

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

Report to:	Overview and Scrutiny Management Board
Date:	28 June 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, Hoople and Serco.
- Due diligence activities being carried out on the suitability and capability of Hoople Ltd. and Herefordshire Council to deliver the service.
- Project Planning arrangements to achieve a successful transition.

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. 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.

The due diligence activity carried out to date is progressive and has not identified any issues to warrant significant concerns. There are some issues which will require further and ongoing review and 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

Payroll/HR Admin support & ERP system update

Following the OSMB meeting on the 26 April 2018 and the corresponding Executive decision on the 1 May 2018, Hoople have been present in Lincolnshire from the 14 – 31 May, carrying out extensive workshop sessions focussing on Finance, Payroll/HR Admin and Systems/Technical Architecture. These workshops were designed to give Hoople a high-level view of the scale of works required to bring the Council into alignment with their common system build, and for the Council to understand both the suitability of the Hoople solution and also the depth of process change work, including behaviours, required to be able to use the Hoople system and service, and to obtain the appropriate benefits from it. The workshops have assisted significantly in shaping both the Council's and Hoople's understanding for realising what is possible going forward and the constraints both parties will need to overcome.

The workshops included operational and senior management colleagues from within the Council and Serco; both the Council and Serco have been proactive in releasing staff to support the workshops and there was a good level of constructive engagement from all participants. The sessions were framed in a way that the 'to-be' solution was presented first, with a challenge to the full group to see how existing processes could be made to work within the standard build provided by Hoople, which is used across a number of other customers including Hoople themselves, Herefordshire County Council, and Rutland County Council.

Part of the testing involved providing Hoople with a dozen payroll scenarios, both complex and mainstream user cases, and asked them to suggest ways of how they would handle this between the system and the service. Hoople had already created a basic build to illustrate their response to this and from this initial example, the viewpoint from Jason Davenport (Payroll expert), Gareth Roberts (ERP consultant) and Julie Castledine from LCC's internal audit, was that all proposals responded to by the build were solid.

From this work, it is evident that the key differentiator as to why the existing problems exist is concerning the Council's current BWON base build. Hoople start with a clean build, built within BWON to take advantage of how the system was originally designed. This means every scenario is much cleaner and simpler and takes advantage of the system to its best ability – and when that is not enough, the Hoople service team are experienced to confidently step in, for example, individuals moving to half or no pay requires service intervention but is fully managed via internal controls and reporting. This approach is reflected in Hoople's 0.3% error rate compared to the 1.01% UK 2015 average.

Inevitably a number of additional challenges have surfaced, such as why do we have four different PAYE references (corporate, LFR, schools and teachers top-up), yet all have the same employer. We are confident that such matters can be overcome with the correct individuals engaged, along with a constructive dialogue to support the questioning of whether the benefit of existing practice remaining as-is is still the right or wrong approach to adopt for the future.

Hoople have confirmed that they have enough information with which to return a more detailed proposal back to the Council for the end of June 2018. They have also confirmed that there are no 'show stoppers' from what they've reviewed, although a number of items have stood out as key pieces of work on both sides. 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)

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.

There are also a number of system development requests being made ranging from 'would like to have' potential improvements, through to decisive developments such as unique property reference numbers against building assets, to statutory requirements for amendments to payslips from April 2019 onwards. In the interim, it has been agreed that the current ERP governance group will funnel all new change requests through an agreed 'prioritisation matrix' which ensures that statutory and high priority changes will be scheduled, whilst lesser priority/benefit changes will be deprioritised. This will assist future migration activity as much as possible and make best use of the resource available.

The development of a logical specification of the HR / Payroll rules for corporate, fire & rescue and schools is currently in progress and at the time of writing is approximately 80% complete. This will have further refinement over the coming months, working alongside Hoople and Moore Stevens Insight, a consultancy firm who have extensive experience of the payroll/ HR environment of BWON.

A meeting is being held with Nick Borrill (Chief Fire Officer), Debbie Yeates (LFR Area Manager), CSSC programme colleagues and Hoople on the 15 June to evaluate the approach Hoople will take to on-boarding a fire and rescue payroll function and to provide the necessary assurances of Hoople's proposed LFR solution.

Early engagement has taken place with the Lincolnshire Learning Partnership board, (schools' strategic group for school improvement) where an overview of the Hoople position was presented and opportunities were discussed for how schools can be effectively engaged during the programme. Further engagement with the Schools Forum will take place on the 25 June to gain their views for ongoing schools engagement and participation in this programme of work.

Due Diligence of Hoople Ltd/ Herefordshire Council

The outcome of the recent workshops, coupled with the initial review and analysis of Hoople as a prospective supplier, has reinforced the programme team's confidence in the ability of Hoople to provide an effective Payroll/HR Admin service, along with a robust ERP system.

This requires ongoing due diligence of Hoople's capability to deliver this, along with ensuring that the Council can establish an appropriate agreement with Herefordshire Council and a due diligence risk register template has been created to enable the programme team to monitor and manage the risk of the relevant activities.

The due diligence risk register can be found in Appendix 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

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 awaiting Hoople and Herefordshire's reflection on their ability to support the Council through a fully costed formal transition and service delivery proposal, expected by late June.

Project Plan

The current project plan is attached at Appendix Two and includes the key tasks and milestones required for a planned go-live of April 2020. The plan is regularly updated to reflect the current position and will undergo a systematic review once we have received the transition proposals from Hoople so as to dovetail both plans together and have joint management oversight.

- Programme Governance – outlining the reporting and decision making timescales, along with relevant project board meetings, engagement with key stakeholders and internal assurance control.
- Shared Service Agreement – to determine the appropriate form of agreement and relevant schedules contained therein, including any requirements for a separate agreement to oversee the transition arrangements.
- Payroll Initiation & Design – includes the production of a payroll specification for corporate, F&R and schools; developing a solution for LFR and the buy-back model for schools.
- ERP Initiation & Design – carrying out the necessary data cleansing, system build, stress testing, training, parallel payment runs, IMT configuration and change management approach to the new service.
- Project Closedown Activities

In addition there will be external governance of the plan and wider programme through engagement with 'Local Partnerships'. 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 to commence during October 2018.

2. Conclusion

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. 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.

The due diligence activity carried out to date is progressive and has not identified any issues to warrant significant concerns. There are some issues which will require further and ongoing review and 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.

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 Appendices in section four below.

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Due Diligence Risk Register
Appendix 2	Payroll/HR Admin service and ERP System Implementation Project Plan
Appendix 3	ERP Risk Log
Appendix 4	Payroll Risk Log
Appendix 5	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.