

# Cabinet Member Report (Part A)

<b>Date:</b>	<b>6<sup>th</sup> November 2017</b>
<b>Classification:</b>	<b>For Publication</b>
<b>Title:</b>	<b>Managed Services for HR, Payroll and Finance</b>
<b>Wards Affected:</b>	<b>N/A</b>
<b>Key Decision:</b>	<b>Yes</b>
<b>Financial Summary:</b>	<b>Financial implications are set out in the confidential Part B report</b>
<b>Report of:</b>	<b>Bi-Borough Director of Corporate Services</b>

## 1. Executive Summary

- 1.1 This report to Cabinet summarises the steps that have been taken over the past six months to identify an organisation capable of providing a managed HR, Payroll and Finance service to replace that currently delivered by BT.
- 1.2 A rigorous process of developing criteria for any replacement for the BT service, identifying organisations and reviewing them against the criteria in close collaboration with stakeholders and Deloitte has led to the identification of the Hampshire Partnership as the preferred option. The Hampshire Partnership is an unincorporated public to public partnership which new partners join through a sovereign deed of accession. It has already developed an outline business case setting out the basis of an offer for WCC to join.
- 1.3 The Hampshire Partnership offers a tried and tested integrated HR and Finance solution currently serving Hampshire County Council, Hampshire Constabulary, Hampshire Fire and Rescue Services and Oxfordshire County Council. It is based on a SAP platform, which is a market leading product proven in the local authority environment. Hampshire does not provide all the services required by the Council, therefore, there will be a need for the procurement and development of the necessary systems, services and interfaces. Details of the additional systems and services are included in the confidential Part B report together with the cost of the core services available through the Hampshire Partnership.
- 1.4 If the recommendation to accept the offer to join the partnership is approved, then implementation will take place over nine months with a further month of post live support. Hampshire has a track record of successfully on-boarding new partners to tightly controlled plans.

- 1.5 Subject to Cabinet approval, although they would be managed as separate projects leading to the on-boarding of both councils as separate entities, WCC will be collaborating closely with RBKC in the implementation of a similar set of services taking fully into account the requirement to support Bi-Borough and Tri-Borough working where appropriate.

## **2. Recommendations**

- a. That approval be given for WCC to accept the offer to join the Hampshire Partnership as an Operational Partner through a sovereign deed of accession;
- b. That the Bi-borough Director of Corporate Services, in consultation with the City Treasurer, Director of People Services and the Cabinet Member for Finance, Property & Corporate Services, be authorised to approve and enter into the agreements and to take such other actions as are necessary to implement the decision recommended at paragraph 2.(a) and to terminate the contract with BT;
- c. That the procurement of additional services and systems to supplement the Hampshire solution be delegated to the Bi-Borough Director of Corporate Services in consultation with the City Treasurer and the Director of People Services for their respective areas and the Cabinet Member for Finance, Property & Corporate Services, subject to this being achieved within the cost envelope specified in the confidential Part B report;
- d. Deloitte be appointed as the primary implementation partner; and
- e. That the Bi-borough Director of Corporate Services, in consultation with the City Treasurer, the Director of People Services and the Cabinet Member for Finance, Property & Corporate Services, be authorised to procure additional implementation support from Deloitte and/or others for a total cost not exceeding that specified in the confidential Part B report.

## **3. Reasons for Decision**

- 3.1 WCC and RBKC have agreed that they will not seek to extend the managed services contract beyond its end date of May 2019.

## **4. Background including Policy Context**

### **Selection of the Hampshire Partnership as the preferred option<sup>1</sup>**

- 4.1 It had become clear by the end of 2016 that BT was unlikely to be able to deliver a managed service that would meet the requirements of WCC and RBKC. The councils, therefore, began seeking the most economically advantageous replacement solution through a robust process which would ensure alignment with their strategic objectives and business needs and provide a seamless transition to a new organisation from BT.

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<sup>1</sup> A detailed account of the process leading to the identification of the Hampshire Partnership as the preferred option was provided in a Cabinet briefing for a meeting held on 11<sup>th</sup> September.

- 4.2 Initial criteria against which potential replacement solutions would be benchmarked were identified and a variety of options to identify a compliant way forward were explored. These included a full OJEU procurement, the use of framework agreements, public to public partnerships and the purchase of a platform and systems integrator with the options of using either the back office services of a service provider or delivery of the back office services in-house.
- 4.3 Deloitte was subsequently appointed following a competitive procurement to support the steering group established by the Bi-Borough Director of Corporate Services to take forward the identification of a replacement solution. Using their expertise in shared services provision and knowledge of the market, a long list of 12 potential organisations was identified.
- 4.4 a number of these organisations were invited to respond to a detailed scoping document and subjected to a rigorous review against 20 criteria developed from those originally identified.
- 4.5 During the summer further due diligence was undertaken with the two remaining organisations including site visits to their operations and reference conversations with their existing customers.
- 4.6 At a meeting with the Chief Executives of both WCC and RBKC on 15<sup>th</sup> August 2017 which included the former director of Finance for RBKC, the City Treasurer for WCC, the Director of HR for RBKC and the Director of People Services for WCC the decision was taken that out of the two remaining organisations the councils should work with Hampshire County Council to develop an outline business case for both councils to be offered an opportunity to join the Hampshire Partnership.
- 4.7 Since this decision there has been an intensive process of due diligence involving the former director of Finance for RBKC, the City Treasurer for WCC, the Director of HR for RBKC and the Director of People Services for WCC, as well as key members of their teams. The due diligence involved: process workshops; site visits; sponsor and programme lead meetings; discussions on the legal status of the partnership; the requirements not met through the partnership; WCC's target operating model; and information sharing. The due diligence also included discussions with the Finance Director and HR Director of Oxfordshire County Council who were on-boarded in 2015. They confirmed that they are happy with the service provided by the IBC and that, if they had the choice again, they would definitely choose to join the Hampshire Partnership.

### **Overview of the Hampshire Partnership**

- 4.8 The Hampshire Partnership is legally underpinned by an Unincorporated Public/Public Partnership. This enables each public body to jointly deliver and share the benefits of shared services between themselves. In establishing the original arrangement legal counsel's opinion was sought in March 2012 and October 2012 which supported the proposed legal model as meeting the needs for joint working and confirmed that the Public Contract Regulations would not be engaged. Additionally WCC has obtained its own counsel's opinion on this point.

A key advantage flowing from this is that joining the partnership would be a perpetual arrangement (subject to giving 13 months' notice in February of any given year) offering the possibility of longer term cost savings.

- 4.9 The Partnership went live in 2014 with three founding strategic partners (Hampshire County Council, Hampshire Fire and Rescue Service and Hampshire Constabulary). Oxfordshire County Council joined the Partnership as an Operational Partner going live in July 2015 Hampshire's intention continues to be to expand the partnership to other like-minded public sector organisations to continue to share the benefits and strategic outcomes for all partners over time. This seeks to maximise the retention of skills, capacity and resources in a public owned operating model that understands and meets the challenges of the public sector environment.
- 4.10 Operating currently across four large public sector organisations including over 700 local authority maintained schools, the partnership achieves significant strategic benefits from its size and scale by sharing resources, costs and capacity. Some of the key metrics which show the scale at which the Partnership is operating are detailed in the confidential Part B report.

### **Governance arrangements**

- 4.11 All partners are subject to a partnership agreement which sets out governance arrangements and how partners will proportionately share costs, benefits and liabilities of the joint services. WCC's costs for the services provided by the Hampshire Partnership are included in the confidential Part B report.

New partners joining as Operational Partners do not buy or own a share of partnership assets, infrastructure or employ partnership staff.

- 4.12 Overall the governance of the partnership is split into two distinct parts:
- The strategic governance, oversight and direction of the partnership; and
  - Business as usual operational governance.

All partners are engaged in taking forward the strategic governance and oversight of the partnership through their membership of either the Strategic Direction Board or the Operational Forum. A diagram setting out the relationship between the various governance forums is given at Appendix 1.

- 4.13 The Strategic Direction Board (SDB) is made up of the three founding strategic partners and the chair and vice chair of the Integrated Business Centre (IBC) Leadership Board. The SDB is responsible for agreeing the annual service plan and budget, overall working arrangements and agreeing any amendments to Service Area Accession Agreements.
- 4.14 The Operational Forum is split into two parts: an IBC Leadership Board and a Partnership Leadership Board. The IBC Leadership Board is focussed specifically on the IBC and all the Operational Partners (of which WCC would be one) are represented on this. It acts as a consultation and advisory body, shaping and influencing the work of the IBC Partnership. It comments at draft stage on the annual service plan and budget and provides on-going advice to and scrutiny of the Director of Corporate Services in relation to the delivery of the plan within budget. The Chair of the IBC Leadership Board is elected by a simple majority

and must be from an Operational Partner. In view of the growth of the Partnership the decision has also been taken to elect a Vice Chair who must also be from an Operational Partner. Chair and Vice Chair serve for a maximum term of one year.

- 4.15 The Partnership Leadership Board consists in the founding strategic partners and is focussed on the wider partnership in place with those partners.
- 4.16 Business as usual operational governance is managed through Operational Performance Groups chaired by each partner's Operational Forum Representative/IBC Leadership Board Representative or an accountable senior user. Operational Performance Groups meet quarterly with a formal performance review every six months using intelligence from performance metrics and customer and service users' insight to focus on partner organisational compliance and business adoption and Shared Services operational performance. This, therefore, provides the primary forum through which to monitor performance against Key Performance Indicators and overall service quality.
- 4.17 A Shared Services Board sits above the Operational Performance Groups to consider requests for service developments and prioritisation at partnership level, making recommendations to the Operational Forum/IBC Leadership Board where appropriate.
- 4.18 Customer and service user insight is provided through user group pools selected by Operational Partners to provide feedback to the Operational Performance Groups on opportunities for improvement. The user group pools may also be engaged directly by the Shared Services team as part of a collaborative approach to designing, developing and testing future service developments.
- 4.19 Day to day operations are managed through defined touch points in each organisation. Currently this consists primarily in partners and Service Directors who can take decisions and give instruction to the IBC in their capacity as the "employer" or the accountable financial representative.
- 4.20 There is no client side function envisaged by the Hampshire Partnership because its model is built around replicating the working relationships of an in-house service arrangement (i.e. IBC Finance to Retained Finance and IBC HR to Retained HR) with overall performance and service quality reviewed at the Operational Performance Group. However, the final decision as to whether to maintain a function to oversee the service is the decision of each individual council.

### **Services provided to the Council**

- 4.21 The Hampshire Partnership service is based on a single instance of a SAP platform, which is recognised as a market leading product proven in the local authority environment, hosted in the partnership's data centre in Winchester<sup>2</sup>. WCC will be a separate entity within this environment and for the greater part user access will be through a web browser. For a small number of specialist users in Corporate Finance access will also be possible through a desktop client.

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<sup>2</sup> The Hampshire systems and data are replicated and backed up in real time to a sister site in Dorset through a reciprocal arrangement with Dorset County Council. This enables recovery of systems and data to a point in time. A business continuity walk through exercise is performed on an annual basis by both IT teams and the IBC to identify any new risks or issues and opportunities for improvement.

- 4.22 The core services that will be provided through the proposed operating model are detailed in the confidential part B report.

It is understood by the Hampshire Partnership that the operating model must be able to support those services which are provided on a Bi-Borough and Tri-Borough basis. The Council's preferred way of working for these services is to enable multiple employees and managers to transact across more than just their sovereign employing borough. Significant further discussion of this requirement is still needed, although the Hampshire Partnership anticipates that there are a range of options which could be deployed to meet the preferred way of working for Bi-Borough and Tri-Borough services. Ideally this will be achieved without the need for individuals to have more than one log on. It may, however, not be possible to deliver the design solution for this within the current on-boarding time and cost envelope, in which case Bi and Tri-borough users may require multiple log ons.

### **Services provided to schools**

- 4.23 Transactional services for Finance, HR and Payroll will also be delivered to WCC maintained/voluntary-aided/voluntary-controlled schools under the proposed operating model. Twelve schools employing a total of 446 employees may fall within this proposed arrangement

The finance services that will be provided for schools are detailed in the confidential Part B report.

The HR and payroll services that will be provided for schools are detailed in the confidential Part B report.

### **Services not provided to the Council**

- 4.24 The services not included for finance are detailed in the confidential Part B report.
- 4.25 The services not included for HR are detailed in the confidential Part B report.
- 4.26 The Hampshire Partnership solution does not fully align with the services provided by BT under the current contract. The services which it does not include are detailed in the confidential Part B report. These services will need to be scoped, procured and delivered separately and the responsibility for the completion of these activities will rest with WCC. Both councils are working with Deloitte to find suitable solutions and appropriate estimates for the costs of implementing and running the necessary services have been included in Section 5. Where possible the councils will seek to work together to develop a common solution that, as much as possible, leverages existing investments.

Income Management is not provided by Hampshire because neither they nor Oxfordshire, as County Councils, have sufficient income streams to require an automated solution because income is predominantly collected by the district councils. As part of the due diligence discussions Hampshire did suggest that they could consider building and providing a solution but, both RBKC and WCC felt that, because this was so important, they would prefer to procure, implement and run the solution in house themselves.

Middleware and transformation (interfaces) are unique to each party using the SAP system and for that reason both councils will need to develop their own solution but will seek to use a common system.

Whilst a learning and development, and performance management system are not currently provided by Hampshire, because both councils, together with LBHF, will require one, this may be something which Hampshire will develop for the councils and then potentially offer to the existing partners.

### **Service Performance Measures**

- 4.27 The IBC is already operating successfully at scale and delivering against a full suite of Key Performance Indicators. Performance reports are provided to each partner quarterly and are reviewed by the Operational Forum every six months (see paragraph 4.16). The performance reporting packs include measures of partner behaviour (e.g. POs not being established, approvers not taking timely action and late or missing notifications/claims), IBC performance (e.g. invoices paid within 30 days, month end suspense account clearance/reconciliation, payroll overpayments and response rates) as well as key issues and proposed actions.

### **Implementation**

- 4.28 An important factor in the selection of the Hampshire Partnership was its well-established model for implementation and governance and track record of successfully on-boarding new partners to tightly controlled plans.
- 4.29 Following a decision by WCC to join the partnership there will be a mobilisation phase during which the relevant contractual documentation including WCC being admitted to the partnership through a sovereign accession agreement, setting roles and responsibilities during the on-boarding period and the financial commitments as set out in the confidential Part B, will be completed.
- 4.30 The implementation programme will last for 10 months and will consist in five phases:
- Design validation;
  - Build;
  - Test;
  - Deploy; and
  - Post-live support.
- 4.31 The design and validation phase will be completed in just under three months. At the end of this phase there will be clarity about how WCC will transition its services to the Hampshire Partnership; a shared vision for culture; confirmation of the changes required by WCC in order to adopt the IBC's services; functional specifications for reporting and interfaces; and a clear approach to data migration and system integration.
- 4.32 The build phase will also be completed in just under three months. At the end of this phase the systems will have been built and configured in readiness for testing and WCC's income management solution and middleware (software that makes it possible for systems to communicate with each other and is about integration of WCC line of business systems with the Hampshire solution) will be available and ready to test. At

the end of this phase the development of joint culture values and a training plan will also be complete.

- 4.34 Testing will be completed in three months and will cover systems integration testing, user acceptance testing and payroll parallel runs. This phase will also see the completion of the recruitment and training of the required number of staff to support the delivery of the increased volumes of work at the IBC and the agreement of all transfers (TUPE) and exits consequential on the move to a new host employing organisation. The organisation structure for the new operating model will also have been agreed and an assessment made of the partnership's readiness for go-live.
- 4.35 Deployment will be completed in one month and will be followed by a further month of post-live support.
- 4.36 Project governance will be through the Hampshire On-Boarding Project Delivery Board for WCC and a Bi-Borough Officer Board. The Hampshire On-Boarding Project Delivery Board will be chaired by Hampshire County Council's Director of Corporate Resources and will include WCC members of the Bi-Borough Officer Board (including the Bi-Borough Director of Corporate Services and the Finance and HR Leads) and a Deloitte Engagement Partner. The Bi-borough Officer Board is chaired by the Bi-Borough Director of Corporate Services and includes Finance, HR, Procurement and ICT Directors from both WCC and RBKC.
- 4.37 The move to Hampshire/SAP from BT/Agresso will require considerable effort by the Council, in terms of supporting the migration, designing and embedding new processes, training colleagues and delivering the necessary behaviour change. This change management activity will be resource intensive and may require prioritisation over other currently planned activity and/or the recruitment of additional staff.

### **Support from Deloitte**

- 4.38 Since April 2017 Deloitte has been supporting WCC and RBKC in identifying a preferred option for the replacement of the managed services solution when the contract with BT is terminated.

The appointment of Deloitte was through a competitive procurement, run by WCC Procurement Services, in which Deloitte provided both the best proposition in terms of capability and understanding of our requirements and the lowest cost.

We are continuing to work with Deloitte on:

- Completing the business case for the Hampshire Partnership – final comments and clarification from stakeholders;
- Agreeing the managed service scope that remains to be delivered – the services not delivered by the Hampshire Partnership; and
- Supporting the mobilisation activities needed to ensure that the councils are fully prepared for the start of the main implementation project in January 2018 and confirming the roles that Deloitte will fulfil.



This work will continue until December after which Deloitte will work with both the Council and Hampshire as the primary implementation partner.

Hampshire has specified in its outline business case that taking forward the implementation plan is conditional on Deloitte being represented on the project delivery board and filling a set of defined project roles (Delivery Project Manager, HR Delivery Lead, Finance and Procurement Delivery Lead, Business Deployment Lead and Technical Delivery Lead).

The Deloitte Partner on WCC's On-Boarding Project Delivery Board will be responsible for oversight of the delivery of Deloitte's services on the project and will provide experience of previous Hampshire IBC on-boarding projects to support the governance process.

## **5. Financial Implications**

5.1 These are set out in the confidential Part B report.

## **6. Legal Implications**

6.1 These are set out in the confidential Part B report.

## **7. ICT Implications**

7.1 These are set out in the confidential Part B report.

## **8. Staffing Implications**

8.1 These are set out in the confidential Part B report.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact: John Quinn, Jeremy Beresford or George Lepine**

**BACKGROUND PAPERS: NONE**

## Appendix 1: Governance, oversight and direction of the Partnership

