


<p style="text-align: center;"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p style="text-align: center;"><b>CABINET</b></p> <p style="text-align: center;"><b>4 SEPTEMBER 2017</b></p>	
<p><b>HR, PAYROLL AND FINANCE SERVICES RECOMMENDATIONS</b></p>	
<p><b>Report of the Cabinet Member for Finance: Councillor Max Schmid</b></p>	
<p><b>OPEN REPORT</b></p> <p>A separate report on the exempt part of the agenda provides exempt information in connection with this report</p>	
<p><b>Classification - For Decision</b>  <b>Key Decision: Yes</b></p>	
<p><b>Consultation:</b>  HR, Payroll and Finance Transformation Board  Strategic Leadership Team  Staff from the Finance, HR and ICT communities  Legal Services  Internal Audit  Environmental Services Workforce Group</p>	
<p><b>Wards Affected:</b> N/A</p>	
<p><b>Accountable Director:</b> Kim Dero, Interim Chief Executive</p>	
<p><b>Report Author:</b> Camilla Black,  Programme Director</p>	<p><b>Contact Details:</b>  Tel: 020 753 3000  E-mail: <a href="mailto:camilla.black@lbhf.gov.uk">camilla.black@lbhf.gov.uk</a></p>

## 1. EXECUTIVE SUMMARY

- 1.1. The London Borough of Hammersmith and Fulham (LBHF) currently has a contract with BT for the provision of Finance, HR and Payroll services using Unit 4's Agresso IT platform.
- 1.2. Officers have assessed the options for alternative delivery against four guiding principles which build on the lessons learned from the current arrangement. These principles, subject of a separate previous Cabinet report (Principles for

a future HR, payroll and finance services solution), are that a future delivery model offers:

- Proven implementation and service delivery experience in the public sector (preferably in local government);
- Value for money;
- Low risk; and
- An integrated solution.

1.3. An options analysis has been undertaken looking at alternatives for a replacement service. The five options considered were:

***Option Description***

<i>A</i>	Procure an alternative managed service solution.
<i>B</i>	Implement an interim HR and payroll IT solution utilising in-house staff to deliver services.
<i>C</i>	Procure an alternative integrated solution. Insource the service but continue to use the Agresso IT system.
<i>D</i>	Join a public to public partnership offering a fully managed service model
<i>E</i>	Procure integrated IT software and deliver the services through additional in-house capacity

1.4. Of the options considered, the model that best balances the four principles is the public to public partnership model. Advantages of this model include a shared understanding of local government, along with the challenges and complexities it brings, together with a higher likelihood of shared objectives in periods of change and uncertainty.

1.5. Of the various public to public models identified, a partnership has been identified that could best meet the four principles. Specifically, it demonstrates that:

- It has proven onboarding experience having onboarded a range of public sector services including another local authority;
- It has a functioning integrated HR, payroll and finance platform that LBHF would migrate to; and
- It has a functioning business centre operating to a defined set of business processes appropriate for local government.

1.6. An outline business case has been developed in collaboration with this partnership which explores the feasibility of LBHF joining the arrangement for HR, payroll and finance services. This work concluded with the partnership putting forward a proposal for LBHF to on-board.

1.7. The partnership model is underpinned by principles of self-service, staff empowerment and continuous improvement. These principles align closely

with LBHF's Moving On programme and wider cultural change initiatives to give staff more accountability for the services they deliver.

- 1.8. This will be a major implementation programme for LBHF which will need a significant and sustained change management work-stream to support and embed the adoption of new business processes. The change management work will need to be continued and resourced beyond the implementation period to enable effective service delivery.
- 1.9. LBHF officers have considered the offer and recommend that LBHF joins the partnership subject to agreement on future governance arrangements.

## **2. RECOMMENDATIONS**

- 2.1. That approval be given for LBHF to join a public to public arrangement, subject to there being final agreement on detailed arrangements that satisfy LBHF's objectives and sufficiently meet the requirements referred to in the legal implications section of this report.
- 2.2. That agreement to join the Partnership be delegated to the Chief Executive in consultation with the Cabinet Member for Finance and the Leader, and that the same delegation is also in place for the final decision to 'go-live' with services following transition.
- 2.3. That the financial recommendations as set out in the exempt report are noted.
- 2.4. That quarterly updates on progress moving to the Partnership, including costs, are made to Cabinet.

## **3. REASONS FOR DECISION**

- 3.1. LBHF are considering the replacement of those services currently provided by BT in relation to HR, payroll and finance. This decision will enable the Council to transition away from BT at the earliest safe date to a proven solution and ensure an improved level of service. LBHF will require BT to provide assurance that the supplier is capable of delivering a safe exit and transition to the new provider. Failure to achieve this in the near term will inevitably result in a protracted process resulting in a significantly longer term relationship with BT.
- 3.2. Of the options considered, the recommended option to join the public to public partnership named in the exempt report best meets the Council's strategic aims.

## 4. BACKGROUND

### Status of the BT Managed Services solution

- 4.1. The current framework was procured in 2012 by Westminster City Council with LBHF calling off from the framework in 2013. The Council are preparing to replace the BT service.
- 4.2. Details of the current service status with BT are set out in the exempt report.

## 5. OPTIONS AND ANALYSIS OF OPTIONS

### High level options considered

- 5.1. Officers considered alternative options. These were subsequently narrowed down to five options representing a range of alternatives:

#### ***Option Description***

<i>A</i>	Procure an alternative managed service solution.
<i>B</i>	Implement an interim HR and payroll IT solution utilising in-house staff to deliver services. Procure an alternative integrated solution longer term.
<i>C</i>	Insource the service but continue to use the Agresso IT system.
<i>D</i>	Join a public to public partnership offering a fully managed service model
<i>E</i>	Procure integrated IT software and deliver the services through additional in-house capacity

- 5.2. Option C was discounted early into the initial evaluation process.

### Evaluation of options

- 5.3. The following table compares the merits of each of the options against both the principles and additional critical success factors identified following consultation with the then Chief Executive, Strategic Director of Finance, and Director of HR.

- 5.4.

<b>Option</b>	<b>A</b>	<b>B</b>	<b>D</b>	<b>E</b>
Lowest Cost*	10	6	8	8
Lowest impact to MTFS	10	5	10	9
Lowest Risk	8	4	7	6
Integrated and proven	7	7	9	5
Speed of Implementation	7	9	10	7

Positive end user impact over years 1-3	7	5	7	7
Enables Change & Transformation	8	8	8	8
Promotes Governance & Control	5	7	9	9
<b>Option Score</b>	<b>62</b>	<b>51</b>	<b>68</b>	<b>59</b>
<b>Option Ranking</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>3</b>

*\*Cost scores were updated in June 2017 following receipt of financial information in the Outline Business Case from the Partnership*

- 5.5. The conclusion of the exercise was that Option D - Implement a Public to Public managed service model for, HR, payroll and finance scored highest against the criteria and was identified as a clear leading option.
- 5.6. Benefits identified which distinguish the public to public partnership model are:
- Speed of implementation;
  - A shared understanding of local government and the challenges and complexities it brings; and
  - A higher likelihood of shared and mutual objective in periods of change and uncertainty.
- 5.7. The programme board agreed to pursue the development of an outline business case for a public to public option with a reserve option of a procured solution (Option A).

### **Review of public to public offerings**

- 5.8. As part of the process to understand the options several public to public offerings were considered. Details are set out in the exempt version of the report.
- 5.9. Amongst the public to public offerings explored, the Partnership recommended by this report demonstrated the best ability to satisfy the four guiding principles. Specifically, it demonstrated that:
- It had proven onboarding experience the other public to public options lacked;
  - It has a functioning technology platform that the Council would migrate to; and
  - It has a functioning business centre operating to defined business processes.

5.10. Following initial discussions with the recommended Partnership, they proposed to carry out an 8-week exercise to develop a joint outline business case to assess whether a strategic fit could exist between the Partnership and LBHF. This approach was agreed by the Programme Board and Cabinet Member for Finance and an outline business case was developed.

## 6. PROPOSALS AND ISSUES

### Partnership Outline Business Case

#### Summary of the Partnership model

6.1. As set out in the exempt report.

#### Scope of services offered

6.2. The OBC details the core offer as follows:

<b>HR Services</b>	<b>Finance</b>	<b>Purchase to Pay</b>
HR administration	Billing	Purchasing services
Recruitment services	Cash management and debt collection	Invoice processing and payments
Payroll	General ledger maintenance	
Pension employer administration services	Financial management and reporting tools	
	Planning budgeting and forecast tools	
Master data (customer, employees, vendors, catalogues, GLs)		
Self-service manager reports and agreed corporate reports		
Single view of an organisational structure		
Integration with key line of business systems		
Mobile working through employee, member, and volunteer self-service		
Customer interaction centre and employee self-help		

6.3. Additional optional services offered are:

- Treasury Management; and
- LGPS Pension administration.

6.4. LBHF's Treasury Management is provided by a shared service arrangement with Westminster City Council and the Royal Borough of Kensington and Chelsea. LBHF's LGPS pensions administration is managed by Surrey County Council. It is not proposed to move from these arrangements to the partnership at this stage however these options could be considered in the future.

6.5. LBHF currently provide some HR, payroll and finance services to three schools, one academy and two charities in the borough via BT Agresso.

These services will not be provided as part of the initial partnership offer. The partnership does provide services for local authority maintained schools, however they would require all schools in LBHF to take up the offer which is not viable at this time. Officers at LBHF will work with the above organisations to help them transition to a reliable provider of transactional services while retaining the option for LBHF to provide strategic HR support to them. We will update Cabinet on the progress of the transition.

#### Advantages of the Partnership model for LBHF

6.6. For LBHF, joining the partnership model will:

- Enable access to a single technology platform and operating model that has already been developed and proven to operate safely and effectively at scale across a range of diverse organisations;
- Provide access to a well developed and maturing partnership with high performing public sector partners, enabling shared services on an extensive scale using modern digital technology platforms and best practice business processes;
- Avoid the need for implementing, and developing a new integrated system, either in-house or through an outsourcing agreement and the associated increased risks of those options;
- Avoid the need to design and establish a new operating model from scratch;
- The Partnership's technology platform has the ability to enable self-service via a wide range of mobile (employee owned also) technology. This can reach out to remote workers in a manner LBHF's current platform cannot;
- The increase in-depth and breadth of employee self-serve empowers staff to undertake day to day transactions with confidence, and further the Councils objective of being the Best Council; and
- Sharing in innovation across several public organisations permits the Council access to leading practices and processes to drive value from its resource base in a manner that is distinct from, and considerably more sector focussed than a commercial provision.

#### Summary of risks identified in the business case

6.7. The risks associated with joining the Partnership are set out in the exempt report.

### Change implications for LBHF

- 6.8. To optimise the benefits from the partnership model LBHF must commit to delivering significant levels of business change across the organisation. This includes:
- Policy changes in some areas e.g. expenses approvals, invoice approvals, sickness self-certification and purchasing cards;
  - Business process changes to align with the partnership model e.g. managers making organisational changes in the system, new starters and leavers process; and
  - Training of managers and staff e.g. adapting to new ways of working and self- service.
- 6.9. There will need to be a significant and sustained change management work stream to support and embed the adoption of new processes beyond the initial implementation period.

### Proposed implementation approach and timetable

- 6.10. The implementation approach would use a combination of LBHF and Partnership staff together with consultancy support.
- 6.11. Internal audit will play an active role during the implementation programme to ensure that the right controls and governance are put in place and that any corrective actions are identified and mitigated early.
- 6.12. The programme would aim to deliver a live system within 12 months of formal commencement.

### Conclusion

- 6.13. The recommendation is that LBHF join the recommended Partnership for the future delivery of the services outlined in paragraph 6.2.

## **7. CONSULTATION**

- 7.1. The work leading to the development of this paper has involved the following groups:
- HR, Payroll and Finance Transformation Board
  - Cabinet Member for Finance
  - Strategic Leadership Team
  - Staff from the Finance, HR and ICT communities
  - Legal Services
  - Internal Audit
  - Environmental Services Workforce Group
- 7.2. A full staff engagement plan is being developed as part of the overall communications plan.



## **8. EQUALITY IMPLICATIONS**

- 8.1. An initial screening has identified the following protected characteristics that could be impacted:
- Age - There are older members of the workforce and roles that do not require PC skills, therefore there maybe additional support and training required to enable them to confidently access the system.
  - Disability - the Council may need to make adjustments to the processes or system both on the grounds of learning disabilities and physical or sensory impairment.
- 8.2. There is potential through the use of more intuitive mobile technology to facilitate easier access to systems that are currently restricted to desktop terminals.
- 8.3. Should the decision be approved, a full EIA will be completed as part of the Design stage which will identify specific equalities impacts and relevant mitigation measures.
- 8.4. Implications verified by Peter Smith, Head of Policy and Strategy, Ext 2206

## **9. LEGAL IMPLICATIONS**

- 9.1. Legal implications are set out in the exempt report.
- 9.2. Implications completed by: Babul Mukherjee, Senior Solicitor (Contracts), Shared Legal Services, tel: 020 73613410

## **10. FINANCIAL IMPLICATIONS**

- 10.1. Financial implications are set out in the exempt report.
- 10.2. Implications verified by: Hitesh Jolapara, Strategic Finance Director, ext 2501

## **11. IMPLICATIONS FOR BUSINESS**

- 11.1. Due to the specialist and sensitive nature of this service, local businesses and residents are expected to benefit directly from more efficient internal council HR, finance and purchase systems.
- 11.2. Social value benefits in the form of local employment and skills opportunities and SME local supply chain opportunities will be limited as the provider proposed is an established service with established systems and processes which do not rely on additional labour and supply from within the borough.

- 11.3. However, it would be advisable to explore social value benefits and corporate social responsibility approaches with the proposed provider to identify the scope of any additional local benefits to be derived.
- 11.4. Implications completed by Albena Karameros, Programme Manager, 0207 938 8583

## **12. IT STRATEGY IMPLICATIONS**

- 12.1. The Partnership model supports LBHF's strategy to deliver applications through hosted solutions, thus minimising LBHF's running costs.
- 12.2. The proposal has the ability to provide true mobile access to applications from a variety of devices, including Bring Your Own, which supports the SmartWorking II strategy.
- 12.3. The proposal supports the council's future desktop model which is based on VMWare technology and the ability to log into full VDi desktops for those managers who need to access to the Partnership portal itself.
- 12.4. The security controls for accessing the system are confirmed to be suitable.
- 12.5. The timetable for migrating to Partnership is realistic and supports the requirement to exit the current solution.
- 12.6. Industry research specialists, Gartner, have reviewed the outline business case and confirmed that the underlying system is one of the technology leaders in this area for combined HR and Finance systems.
- 12.7. Gartner flagged as a risk that the proposed model is dependent on a shared application where all partners are running on a single instance and therefore it may not be possible to implement configuration changes where LBHF would like to differentiate themselves from the other partners. However, the proposed partnership model is designed to support collaborative decision-making for key policy areas and this risk can be addressed through the governance model.
- 12.8. Implications completed by: Veronica Barella, Chief Information Officer (interim), Ext 2927

## **13. RISK MANAGEMENT IMPLICATIONS**

- 13.1. Risk implications are set out in the exempt version of the report.
- 13.2. Implications completed by: Michael Sloniowski, Risk Manager, Ext 2587.

## **14. COMMERCIAL IMPLICATIONS**

- 14.1. Commercial Implications are set out in the exempt version of the report.

14.2. Implications completed by: Michael Hainge, Commercial Director, Ext 6992.

**15. BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

15.1. None