be variable or set because of a contract or process, however those attributes may be inherit in the part of the service that you are costing. For example, training costs are almost always variable even if you use a contract as you don't know what training you will require year on year.

One interesting cost which is a good example to use with cost drivers in utilities costs. Some councils will agree a long term tariff with a utility provider which means a set price based on a contract basis. Other authorities may use utility services which offer a variable cost, however the price is not based upon a contract or the process used.

As part of the CoO we need to understand how our cost fit in with these four drivers and then use them to help build more comprehensive scenarios.

Cost Elasticity

The last element is around three variables to cost which may or may not overlap with the other two concepts, but still need to be explored. These variables will focus on the actual context for the cost opposed to more theoretical understandings of the cost. The three variables are: criticality, flexibility, and variability. Criticality is about how important the cost is to delivering your service. This will be the easiest for services to gage as it is a basic measure of priority elements in a service.

Flexibility is a function of how flexible the cost is and this should relate to the Set (Fixed) & Variable cost driver. This measure relates back to the example that was given in the Cost driver to give an indication of how flexible the actual cost is for each borough.

Variability will have a historical element and will consider how the cost has actually changed over time. Some variable (cost driver) cost will actually be relatively steady over time even

though the cost or demand is variable. For example you may have a tiered costing for licenses so as you increase/decrease usage your license costs will conversely fall or rise. However while the cost may be variable, if you end up having a relative fixed number of users, the variability of your variable cost is actually low.

2. Total Cost of Ownership – Context for TCO exercise

Described below is information highlighting the review of the process that the Athena team will be undertaking to facilitate the development of TCO costs for specific back office functions pan-London.

Who

The Total Cost of Ownership (TCO) workstream will be managed by Heads of ICT with the assistance of Programme Athena. We are working with a pilot authority (Newham) and once the approach and tools are fit for purpose we will then be leading a London-wide exercise that is organised through sub-regional groups (e.g. East London Partnership). Heads of ICT will be requested to participate in the sub-regional workshops. Therefore support personnel or system administrators may be called into workshop for us to compile the essential feedback to make the process easier for everyone and to also provide necessary to complete the TCO returns.

What

The focus of TCO is to understand the entire cost of the ICT provision of back office services. This will include all functions that sit behind front line services that are not situated within the business. These costs will range from the pale to the significant and using the TCO tool we will prioritise and categorise those different costs.

The focus of the TCO is on cost of the **Purpose** (what you do), **Processes** (how you do it), and **Paraphernalia** (what is required to deliver the process). This exercise will take note and consider staff cost however they only form a portion of the TCO; the approach taken centres on non-personnel costs which immediately focus the exercise on the process and functions within the service.

When

We completed a run though of the work with the pilot authority early June. The trialled approach and initial tools were then discussed were signed off by Programme Athena's PDG Board. At this point we assessed operational commitments and availability of ICT leads and resources due to leave and the Olympics, and produced a tighter, more detailed implementation plan.

An introduction of Athena and the TCO exercise was shared with Heads of ICT at the London Connects meeting on 8 June. Following the introductory sub-regional workshops taking place the week commencing 25 June we will begin work with the authorities on the TCO returns. We will also be working with SOCITM to hold a briefing session on 20 July to introduce the TCO workstream to a wider audience and gain buy-in for a long term approach to TCO from the forum.

Where

The TCO workstream will take place in all 33 London boroughs subject to agreement from Head of ICT at 20 July SOCITM meeting. It is critical that we receive early feedback from a number of pilot authorities at the TCO approach and tools will need to cater to all London boroughs.

Why

During these difficult financial times, there has been greater pressure on finding innovative ways to deliver savings. One way authorities have responded is by exploring shared service and expanded joint working, whether expanded information sharing, joint procurements or even fully integrated shared services. When authorities think about working together, one obstacle is the amount of time and resource that has already been invested or lack of clarity around how much their entire service actually costs. The Total Cost of Ownership exercise remedies this situation by providing an clear and agreed framework for gathering systems and support costs that will allow for easier comparisons of service costs and will give decision makers information about future cost that will put

How

The first step of TCO work has been to develop a high level framework and data collection tool which will give boroughs a high level of data confidence about every authority's cost without placing an undue administrative burden on them. We also wanted to be sure there was sufficiently useful information available, as a high level spreadsheet would not add value or help with the decision making.

We will then work with the pilot authority in a workshop setting to trim and amend the TCO tool and guidance to cater to all local authorities. The workshops will help us define both the collection tool and the information that we want to collect. The end of the pilot will also produce a provisional completed TCO for the trial authority that we will be used as a worked example for other authorities

Once we have the feedback from the pilot authority we will then go the Project Delivery Group where we will obtain backing and sign-off of all authorities on the TCO tool and

approach, agree a timeline for collection, and begin working with borough representatives on running the TCO through their organisations.

Following the sign-off from authorities on the shared tool and approach we will be working with the authorities to collect the necessary information to complete the tool, and then analysis the different returns to produce a comprehensive comparison report.

3. Total Cost of Ownership

The goal of TCO is to:

1.) develop a methodology and set of tools for authorities to be able to accurately and easily determine the costs of running back office systems and compare them to other authorities:

We have developed the tool around those areas by measuring **Functions** (Purpose), **Service & Maintenance** (Process), **Licensing** (Paraphernalia), **Processes** (Process), and **Infrastructure** (Paraphernalia).

We will then build up costs from each of those areas to develop the Total Cost of Ownership. We will also add detail to the cost using the 3 primary concepts for TCO: Cost Driver, Cost Attribute, and

The methodology scope includes only those costs which sit within the realm of ICT and are not personnel costs. Each process will be made up on some amount of Support (ICT) and Front Office (business) Costs.

Total cost of ownership is interested in finding out what the portion of back office is, without getting twisted into knots, and what the cost of that support function is. We then want to compare it against similar authorities and against other functionally similar processes.

TCO Workshop Objectives

1. Create a clear and limited scope to the Total Cost of Ownership work which allows boroughs to understand which costs we are considering and which are significant, but out of scope

2. Create an understanding of the main cost drivers within the ICT support service

3. Build up a picture of each of the cost drivers using the cost attributes to better define what is driving the cost. The primary aim is to be able to complete a spreadsheet like this for each service areas (Hr, Finance, Procurement):

TCO: Process Cost Summary	
HR	**Costs**
Recruitment	£ X,XXX (ICT only)
Sickness absence management	£ X,XXX (ICT only)
Disciplinary	£ X,XXX (ICT only)
Grievance	£ X,XXX (ICT only)
Total cost of HR Service Delivery	£ XXX,XXX (system + Process)
Total Cost of systems support	£ Hardware + ICT + Front Off.

4. Understand the individual processes within the authority that A.) Contribute most significantly to cost in the service; B.)Involve the greatest amount of officer time to maintain; C.)Are there organisationally unique/bespoke processes

5. Bring together the information on cost drivers, attributes, and elasticity into a single format whereby borough representative can receive sign-off of agreed Total Cost of Ownership

PROGRAMME ATHENA

Total Cost of Ownership LITE (TCOL)

Template

November 2012

Introduction

What is Total Cost of Ownership:

Total Cost of Ownership (TCO) is a concise format for councils to be able to compare "like for like" costing of their back office services.

A previous iteration of this exercise used a much more complex template to gather costs in a much greater level of granularity, however authority feedback was that a broader, more high level indication of cost was needed pan-London and then individual authorities would drill down into cost once they were working together. This requirement has thus driven the development of the Cost of Ownership Lite template.

This **exercise will cover the financial year 2011-12,** and we will expect that you will be using the most up-to-date actual figures where possible. It may be that you are unable to provide actual figures, and in that case we would gladly accept budget or approximate figures except where noted.

We feel that this exercise should support work that may already be taking place within your authority and as such it may provide a tool for capturing baseline costs if you will be transitioning to a different delivery method or system configuration for your HR, Finance or Procurement system. Considering you may already be in a state of change, it may be more beneficial to baseline your to-be systems and support structures rather than your previous costs. This will allow authorities to establish a post-change baseline from which they can measure improvement in future years.

Completing the Template:

The spreadsheet will require that you complete 2 columns with details on the relevant section. The Support Personnel Count is only relevant to section 1. We have included instructions at the beginning of each . The breakdown of the columns is as follows:

-**Cost inc. Revenue & Capital:**
All annual revenue for the functional area consider should be listed. If there are multiple costs (e.g. multiple staff, license costs, etc.) they should be listed separately and a note made to which item they correspond.

-**Support Personnel Count:**

This column is for Section 1 only and relates the the system which is indicated by the authority in the Column B. Each authority will list the support personnel directly responsible for the software support and configuration of the systems listed. This will not include the technical support staff, but will only include those users who provided regular "behind the scenes" support for the particular system. If there is a dedicated support team that supports numerous systems then that can be indicated in the Notes field in Column E for the systems named.

As an overall cost consideration, when we consider total cost of a staff member that will include their:

      -Full Salary Cost , National Insurance contributions, and Pension contributions

however we will not include corporate recharges, professional fees/subscriptions, training budget, or leave entitlement

Function Activities

As part of the TCO of ownership exercise it is imperative that there is a shared understanding of the functions that should that are in-scope. As part of the introduction workshop, we received clear indication that to be useful to authorities, all authorities needed to have a clear understanding of the processes and services that are delivered as part of the 8 functions which the TCO template uses as a driver for cost collection. On this sheet we have begun to give a clear set of activities we believe are to be considered as part of those functions. If there are services and functions that are not included in the definitions then it will be added to other improvements that will be made in future and may be considered in the future but reduce the complexity of this exercise they will not be changed mid-collection.

We have listed the activities for each of the functions below:

Payroll & Pensions

    Payroll

        includes pay data management, calculating withholdings, payroll processing, filing of all payroll-related taxes , checking preparation, generating and distribution of payslips, managing Direct deposit and assorted payment options, completing all relevant HRMC paperwork and returns, including reporting to proper tax authorities and statements of deposits and filings made on your behalf, managing Wage garnishments and other court orders and related administration, and producing relevant management reports

    Pensions

        includes administration of the Local Government Pension Scheme for employees, councillors and staff of admitted bodies, provision of advice on pension rights, establish and maintain pension records and pensions data, provide Premature Retirement Severance (PRS) estimates, calculate estimated and actual retirement benefits, investigate and calculate transfers in and out of the Local Government Pension Scheme, monitor and determine eligibility of continuous service, ensure that changes in circumstances e.g. hours, maternity leave, strikes are accurately recorded, and arrange payment of all pension and redundancy entitlements

Human Resources

Recruitment (Talent Management)

includes background screening, criminal record checks and pre-employment checks , job postings including person specifications development and storage, resume or application screening and administration , skills and competency tracking and development, support of recruiting process: from initial job posting to interview recommendations, creation or support in creation and modification of Job descriptions, and the initiation of the new hirer/starter process

Employee Assistance

includes provision of guidance to staff, and administration of any employee assistance programs

Benefits administration

includes any health and welfare benefits like employee discounts or additional benefits packages tied to their employment contact, voluntary benefits (like death in service beneficiary administration), or administration tied to benefits packages that might have come from

HR Administration

includes HR Data storage, management, retrieval and reporting, maintenance and reporting of organisational hierarchy, paid time off balances and end of year accruals, New starter processing, gathering employee time/work data, retirement and termination processing

Absence management

includes monitoring attendance and leave administration, reporting of leave organisation leave accruals, and long term management of long term sickness

Government and Organisational HR reporting and report on HR/Equalities compliance

TUPE

Case Management

includes the management of case related to grievance, disciplinary, bullying and harassment, ensuring manage and staff comply with relevant on applicable European, national, and local laws and regulations governing the employment relationship, complaint handling whereby it involves a complaint not covered under grievance, disciplinary, bullying and harassment and involves a staff member complaining over another staff member, including investigation and coordination of responses to most types of wrongful employment practices complaints

Occupational Health

includes physician referrals, providing outreach to injured worker and their management, return-to-work programs, Inspections, reports and data tracking as required

Health and Safety

includes initial evaluation of workplace hazards and risk associated with operations and effectiveness of safety controls with formal recommendations if necessary, screen and desk assessments, safety training, Safety program development and implementation, HSE and Safety code compliance review, assistance and instruction, necessary administration for work-related injuries including taking and recording reports of injuries, Accident investigation and follow-up, Return-to-work programs, Inspections, reports and data tracking as require

Training and Development

includes employee development, booking and arranging training rooms and courses, course material storage and printing, training material development, course recharges and administration

Procurement

Sourcing

Demand Management

Supplier Performance Manage (Contract Management)

Requisition Processing

Supplier administration

Auction services

Contract & Framework Administration

General Ledger

includes making, review and editing postings and journal entries, monitoring and editing beginning and ending balances of accounts, budget setting and management, managing and reconciling internal charges/recharges, segment management, supporting cost centre budget management , financial report running

Accounts Payable

includes processing, validation and payment of the invoices, transaction processing, resolving payment queries, managing approvals exceptions, overseeing the Procure to Pay process including exceptions and error handling, processing matched and unmatched invoices for authorisation and payment, conduct enquiries to locate invoices and associated payment information, managing supplier set up administration, supplier records management, manage sale orders, period close, financial and government reporting, payments and remittances, 3rd party invoices/credits, supplier invoice reconciliation, payment accuracy control, cash management, maintaining AP/PO supplier master dataset, receipting and scanning invoices or making electronic copies of invoices, managing payment interface files loads, monitoring and resolving overpayments, manual invoice matching to

purchase orders where not done electronically, purchase order maintenance, payment processing, and maintenance and administration of purchase cards

Accounts Receivable

includes maintain accounts receivable ledger, manage and process disputes and deductions, manage customer requests and inquiries, customers set up and management, raising and dispatching of customer invoices, applying receipts to customer accounts, allocating miscellaneous receipts, maintenance of customer database, debt management, monitoring third party contractors associated with debt collection, i.e. bailiffs, collection agents, trace agents and solicitors, review and manage outstanding debt per customer, creating and mailing out dunning letters on customer accounts

Income Collection

includes allocation of income to relevant departments and business units, locating missing payments made to the authority, liaising with the Council's main bankers on all banking issues, administration and maintenance of the primary banking software, regular reconciliation of income accounts, manage and monitor payments, receipts of cash, cheques, BACS, CHAPS and wire payments, reconcile bank statements, and transfer cash balances within the council.

Estate Management (Property Management)

includes maintenance of the fixed asset register, maintenance of asset values, ordering and recording asset valuations, and determining accounting asset values from financial and property data

Authority Profile

Council Profile:

As part of the feedback from the trial, it was felt that some objective characteristics were critical in the comparison of different authorities' costs. To incorporate this context into the TCO exercise we have developed an "Authority Profile" which provides an area for information which may have a bearing upon the costs and systems that are necessary to fulfill a service in a particular authority. The "Authority Profile" will then feature in the final TCO to help authorities compare like-for-like services and understand the context behind other authorities' costs.

In the below chart, there are a number of measures that are listed in Column B which relate to organisational measures that will contribute to the Authority Profile. In the corresponding field in Column C provide a high-level figure which answers the measure in Column B.

	Measure	Return	Explanatory Text
HR	No. of staff supported by Human Resources		This figure should include all permanent staff both full and part time, agency and contract workers, temporary workers and shared staff who work at least part time in your authority. It should not include seasonal workers, or workers who are in your payroll system from an external organisation who do not work at least part-time for your organisation (for example a school teacher)
	No. of staff and other workers processed through the payroll function		
	No. of active staff within the LGPS or other council adminstered pension schemes		This should include staff that are still making contributions or are receiving benefits from the LGPS or other council adminstered pension scheme
	Average number of days per FTE of sickness absence per year		

	Measure	Return	Explanatory Text
Finances	No. of residents		This figure will come from the latest census returns
	No. of NNDR businesses		This figure will co me from the latest census returns
	Amount of Total Net Annual Capital spend		
	Amount of Total Net Annual Revenue spend		
	No. or invoices processed annually in Accounts Payable system		
	Amount of Total No. of debtor with debt <365 days old		This figure should be composed of debtors from the AR system and should mainly consist of individual with debt from the following areas: • Council Tax • National Non Domestic Rates • Housing Rents • Overpaid Housing Benefit • Sundry Debts • Service charge arrears • Arrears for contributions to capital / planned works
	Total No. of customers		The customers that are in scope will be those that are active in the system or are not archived.

	Measure	Return	Explanatory Text
Procurement	Amount of influenceable spend		'Influenceable' spend is defined when there is an opportunity to influence the procurement process with one or more of the following elements being controllable: • Cost • Quality • Service level/delivery • Trading process The following types of transaction meanwhile, are deemed to be non-influenceable and should be excluded from the figure: • Employee-related expenditure – expenses, payments to pensions, company car payments etc. • Payments to individuals – foster carers, grants etc. • Licence payments • Statutory payments (defined by legislation or prescribed by Governmental agreements/understanding) • Payments to HM Revenues & Customs and other public sector bodies (unless for commercially available services) • Refunds for rent, council tax, licences, car parking and bus passes etc. • Investments and other funds transfers The London's Head of Procurement utilise a shared spend analysis tool which should have a figure that can form a basis for this measure
	Total No. of suppliers		
	Total No. of contracts		
	Total No. of frameworks		

Programme Athena - Total Cost of Ownership LITE Template

Groupings	Total Cost for 2011-12 (inc. Revenue) £	Support Personnel Count (for Section 1 only)	Notes	Explanatory Text

Instructions:

The basis of this section is to understand the cost of the main pieces of software which support the HR, Finance, and Procurement systems. In Section 1 we collect all the primary costs of just the software, which in most cases is the annual service and maintenance license cost and other license costs of the systems related to the functions which are listed in Column B. We have included space for two systems, however you should list however many systems that are necessary to support the function. You can do this by inserting additional lines. In some systems there will be a separate invoice cost for the license for the system (which will include a number of users, for example a site license) and for licenses for the users (for example software which uses a per user or named user license), for the Lite exercise we will **INCLUDE BOTH HERE**.

In the case where software is provided through a managed service, the managed service cost for the system should be included in this section. In Column E please indicate where you have managed service provision. Where a single system may be delivering multiple functions we are asking that authorises to make note of the fact in Column E in each of those areas which apply.

You should list all significant systems, by name, (including internally developed systems) which relate to the listed functions in Column I. In Column C please include the software service and maintenance cost or the single, annual invoiced amount for use of the software, and **include** any user based (e.g. per user or concurrent user) license costs. In cases where there is a perpetual license that license cost will be included here.

Groupings		Total Cost for 2011-12 (inc. Revenue) £	Support Personnel Count (for Section 1 only)	Notes	Explanatory Text

Section 1	**Payroll & Pensions**				
		£ System 1 Revenue			
		£ System 2 Revenue			
	Human Resources				
		£ System 1 Revenue			
		£ System 2 Revenue			

Section 1 (cont)	**Procurement**				
		£ System 1 Revenue			
		£ System 1 Capital			
	General Ledger	£ System 2 Revenue			
		£ System 2 Capital			

PROGRAMME ATHENA

'State of Readiness' Guide

for Local Authorities

June 2013

Supporting Document 4 –

Finance Golden Rules

PROGRAMME ATHENA

Finance Golden Rules

December 2012

Golden Rules

1. Introduction

The Athena objective is to support shared systems across the boroughs. In order to successfully share systems, processes need to be the same for the core aspects. The more that boroughs can align processes in the same way, the easier it is to plan for the transition to a shared system. It can also assist with transition by providing lean processes for the boroughs to adopt.

2. How the Golden Rules were identified

Workshops were set up for the One Agresso, One SAP and One Cedar groups. There were three workshops, Accounts Payable, Accounts Receivable and General Ledger for each of the groups. These workshops were attended by the module owners, expert users and Systems experts from all the participating boroughs.

At the workshops the Golden Rules were identified and agreed for each of the different areas and these have now been combined and captured in this document.

The Oracle group has also been holding design workshops for the core areas where higher level principles and processes have been agreed. Once they have been validated we will be party to this information

3. Acknowledgment

The Athena Team would like to thank all the representatives who have attended the workshops and have contributed to compile these Golden Rules.

One Cedar

Camden, Hackney, Islington

One Agresso

Ealing, Hounslow, Kingston upon Thames, Sutton, Tower Hamlets and Camden

One SAP

Barnet, Enfield, Harrow and Richmond

Module	Golden Rule	Why
Overall		
	There should be as much automation as possible but maintaining reasonable controls	Processes becomes more efficient with less errors
	There should be no rekeying of data	Rekeying of data takes time and is prone to errors
	Budget holders are responsible for managing their budgets	Budget Holders are responsible for spending within their areas and therefore should manage that spend
	If the software does not do what it should – then it should be fixed and not worked around. Exceptions are allowed subject to a business case around efficiency and effectiveness	Working around the problem does not always allow the correct controls to be in place and the data could be corrupted
	Reconciliations should take place within the system	More efficient for the reconciliation to be done by the system. Manual reconciliations are labour intensive
	Reports should be standardised – same reports for audiences	Too many reports in the system causes confusion for the users. Same audience requires same information

Module	Golden Rule	Why
General Ledger (cont)		
Budget Setting (cont)	Local budget models will exist for Council tax modelling and strategic decision making	Local budget models allows the flexibility to make decisions locally on how to allocate the budgets. This gives the public more choice
	All budget information to be in one place with more detail for earlier years	This will ensure there is a single place of reference for financial planning and budget monitoring
	Profiling of budgets is only done over a certain value with a default monthly profile for everything else	It will make the budget setting process more efficient but ensuring that the higher risk budgets are profiled
	A minimum level of £100 for budgets with all budgets rounded to £100	This will ensure that the budget setting and budget monitoring process is more efficient
Budget Monitoring	Information in the corporate system should be used for monitoring purposes	To ensure that the figures that are reported on are accurate and up to date
	Accountable budget holders are to be enabled to monitor budgets	The budget holder is responsible for providing the services and therefore should be responsible for knowing what they are spending
	Finance have a business support role to budget holders	By enabling the budget holder to manage their budgets the Finance team can help by providing other management information
	There should be no back posting	This will ensure that there is no movement in the figures that have already been reported
	For budget monitoring managers should have self service and the ability to update the system	To enable the budget holders to monitor their budgets

Module	Golden Rule	Why
General Ledger (cont)		
Budget Monitoring (cont)	Finance staff concentrating on high risk budgets	The high risk budgets will have the most impact if something was to go wrong
	Spend projection to be held in the system	This ensures that the management information is complete and accurate if reports need to be automated or the budget holder requires up to date information from the system
Virements/Journals	These should be avoided by establishing the root cause and fixing it	If the root cause is not fixed the errors can keep occurring. If there are errors in the system the information may not be correct
	Virements to be work flowed and automated in line with financial regulations	This will make the process more efficient and allow the correct authorisation and controls to take place
	Transactional journals to be work flowed and automated	This will make the process more efficient and allow the correct authorisation and controls to take place
Closure of Accounts	Materiality should be the driver	Spending time sorting queries and entries that are immaterial could jeopardise the closing of accounts
	Supporting documents for virement/journals should be available to view on the system	This ensures that there is a clear audit trail available on the system for the adjustments that are carried out
	Posting of journals/virements should only be done by the finance staff	There needs to be control and authorisation for the posting of virements and journals. This should be done by the Finance staff as the adjustments will be posted to the General Ledger
	There should be no inter service charging unless it adds value	Inter service charging can become complicated and time consuming. Unless it adds value there is no reason to do the charging and this will save on resources

Module	Golden Rule	Why
General Ledger (cont)		
Closure of Accounts (cont)	System to provide tables for the notes to the accounts as far as possible	Manual calculations on spreadsheet are time consuming and therefore using the system to populate the notes to the accounts will allow more time to be spent on other areas on the closure process
	Control accounts to be reconciled according to agreed timescale	This will ensure that any problems with the reconciliations are captured and rectified as quickly as possible and to ensure smooth closure of the accounts
	The Member Register of Interests should be the source of Related Party transactions	This register will give the information required for related party transactions and is easy accessible.
Capital	The system should hold all the capital funding streams	This will provide a single place to report on all Capital projects
	The system should hold the whole capital scheme across all the years	This will ensure that the system can be used to monitor the capital schemes over its lifetime
	Profile the capital spend on the system	It will allow the project manager to monitor their budgets more accurately and to identify where there is slippage
	Fees should be routinely posted to the capital projects	To enable the project managers to have an up to date position at all times. Also saves time at closedown
	Obtain information up front on the asset type, the components and the depreciation	By obtaining this information up front it will ensure that time is not spent trying to capture this information further down the line particularly at year end. It will also ensure that the asset register is up to date

Module	Golden Rule	Why
General Ledger (cont)		
Interfaces	Each interface should have an owner	An owner should ensure that the interface is reconciled and feeds into the GL correctly
	Use interfaces for feeder systems rather than uploading excel spreadsheets	By using interfaces for the feeder systems the process will become more efficient
	Feeder systems should minimise the holding of finance codes	If the finance codes change or are closed the feeder systems will need updating. If there are too many finance codes in the feeder systems this will be difficult to control
	There should be common fields on interfaces	This will ensure that the common fields will be recognised on the interface and the system.
	There should be a golden source of information	If there were more than one source of information there could be errors in updating all the sources and the information could become out of date
	Interfaces to be reconciled and validated with any errors sent back to the source	This will ensure that the any errors are fixed in the source systems to prevent them happening again. It will also eradicate the need for a suspense account to be set up
	No suspense account to be created for interfaces	Clearing suspense accounts are time consuming. Interfaces should be reconciled and validated and any errors sent back to the source
	Interfaces to be scheduled and automated as far as possible	The process will become more efficient with less room for errors
	There should be an agreed schedule of interfaces in existence	An agreed schedule will ensure that the interfaces are managed and any error reports identified

Module	Golden Rule	Why
General Ledger (cont)		
Reporting	There should be control over the creation of reports	Too many reports in the system becomes confusing for the users. Control over the creation is also important to ensure the information in the reports is correct
	Reports to be generated by the web using selection criteria	This will ensure that there is wider access to the reports and by using a selection criteria less reports are required
Security	Code set up should be controlled against strict criteria	This will ensure that the codes are set up in relevant ranges or hierarchies and based on CIPFA SeRCOP
	Information security should be embedded in the employee code of conduct	Employee must know how to deal with information security and what the consequences will be if this is breached
	There should be internal controls (separation of duties) over tasks within the modules and appropriate access restrictions	This will ensure that staff are unable to access all the system and only have access to the element to complete their tasks. This will prevent fraud
	There should be a single sign on/log on onto the Network	Prevents duplication of effort and makes the process more efficient
	Standard user profiles should exist	Too many user profiles become unmanageable. Fewer standard profiles makes the process more efficient

Module	Golden Rule	Why
General Ledger (cont)		
Chart of Accounts	Use of subjective and CC are mandatory	This is essential for reporting based on CIPFA Service Code of Practice (SeRCOP)
	There should be separate ranges of cost centres for revenue, capital and Balance Sheet	Separate Cost Centre ranges for revenue, capital and Balance Sheet will allow for better reporting and identification
	Budgets roll up and accumulate	The budgets are set at cost centre and subjective level and by using hierarchies and ranges it gives the ability to roll up to the higher levels
	There should be automated reconciliation processes	Automated reconciliation is a more efficient process and there is less opportunity for errors to occur
	Clearing accounts are to be kept to a minimum and the use requires authorising	There should be strict control over these accounts to ensure that they do not become accounts where postings accumulate and are not cleared.
	Control accounts should be differentiated from holding accounts and be agreed for specific purposes	Control accounts should hold the summary postings from the feeder systems/modules to the GL . Holding accounts are to hold expenditure/income until it needs to be allocated. Holding accounts should be for specific purposes otherwise they become difficult to manage. The two need to be differentiated as they are dealt with differently in the end of year accounts
	Validation should take place on entry or data quality should be resolved/reconciled upstream	This ensures that the errors are dealt with before the information is input into the system or before the feeder systems are imported into the GL. If this was not done there would be a need for suspense accounts for incorrect entries

Module	Golden Rule	Why
General Ledger (cont)		
Chart of Accounts (cont)	The source system should be amended or corrected as an error/change is done, i.e. fix in source system	The source system should be fixed so that the source information is correct at all times. Incorrect information should not be imported from source system into the GL
	The Chart of Accounts should have a strict and intelligent control at the centre	If the control is not there the chart of accounts can grow uncontrollably and the system will become slow when running
	The Chart of Accounts should be based on SerCOP	This is essential for reporting based on CIPFA Service Code of Practice (SeRCOP)
	Maximise the Chart of Accounts for better reporting to eliminate manual intervention	By maximising the chart of accounts there is more opportunity to run reports on hierarchies and ranges
	Balance Sheet should be account code driven	If the balance sheet is not account led there will be a problem with the system generating balance sheet reports