Open Report on behalf of Debbie Barnes, **Executive Director of Children's Services**

Report to:	**Overview and Scrutiny Management Board**
Date:	**30 August 2018**
Subject:	**Corporate Support Services Re-provision: Payroll Progress Report**

Summary:

This report provides the Overview and Scrutiny Management Board (OSMB) with an update on progress for the potential transition of the Council's Payroll/HR Admin services and Enterprise Resource Planning (ERP) system (BWON) to Hoople Ltd, via a shared service agreement with Herefordshire Council.

The report provides a specific update on the:

- Outcome of recent workshops held between the Council and Hoople in July.

- Due diligence activities being carried out on the suitability and capability of Hoople Ltd. and Herefordshire Council to deliver the service and the direction of travel of the areas reported.

The design workshops were successful in providing the necessary confidence in Hoople's capability to provide an effective ERP solution and Payroll/HR Admin service. A number of system developments have now been identified, planned and are being managed through to deployment to support rectification prior to any potential transfer. Additional engagement has taken place with Lincolnshire Fire and Rescue and further dialogue is planned to ensure a payroll solution can be built to meet the complex needs of the service.

The due diligence activity carried out to date is progressive and has not identified any issues to warrant significant concerns. There are some wider issues which will require further and ongoing review; specifically concerning the risks of transition and the Council's loss of sovereignty over the ERP system - the risk analysis will remain live throughout the potential transition in order to mitigate against any issues and ensure decisions made are on an appropriately informed basis.

Actions Required:

The Overview and Scrutiny Management Board is invited to:

1) Consider the attached report and to provide feedback on the points raised.

2) Identify future progress reporting requirements and to determine any specific area of focus.

1. Background

1.1 Payroll/HR Admin support & ERP system update

1.11 Following the Overview and Scrutiny Management Board (OSMB) meeting on 28 June 18, additional workshops and reviews have been carried out with Hoople to support the due diligence exercise. On 17 and 18 July Hoople brought their senior project consultants and the People Management Head of Service, along with a senior member of the people management team to Lincoln to discuss the headline detail to be presented in the Hoople transition proposal.

1.12 The initial proposal has now been received and at the time of writing is being reviewed by officers ahead of a formal consolidated response.

1.13 The workshops included LCC Finance and People Management service representatives and LCC Audit for overview. The workshops walked through the headline proposed project plan showing the approach to the transfer of data, database build, unit testing and parallel running as well as bringing out the detail further in the target operating model envisioned for service delivery.

1.14 Hoople have also confirmed that there are no showstoppers from what they have reviewed, although a number of items have stood out as key pieces of work, these include:

- Rationalisation of account codes and cost centres in Finance

- Rationalisation of payment and deduction codes in Payroll

- Application of "mandatory relations" (mandatory fields) for Payroll. For example, none of the Council's payroll fields are currently mandatory on a list of over 170, which gives rise to increased chance of input errors. This includes fields such as Line Manager Details, trade union membership and whether or not an employee is in the pension scheme.

- Improved process cohesion with Fire and Rescue, in alignment with their information systems

- Building the Organisational Structure using standard Agresso structures

- Agreement on the storage mechanism for HR / Payroll documentation (including pre-2015 data)

1.15 The Project team are assessing this as a specific programme of work in order to plan business process re-engineering works, both in anticipation of a decision to proceed with Hoople, but also having identified clear business efficiencies that can be realised before 2020 in any event. This work is currently being specified and will be planned to deliver change across the coming months. A number of activities will be held until the new financial year as that is the most appropriate time to facilitate the change.

1.16 All required project proprietary works have been encapsulated into 12 workstreams, detailing all work packages required in order to become compatible

with the Hoople solution, and additionally to correct long-standing service issues, such as poor automatic matching of invoices within Exchequer Services. One of the larger workstreams, "Cleansing and Alignment", contains all data cleansing activities, and will commence before the end of August 2018. A specific Master Data Management (MDM) team is led by an experienced team manager and has been defined with a delivery structure agreed between all teams and suppliers (including Unit4 and Hoople themselves). As per the works mentioned in section 1.14, Hoople confirmed that these works are more than sufficient to be able to successfully transform the current ERP into a suitable structure that they are able to migrate.

1.17 The development of a logical specification of the HR / Payroll rules for corporate, fire & rescue and schools has now been reviewed as a first draft, and changes are being incorporated within the document version control and additional updates made as well as detailing the process for keeping it up to date as a relevant artefact for the future.

1.18 A meeting has been held with Nick Borrill (Chief Fire Officer), Debbie Yeates (LFR Area Manager), Corporate Support Services Commissioning (CSSC) programme colleagues and Hoople and additional workshops to go through the finer detail of service provision and requirements are being diarised for early in September.

1.19 A working party for schools has been populated with a representative attendance from Bursars, Governors and Head Teachers to come together early in Autumn following the opening of the new school term. This review body will be used for both assessment of solution, consideration of changes to the target operating model and support to broader engagement within the schools community.

1.110 In addition there will be external governance of the proposed transition plan and the wider corporate support services commissioning programme through engagement with 'Local Partnerships' and identified specialist consultants. Local Partnerships is jointly owned by HM Treasury, the Local Government Association and the Welsh Government and work with local and national government and other public sector organisations to provide short, but effective reviews to project owners on high risk projects or programmes where public sector organisations have to keep them on track. It is planned for the first review of the programme to commence during December 2018.

1.111 Engagement with Unison remains ongoing. The CSSC Programme Sponsor, Debbie Barnes, has met with and written to the Unison Branch Secretary to provide an update on developments. Councillor Barry Young, Executive Councillor for People Management, has also written to Unison in response to a number of matters raised regarding the development of the CSSC programme, specifically concerning; possible job losses in Lincolnshire and the impact this could have on the local economy; the capability of Hoople to deliver an effective payroll service and the potential future operating model for IT services.

1.112 A further meeting is scheduled with Unison for 13 September 2018.

1.2 Due Diligence of Hoople Ltd/ Herefordshire Council

1.21 Work continues on the due diligence of Hoople, with 38 requirements being reviewed, of which 22 have a Green risk RAG rating, with 16 rated Amber. A direction of travel for the progress of each due diligence requirement has been included, of which 22 are identified as improving, 9 remain static and 7 have been closed. There are none which are classified as regressing or are Red RAG rated.

1.22 The due diligence risk register can be found in Annex One of this report and is broken down into the following categories:

- Corporate Governance – to ensure that the supplier is a strategic fit with the Council

- Financial Information – to provide assurance that supplier is operating on a sound financial platform

- Service Maturity - capacity and scalability to support the Council

- Contractual Arrangements – that the Council is appropriately protected and is able to manage supplier performance

- Qualified Experience - the supplier has a proven track record in service delivery

- ERP Implementation - secure transition, implementation and ongoing delivery

- Payroll Implementation - secure transition, implementation and ongoing delivery

- ICT - interfaces between the Council and Hoople systems are robust

1.23 Development of the register is a work in progress at this time whilst the Council continues to expedite a number of the issues identified, whilst also finalising and approving a service transition and implementation plan.

1.3 Managing Risk

1.31 The updated Risk Log for the ERP system can be found in Annex Two and the Payroll Risk Log in Annex Three. These documents are live throughout the project and are regularly updated by the identified risk owners and are reviewed at each project board meeting by members of the board.

1.32 Within the ERP Risk Log there are 12 risks being managed; five of which are currently rated Red, six Amber and one Green. Five risks are assessed as 'improving'. Those rated red are focussed on the following criteria:

- Hoople withdraw from becoming LCC's supplier for required services prior to finalising any proposed agreement.
- Serco's business as usual service collapses or significantly erodes should the potential ERP movement to Hoople be confirmed.
- Corruption of 2019/20 payroll prevents the payroll system and service being tested according to standard methodology of 3 parallel pay runs.

- By moving to a Hoople-controlled ERP stack and service provision, LCC loses key strategic benefits over in-house management of the system ("Sovereignty").
- Risk of disruption to existing services during initial period of service go-live as the new supplier takes over the service and addresses any issues.

1.33 Within the Payroll & HR administration Risk Log there are 14 risks being managed; eight of which are currently rated Red and six are Amber. Those rated red are focussed on the following criteria:

- Insufficient contingency plans built within the project for the successful implementation of a payroll system.
- In the absence of a signed agreement, Hoople are under no obligation to provide future services to LCC.
- Lack of system to process retained fire pay as Spitfire is at risk of fall over / failing.
- Key resources at Serco are not retained and leave to access more secure employment, creating disruption to the existing service.
- Hoople are unable to recruit sufficient, suitably skilled payroll staff to deliver the function from January 2020 and beyond.
- Relevant balance sheet 'control accounts' won't be reconciled immediately prior to April 2020.
- Not all manual work arounds are known which could have an impact of the future configuration and delivery
- Risk of disruption to existing services during initial period of service go-live as the new supplier takes over the service and addresses any issues.

1.34 Risks continue to be managed by identified officers, working towards a reduced target risk score in order to minimise the potential impact of each risk on the Council. The risk of transition to a new payroll service and ERP system is a common matter across both projects. Transition issues on a scale such as this are highly probable to occur during the first 6 months of delivery and will likely include matters such as:

- Disruption to service delivery
- System integration and down-time
- Reparation activity
- Staffing vacancies
- Staff readiness to adapt to a new system
- Fragmented multiple supplier relationships

1.35 Such issues will have a significant impact on the delivery of services and will need to be mitigated against. A service transition and operational readiness assessment will be carried out and this will be managed throughout any implementation and transition period by the project board.

2. Conclusion

2.1 The project planning and service take-on workshops were successful in providing the necessary confidence in Hoople's capability to provide an effective ERP solution and Payroll/HR Admin service. There remain a number of system developments to rectify prior to any potential transfer and further engagement with Lincolnshire Fire and Rescue to ensure a payroll solution can be built to meet the complex needs of the service. Hoople's approach to potential recruitment requirements was also discussed and solid assurance was given from the proposed approach should an agreement be reached.

2.2 The due diligence activity carried out to date is progressive and has not identified any issues to warrant significant concerns. There are some wider issues which will require further and ongoing review; specifically concerning the risks of transition and the Council's loss of sovereignty over the ERP system - the risk analysis will remain live throughout the potential transition in order to mitigate against any issues and ensure decisions made are on an appropriately informed basis.

2.3 Following consideration of the report, the Board is requested to provide feedback on the content and to identify future progress reporting requirements into Board meetings. Comments from the Board will be reported to the Corporate Support Services Commissioning (CSSC) programme board.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

A risk analysis has been carried out identifying the key risks and mitigations for both the ERP and Payroll/HR Adin projects.

An Impact Analysis is in place for the CSSC programme.

b) Risks and Impact Analysis

See Annexes in section four below.

4. Appendices

These are listed below and attached at the back of the report	
Annex 1	Due Diligence Risk Register
Annex 2	ERP Risk Log
Annex 3	Payroll Risk Log
Annex 4	CSSC Programme Impact Analysis

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Andrew McLean, who can be contacted on 01522 554079 or andrew.mclean@lincolnshire.gov.uk.

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