Report to: Cabinet   **Date of Meeting:** 12 January 2017

Subject: The Future Commissioning of Transactional Finance, HR and Information Technology Services

Report of: Head of Corporate Resources   **Wards Affected:** All

Is this a Key Decision? Yes   **Is it included in the Forward Plan?** Yes

Exempt/Confidential   No

Purpose/Summary

This report outlines the work undertaken to determine the future business requirements for transactional finance, HR and Information Technology Services for the Council from October 2018. Having identified these business requirements, the report sets out the recommended delivery model for each service based on agreed evaluation criteria and the supporting transition plan that will be required.

Recommendation(s)

Cabinet is recommended to:-

1. Note and approve the Target Operating Models for the Council Services as set out within the report;
2. Note the evaluation criteria that has been applied to determine the appropriate delivery models for each service;
3. Approve that the following Councils services, namely, Transactional HR and Payroll, Revenues, Benefits, Customer Services and Accounts Payable be delivered 'in-house' by the Council from October 2018;
4. Approve that the Councils ICT service be delivered by an external prime contractor;
5. Approve the commencement of an OJEU compliant process for the procurement of an external prime ICT contractor;
6. Approve that in order to deliver the transition plans for each service, additional capacity and skills will be required to supplement current Council staff and that this cost which is estimated to be £0.4m will be met from the Councils earmarked transformation reserve;

How does the decision contribute to the Council's Corporate Objectives?

	Corporate Objective	Positive Impact	Neutral Impact	Negative Impact
1	Creating a Learning Community			
2	Jobs and Prosperity			
3	Environmental Sustainability			
4	Health and Well-Being			

5	Children and Young People			
6	Creating Safe Communities			
7	Creating Inclusive Communities			
8	Improving the Quality of Council Services and Strengthening Local Democracy			

Reasons for the Recommendation:

The recommendations will support the provision of services that reflect the business requirements of the Council from October 2018. The delivery options selected reflect the outcome from a transparent evaluation process in order to obtain the most appropriate solution for the Council.

What will it cost and how will it be financed?

(A)   Revenue Costs
        The cost of the current services is in excess of £15m and as part of the Councils requirement to deliver significant savings over the course of the next 3 years, it is anticipated that this cost will reduce. There is however a cost to deliver the new delivery models and this is reflected in the report

(B)   Capital Costs
        In order to deliver the target operating models and support the Councils transformation agenda, capital investment in these services maybe required. This will be reflected in the Budget report that is to be presented in March 2017.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal
Human Resources
Equality 1.   No Equality Implication   ☑ 2.   Equality Implications identified and mitigated   ☐ 3.   Equality Implication identified and risk remains   ☐

Impact on Service Delivery:

The impact on service delivery has been considered and is reflected within the report

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD 4435/16.) is the author of the report.

Head of Corporate Legal Services (LD3718/16.) has been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

All available options have been considered and are reflected within the report

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet/Cabinet Member Meeting

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Background Papers:

There are no background papers available for inspection.

1.   Introduction/Background

1.1   The council entered into a Partnership Agreement in 2008 with Avarto in order to receive transactional finance, HR and Information and Communications Technology Services.

1.2   At the meeting of 26 May 2016, Cabinet :-

- Noted that the contract period ends on 30th September 2018 and that the Council needs to determine its new requirements from that date;
- Approved the procurement of consultancy support to prepare the sourcing strategy in preparation for the provisioning of these services;
- Noted that the partnership agreement with avarto will continue until 30 September 2018 and that staff engagements will take place accordingly;
- Authorised the Head of Corporate Resources in consultation with the Cabinet Member (Regulatory, Compliance and Corporate Services) to negotiate any interim arrangements to safeguard the continuity of services in the best interests of the Council as required; and
- Noted that the sourcing strategy, along with a detailed procurement and implementation plan will be reported to Cabinet for appropriate decision making.

1.3   As stated, the services within scope of this review are:-
- Customer Services including the contact centre and One Stop Shops;
- Revenues and Benefits Services;
- Payroll, Transactional HR and pensions;
- Accounts Payable; and
- Information and Communications Technology.

1.4   In addition to the current contract, Avarto is also in contract with a large number of schools in order to provide transactional HR and ICT.

2.0   Identification of the Councils Business Requirements

2.1   Following the Cabinet meeting of May 2016, the Council undertook a procurement process in order to obtain external support that would help Officers and Members develop the target operating models for each service and the detailed business requirements.

2.2   With advice and support from the Procurement service and following a full evaluation process, Agilisys Transformation were appointed. This service was procured within the approved budget.

2.3   In order to develop proposed operating models for each of the services within the scope of the review, a detailed analytical and investigatory piece of work was undertaken. As the Council embarks upon its transformation programme that reflects the aspirations of the Sefton 2030 vision, the following activities were undertaken:-
- Interviews with Lead Cabinet Members;
- Stakeholder meetings with each member of the Councils Senior Leadership Board;

- Assessment of the requirements for Schools through the Head of Service for Schools and Families;
- Review of all work programmes associated with the Councils Framework for Change;
- A desktop review of industry best practice in each of the service areas; and
- The engagement of service specialists within Agilisys transformation.

2.4   This detailed work allowed Council officers to develop a clear understanding of the direction that each operating model should follow. The proposed target operating models are shown at Appendix 1 and a summary of the key characteristics of each is provided in the following table

ICT	- Strong ICT strategy and architecture focussing on the Councils medium term corporate objectives - Enable improvement, transformation and savings across the Council through more mobile and collaborative working - Support the Councils overarching 'Digital' ambitions through the delivery of enabling technologies and integration with Council business systems - Develop information architecture and governance that supports data sharing and the systematic use of business intelligence to improve service delivery
Customer Services	- Develop a mature digital offer focussing on digital inclusion - Develop an improved 'face to face' service which enables integration with partners and other Council services - Maintain and develop the relationship between Revenues and Benefits and Customer services - Improve the relationship between the councils back office and front line services
Revenues and Benefits	- Implement a mature approach to channel shift and continue to improve the customer service - Improve efficiency and quality through greater automation were appropriate - Utilise business intelligence to support service delivery planning - Maximise the income derived from Council Tax, Business Rates and debt collection - Develop the flexibility and agility of the team to meet future demands particularly in respect of business rates retention and Universal Credit
Transactional HR and Payroll	- Improve 'self service' within the HR system to allow improved management information to be developed - Develop streamlined and standardised processes, improve automation and workflow in order to reduce processing time and errors - Develop a 'single version of the truth' for all transactional data stored in order to enhance management information

Accounts Payable	• Develop a strategic and streamlined procure to pay process
	• Enable greater collaboration between procurement and Accounts Payable
	• Develop a single data set to provide a consistent and real time view of procurement and expenditure; and
	• Ensure requests, approvals and receipting is undertaken within the core system by default.

2.5 In developing these operating models, it is acknowledged that due to the current structure of each service and approach it will take different time periods in order to reach the Councils aspirations and this will be reflected in the project plans for each following Member agreement.

3.0 Development of Delivery Options

3.1 Having identified the target operating model for each of the services within the scope of this review, work has been undertaken in order to identify the most appropriate delivery option that would provide the Council with the best opportunity of meeting its objectives.

3.2 The delivery options that were evaluated were:-
   1. Provide the service through a council 'in-house' team;
   2. Procure a new prime contractor;
   3. Explore the opportunity to share the service with another partner; and
   4. Develop a joint venture;

3.3 It should be noted that due to the nature of some services, current performance and maturity of the market not all delivery options could be considered for each service.

3.4 In order to facilitate the evaluation of each option and ensure that this was undertaken in an open and transparent manner, the following evaluation criteria were used with appropriate weightings:-
   • The ability to deliver the proposed operating model;
   • The ability to deliver cost savings and cashable benefits
   • Flexibility; and
   • Complexity and Cost to Implement

3.5 Based on this evaluation criteria and the application of appropriate weightings for each service, the following delivery options scored highest and are recommended for approval

Service	Recommended Option
Customer Service	Provide a Council operated 'in-house' service
Revenues and Benefits	Provide a Council operated 'in-house' service
Transaction HR and Payroll	Provide a Council operated 'in-house' service
Accounts Payable	Provide a Council operated 'in-house' service
ICT	Procure a new prime contractor

3.6   It can be seen from the table above that it is proposed that 4 of the services within the scope of the review should be delivered from within the Council with the remaining service, ICT being delivered in conjunction with a prime contractor.

4.0   Key Issues arising from the review

4.1   Within this project, the development of new target operating models and the provision of alternative delivery vehicles to that currently in operation, will mean that the Council will need to address a number of issues to ensure a successful transition.

4.2   Due to the importance of these services and the role that they play within the Councils core activities it will be critical that during this period, every effort is made to ensure that service levels are maintained and key performance indicators are met.

4.3   Whilst these operating models and delivery options are recommended, the scale of the change proposed as services move from the incumbent provider should not be underestimated.

4.4   In order to support this, strong project governance that ensures effective delivery will be established and this will include Member engagement.

4.5   As a result, in approaching this programme of activity between now and October 2018, each service will require a transition plan. These plans will require the right skills and experience to be part of a project team and internal Council resources will need to be supplemented were appropriate by external expertise. Due to the significance of the staffing implications, dedicated HR support will be a key part of this team.

4.6   This approach will apply to both the services that are due to be delivered by the Council and for the procurement of an ICT supplier. Based upon advice from Agilisys and the Councils internal procurement team, it is recommended that a 5 year contract be presented to the market for the ICT service with the evaluation being undertaken on a quality and price basis. It is proposed that this procurement be undertaken in full consultation with the Cabinet Member with a final decision being presented to Cabinet for approval.

4.7   In addition to the development of robust governance and project management structures the Council will also need to consider:-
- Ensuring that transformational activity that the Council is engaged in, is not impacted by the outcome of this process;
- Assessing the senior management and strategic leadership that will be required to support 'in-house' delivery and resourcing this appropriately;
- Ensuring that the procurement of the new ICT partner is developed with the full engagement of all Council areas inc procurement, legal and HR;
- Ensuring that the retained ICT 'client' function is appropriately resourced in order to ensure that the Councils aspirations are met;
- Engaging with Schools to ensure that provision of ICT and HR services are aligned to their objectives. It is understood a number of these contracts end

in 2017 and there will need to be consultation with schools and Avarto on how to ensure that services are maintained and improved. It is evident that the Council must be able to make a clear and compelling offer to schools;

- Where possible, starting the transformation activity at the earliest opportunity and in advance of October 2018; and
- The impact of any major central government legislative changes particularly in respect of Benefits.

4.8   As stated in paragraph 4.5 this project will require the commitment of significant internal resources, skills and capacity and due to the scale and complexity of the project this will need to be supplemented by some external resources. From initial discussions it is estimated that additional support will be required in respect of programme and project management, technical ICT support, Business analysis, HR and Legal. An initial estimate of this cost is £0.4m

4.9   In addition to these resourcing costs, in order to deliver the target operating models as set out, investment will be required in the relative systems and infrastructure. This will include an enhanced digital platform to improve customer services, investment in ICT infrastructure in order to take advantage of integrated cloud technologies and to support Council transformation and the development of the current HR systems. These requirements and the associated costs will be developed and where appropriate will be included as part of the cost of delivering the Councils transformation programme that will be reflected in the forthcoming Budget Report.

5   Personnel Implications

5.1   The move to the target operating models will need to be the subject considerable trade union consultation and it is proposed that the existing frameworks are utilised in this respect.

Appendix 1: Target Operating Models

Accounts Payable

Only one portal is available for purchase of general goods and services

Non-catalogue items need procurement approval

Expectations around timely goods receipting by staff are clear

Requisitioning

Catalogue approval

Purchase

Goods receipt

Agresso Portal

Requisitioning

Non-catalogue approval

Invoicing and payment

Paper invoice

E-invoice

3rd party system

Invoicing

Scan and index / data transfer

Match PO, invoice & GRN

Reconcile / approve / process

Invoice processing

Payment

E-invoicing will be widely offered to, and adopted by, suppliers

Processing will be automated wherever possible; this include matching records and transfer of data

Correct capture of information will minimise the need for re-work

Customer Services

An 'omni channel' Assisted Digital Support offer will include publically accessible online facilities and webchat.

A Channel Shift strategy will be developed In line with a new Customer Access vision for Sefton. Web content, structure and journeys will be optimised to support channel shift. Digital processes will be developed between the front and back offices.

The Contact Centre offer will be broadened and deepened, whilst the F2F offer will be revised in line with the replacement of the OSSs – with customer services provided in alternative community venues. Commercial and shared service opportunities for the expansion of the Taxi Licensing service will be explored.

The Service Development team will be tasked with implementing the new operational model and driving the Channel Shift strategy. The team will also be responsible for quality assurance and insight.

Channel Shift

Assisted Digital Support

Automated Switchboard

Assisted Digital Support

Customer Services

- L0
- L1
- L2
- L3

Services

Organisational Structure

Website

Customer Portal

Contact Centre
Broader and deeper suite of customer services

IVR

Multi Agency Hubs (tbc)
Residual self serve offer + common digital platform

Alternative front doors
Enhanced cus. svcs offer, subject to SLA or commissioned

Self serve terminals

Taxi Licensing

Digital processing team

Multi skilled agents (routine enquiries)

Specialist agents (ASC and CYP)

Customer Relationship Management

System integrations

Triage, escalate, refer

LoB systems

Council services

Multi agency teams

Partners

Quality assurance

Insight and MI

Operations
Multi skilled Customer Service teams
Resource planning & scheduling

Service Development

Shared management and/ or governance with Revs & Bens

Customer insight, business intelligence, workforce data

A local, digital platform will provide a common front door, regardless of whether that door is offered by the Council or other organisations.

Service development will be data driven - intelligence and insight will direct digital development and drive channel shift, demand reduction and continuous improvement.

Multi skilled agents will be able to handle a wider range of contacts. Some agents will maintain specialist knowledge to handle ASC and CYP contacts and refer to those services where necessary.. Digital transactions will be prioritised and handled by a specific digital processing team

Investment will need to be made in end-to-end, integrated transactions in order to achieve digital, self serve savings. Whilst a full CRM system will not necessarily be required, customer relationship management principles and customer insight will be used to drive the development of Customer Services.

In recognition of the importance of the relationship between Customer Services and Revs & Bens, joint arrangements will be established

ICT

Strategy, architecture and business layer

Multi source management and integration layer

Disaggregated technology, products and services layer

Digital Strategy

Chief Information Officer

Service led strategy

Architecture

Risk management

Policies and standards

Procurement and contract management

Information governance

Data, Insight & Business Intelligence Hub

Mature, ITIL aligned Service Management model

PMO and Business Partnering

Integration and collaboration:

Compliance, performance and SLA management

Change control & release management

Monitoring and reporting

Hybrid cloud

End user computing

Applicatio-ns

Collaborati-on tools

Network & connective-ty

Voice & telecom

Security

Enterprise Mobility Managem-ent

Customer Services

Council services

Council partners

Digital Engagement

Customers, businesses and citizens

Revenues & Benefits

A more mature digital self serve offer will enable customers to serve themselves and view their own account/ claim details

A *deeper* Customer Services offer within the Contact Centre will reduce the workload on the back office

The success of the NNDR team will be celebrated and recognised – leading to opportunities for shared service provision and potential commercial opportunities.

Independent governance arrangements could drive RPA implementation, investment, application across the Council and potential commercialisation

Revs & Bens will maintain its own application support team, independent of central ICT

Customer Services

| L0 | Website | IVR | ATMs / self-serve |

Contact Centre   Booking system   **F2F provision**

Key transactions
Enquiries and advice
Payments

Status updates
Changes in circumstance
Appointment bookings

Claim appointments   Partners

Northgate LoB   **RBV**

Revs & Bens

Collections
Council Tax   NNDR
BID levy   Sundry debt

Recoveries
Committal & insolvency
Tribunal & appeals
Overpayments

Benefits
Administration of Housing Benefit assessments, CTR and discretionary payments; Universal Credit pilot; ELAS; welfare advice

Accounts Receivable

Benefit fraud - single point of contact for DWP

PMQA

Support

RPA team   **Inspections**

Performance & Business Support
Returns, subsidies, performance, QA, special projects, training

Revs & Bens Application Support
Reporting, app support, DBA

Shared management and/ or governance with Customer Services

F2F services provided by Council Officers will be limited eg Benefit Claim appointments only. Transactions will be directed online and enquiries directed to the website, Contact Centre or the Council's partners.

In line with the Overview & Scrutiny Committee recommendations - joint working/ customer centric processes (and co location where appropriate) with partners such as OVH, DWP, CAB and across Council services, incl. ELAS – so that IAG, signposting and additional support, including emergency support, may be made available or facilitated by the Council without the need for multiple visits/claims

In recognition of the importance of the relationship between Cus. Svcs and Revs & Bens, joint arrangements will be established. Opportunity to reduce the tier 3 management layer.

The co-terminus relationship with Accounts Receivable will drive forward the development of a 'single view of debt'.

As well as providing general performance and business support, the team will lead on special projects, such as changes in line with welfare reforms

Transactional HR & Payroll

	Transactions	Primary contact channel	
Tier 3	• Workforce planning • Transformation projects • Talent management strategy • Policy development	Strategic	1%
Tier 2	• Manager advice and training • Policy advice • Case management • HR and OD	Professional	5%
Tier 1	• Exceptions • Policy advice • Recruitment	Operational	28%
Tier 0	• Leave and absence • Expenses • Pay	Transactional	66%

Strategic and operational HR

Transactional HR and Payroll