

**Open Report on behalf of Andrew Crookham - Executive Director of Resources**

Report to:	<b>Executive</b>
Date:	<b>7 June 2022</b>
Subject:	<b>Delivery of HR Administration, Payroll, Exchequer, Adult Care Finance and the Customer Service Centre (CSC)</b>
Decision Reference:	<b>I025180</b>
Key decision?	<b>Yes</b>

**Summary:**

The Corporate Support Services contract with Serco which includes the provision of IMT Services (dealt with by Executive on the 4 May 2022) Finance Services, HR Administration and Payroll and the Customer Service Centre expires at the end of March 2024 and cannot be extended further.

The Corporate Support Services Review (CSSR) programme was commissioned in June 2020 to explore options for the delivery of support services following this date. The purpose of this report is to enable the Council to make an informed decision about the best way forward for the future delivery of the Finance Services, HR Administration and Payroll and the Customer Service Centre Services and it is only those services that are being considered. Approval is also being sought from the Executive for the mix of new commissioning arrangements as part of the future model of delivery and authority to commence a procurement for the proposed outsourced service. At the same time because of its overlap with the operation of the Customer Service Centre the Executive is also asked to approve the recommended way forward for the delivery of digital transformation.

**Recommendation(s):**

That the Executive:

1. Approves the future services design and sourcing approach as follows:
  - a) Entering into a shared service arrangement with Hoople Limited for the delivery of HR Administration and Payroll to the Council and to schools;

- b) The outsourcing of the operation of the Customer Service Centre services to external suppliers;
  - c) The Council retains responsibility for digital transformation and the technology that supports it using a mixed model for resourcing transformation with a combination of in-house resource and external expertise secured as and when required;
  - d) The insourcing of the Adult Care Finance and Exchequer services.
2. Approves the carrying out of the necessary procurement processes to secure the services of external suppliers referred to in recommendation 1b and c.
  3. Delegates to the Executive Director for Resources, in consultation with the Leader of the Council, and for recommendation 1b and 1c with the Executive Councillor for Children's Services, Community Safety and Procurement and for recommendation 1b with the Executive Councillor for People Management and Corporate Property, the authority to take all necessary decisions and steps to progress the new commissioning arrangements referred to in recommendation 1 and to progress the procurements referred to in recommendation 2 up to and including the award of contracts.

**Alternatives Considered:**

The report and Appendix A looks at the available alternative delivery models and balances the pros and cons of these models for each of the services areas as follows;

- For HR Administration and Payroll- where the alternative delivery models are insourcing and outsourcing through a competitive procurement.
- For the CSC - where the alternative delivery model is insourcing.
- For Finance Services -where the alternative delivery model is outsourcing through a competitive procurement.

**Reasons for Recommendation:**

For HR Payroll and Administration there is no ready market for outsourcing. It would be possible to include the service in with the CSC procurement but there are few synergies, and it is likely to damage the competition for the CSC. Insourcing would mean that the Council would have to deliver a complex payroll itself not having done so for over 20 years. The alternative is preferred which is to extend our relationship with Hoople Limited which has current complex public sector payroll experience, and which would provide a “one stop shop” where the HR Payroll and Admin system and service were provided by a single provider clarifying the lines of accountability.

For the CSC the recommendation to outsource the service recognises that operating the CSC is a reasonably complex logistical operation and one where recruitment and retention activity is high. The management time spent on that could be better deployed elsewhere. Additionally external providers with more than one CSC can offer more resilience, expertise and innovation and the current outsourcing experience has been good.

The recommendation to insource Adult Care and Exchequer services is because it will enable the Council to respond agilely to the additional demands arising from legislative change and otherwise will also enable the Council to communicate directly with its service users to reduce surprises and maximise income collection, so the potential benefit is significant. Additionally, there is no ready market for outsourcing.

## 1. Background

1.1 On the 24 March 2014 the Council entered into the corporate support services contract with Serco for a range of corporate support services covering:

- a. People Management including HR Administration and Payroll;
- b. Finance including Exchequer Services and Adult Care Finance;
- c. Customer Service Centre (CSC);
- d. Information Communications and Technology (IMT).

1.2 The contract has been extended twice and is due to expire at the end of March 2024 and cannot be extended further. After a difficult start Serco has met the vast majority of the contract's comprehensive Key Performance Indicators and the Council has benefited from the expertise of Serco's staff and managers. The numbers employed on the contract vary from time to time but the last return indicates the following FTE deployed on each service area;

	<i>FTE</i>	<i>Positions</i>
CSC	115.97	134
Finance	68.40	72
IMT	46.28	47
HR Admin and Payroll	31.82	33
Overhead	6.68	7
<b>Total</b>	<b>269.14</b>	<b>293</b>

1.3 The expiration of the contract provides the Council with an opportunity to consider the implications for future delivery of our services. Given the length of time the contract has been in place, there have been changes in how the Council operates and what services it needs, but also in the market from which such services are procured and the commissioning advice from government bodies.

- 1.4 In 2014 multi stream contracts were still being let to prime providers so that a single outsourcing company for example Serco or Capita was responsible for a wide range of services often greater than the range of services referred to in paragraph 1.1. That model is now largely a thing of the past having fallen out of favour with both providers and local authorities in large part because as outsourcing has matured there are less savings to be had from second and third generation outsourcings and the public sector itself has become more efficient, so cost differentials are small.
- 1.5 This has been seen particularly in IMT where the service options and technologies are now quite different than they were in 2014. As the transition of IMT Services from the existing arrangements into the new model will be more complex than other services the IMT recommissioning has been running slightly ahead of the other services and a separate IMT options appraisal report was taken to the Executive in May. The Executive decided to accept the recommendations which were to implement a multi-provider IMT service delivery model involving external providers who are specialists in specific areas of IMT service delivery, supplemented by increasing in-house delivery.
- 1.6 Further information describing the model and the reasons for it are set out in the Options for the Future Delivery of IMT Services.

## **2 Selecting the Right Delivery Model Government Advice and Guidance**

- 2.1 In a recent commissioning publication “Delivery Model Assessments Guidance Note” May 2021, The Government Commercial Function identified some pros and cons of outsourcing -v- in house delivery.
- 2.2 Outsourcing, done well, can:
- Give management space to focus on core priorities and free up resources
  - Leverage greater scale and efficiencies from a market operating at scale
  - Bring dynamism from a diverse marketplace of providers
  - Draw on innovative new approaches and expertise
  - With appropriate contractual flexibility, adapt to changing circumstances.
- 2.3 Conversely in-house delivery, done well, can:
- Give greater flexibility to react to changing circumstances (business, economic or political) without being restricted by contract terms or procurement law
  - Provide greater control over processes and how a service is delivered
  - Take advantage of internal synergies
  - Ensure alignment to the organisation's core purpose
- 2.4 In 2020 the Institute for Government advised that insourcing works when;
- There's no healthy competitive market
  - Flexibility is required to make changes to the design and scope of a service in view of changing policy and budget priorities
  - We lack the skills to procure or manage a contract successfully

- A service could be improved and/or savings made by integrating it with another service
- 2.5 The Institute for Government indicates that “switching back to in-house delivery after decades of outsourcing will be hard: people, systems, culture and ways of working will be deeply embedded and difficult to uproot. ...Without careful planning and the right management and staff capability, efforts will founder.” It goes on to say that “Bringing services back in-house requires a huge amount of work, from analysing costs through to workforce planning and preparation. It is unlikely that small organisations will be able to successfully insource multiple large services at once – nor would it be desirable to try to do so..... instead, government bodies should prioritise insourcing projects based on a pragmatic assessment of their capacity to deliver them and where they will have most benefit”.

### **3. HR Administration and Payroll**

#### *Recommended Approach*

- 3.1 The preferred option is to enter into a shared service arrangement with Hoople Limited (“Hoople”) providing the HR Administration and Payroll functions.

#### *HR Administration and Payroll Background*

- 3.2 In overview the services are as set out below and have been outsourced since 2000.
- Administers and delivers all the Council’s HR Administration and Payroll Services including pensions, processes and procedures.
  - Records, reports and retains people management information related to these services.
- 3.3 The Council has invested in Business World (BW) both at the outset of the Serco contract and more recently through the Council’s intended move to the BW Hoople build. Any payroll provider would therefore need to adopt and be familiar with BW.
- 3.4 The Council is one of 3 shareholders of Hoople which is a Teckal company employing circa 500 staff across a range of services including circa 30FTE on HR Admin and Payroll based in Herefordshire. A Teckal company is owned by one or more public bodies and can deliver services to their owning authorities without the need for a tender process. The major shareholders are Herefordshire and the Wye Valley NHS Trust who buy a range of services from Hoople. Lincolnshire County Council has a much smaller interest commensurate with its limited relationship with Hoople but due to the structuring of the decision-making of the company still exercises sufficient joint control for Hoople to be a Teckal company of the Council.
- 3.5 NHS payrolls are considered to be the most complex in the UK, closely followed by local authority payrolls both of which are more complex than private sector payrolls.

Not all local authority payrolls are the same. Hoople are experienced in delivering Council, schools and NHS payroll but not Fire and Rescue.

- 3.6 In total Serco employ circa 32 FTE in HR Admin, Payroll and Pensions. Of these staff circa 12 FTE are deployed on schools' work. Additionally, the Serco team work regular overtime equivalent to 2 additional FTE.
- 3.7 There is a close alignment between Payroll and HR Administration including pensions and separating them is likely to result in duplication of work, increased contract management and a lack of resilience as staff and managers across the services currently work closely together supporting each other. For these reasons HR Administration and Payroll should be treated as a single service for recommissioning.
- 3.8 Key Performance Indicators cover most of the contracted activity. They have all been met or exceeded. There are no concerns about inaccurate payroll but going forward there are areas for improvement to focus on: -
- Continued data inaccuracy including late, incorrect and incomplete input of changes by Council managers/schools and Serco HR Admin.
  - Inconsistent processes applied.
  - Limited resilience.
  - With no interface between BW and other Council systems, processes are inefficient.

#### *What Other Authorities Do, Market Review and Competitive Tendering*

- 3.9 Most Councils deliver their own payrolls and have always done so. In 2018 we looked at the CIPFA nearest neighbour dataset, plus another 7 Councils. 78% of councils ran payroll and HR Admin in-house with 22% (or 3 councils) outsourcing, as part of much larger contracts. We were unable to find any private sector provider (save as a small part of much bigger contracts) who provided local authority payroll services. We have checked and can confirm that the position has not changed since 2018. As a result, we are satisfied therefore that there is no commercial provider who would deliver the Payroll and HR Admin services on their own. This is particularly the case when the Provider would be required to use BW a system which they may not be familiar with. As a consequence, any procurement that proceeded on this basis would be likely to fail.
- 3.10 This means that we would have to find other corporate support services to bundle with Payroll and HR Admin but with the proposed insourcing of the Finance Exchequer and Adult Care Finance Services and some IMT services with the rest of IMT going to specialist providers that leaves only the CSC. It is difficult to see any real synergy between the 2 services and it is likely that including Payroll and HR Administration would reduce the competition for the CSC. A re-procurement of this sort would take up to a year and cause uncertainty. It would also lead to a greater fragmentation of the function with Hoople providing the system, another provider providing the services and the Council being involved in numerous hand-offs - e.g., recruitment

administration and learning management - to deliver the end-to-end processes. For these reasons a competitive tendering process for the HR Admin and Payroll Service is not recommended.

#### *Other Options – in sourcing*

- 3.11 Insourcing Payroll and HR Admin maximises the degree of control, flexibility and integration that can be achieved across the services (and other Council services). It would allow the Council to own and review the end-to-end processes involved in HR Administration and Payroll alongside Professional HR Services and better align process change with digital innovation. There would be a single point of accountability for the service and more control of data quality processes better aligned to the roles and responsibilities within the BW system critical to the effective delivery of Payroll and HR Administration.
- 3.12 Whilst initial costings demonstrate that savings are unlikely to be made by insourcing there would be the potential for longer term efficiencies particularly as the model would enable the integration of related services already in the Council. Insourcing would provide flexibility to deal with uncertainties regarding the future organisational arrangements for the Fire and Rescue services but also devolution more generally.
- 3.13 However, as referred to in paragraph 3.5 local authorities' payrolls are specialist and complex. Not all local authority payrolls are the same. Lincolnshire is a large shire county and delivers schools and Fire Payroll as well as corporate, making it more complex than a District Council payroll.
- 3.14 As experienced in 2015 and 2016 errors in payroll of any scale cause significant disruption and upset. The circumstances are different than in 2015 when the service and system change were simultaneous and when Mouchel retained many of the staff to work on other contracts. However, the fact remains that the Council has not delivered its payroll and HR Admin function for 22 years and the new BW system has not yet been implemented.
- 3.15 It is very much hoped that all of the experienced and very well-regarded Payroll and HR Admin staff and managers would TUPE across to the new provider. If that were not the case then it's likely that the Council would have to spend considerable time securing the hard to recruit experienced specialist public sector payroll staff and managers required, a management burden best avoided see paragraph 2.2 bullet one, above.
- 3.16 Insourcing is unlikely to make any material savings as the element of Serco profit would be broadly matched by the extra pension contributions required to put staff into the Local Government Pension Scheme.
- 3.17 Further, and more importantly the advice from the Institute for Government included at paragraph 2.5 above must be considered in the context of this overall re-commissioning exercise and the other demands on the Council. In 2014 we moved

broadly from a single prime provider (Mouchel) to another single prime provider (Serco) though the bundle of services did change with property being contracted out separately and the CSC, additional IMT services and transformation being included in the outsourced bundle.

- 3.18 This time from April 2024 we will be contracting for a multi-provider IMT service delivery model involving external providers who are specialists in specific areas of IMT service delivery, supplemented by increasing IMT in-house delivery; and the proposals are that we outsource the CSC operations see section 4 below, manage transformation in house and procure the skills and capacity to support that transformation see paragraph 4.17 below and insource Finance Adult Care and Exchequer see section 5 below. This is alongside all those other changes facing the Council at that time.
- 3.19 Given the extent of change the view is that the Council cannot be confident it can successfully manage and deliver the insourcing and operation of Payroll and HR Admin without detriment to other activity. Consequently because of this and for the reasons set out in paragraphs 3.15-3.21 and set out in the pros and cons summary in Appendix A, an insourcing of Payroll and HR Administration is not recommended.

#### *Other options-Shared Services*

- 3.20 The other option is the Council entering into a shared service arrangement where we receive services from another local authority or its Teckal company. In 2018 after extensive research, we identified two possible shared service providers but only one, Hoople has showed interest in supplying HR Administration and Payroll services to the Council and its schools from 2024. Assurance can be taken from the fact that Hoople already covers complex payroll for health and local authorities.
- 3.21 Hoople employs c500 people is financially stable and has been providing services essential to Herefordshire Council and the Wye Valley NHS Trust since April 2011. Currently Hoople delivers c7600 monthly pay slips plus 80-90 weekly pay slips (compared to Serco delivering c 5,959 monthly payslips and HR Admin services each month to 4,495 employees). Hoople has 122 clients including another local authority, 42 maintained schools and 24 academy schools and commercial customers. Their performance is reviewed monthly and almost always achieves the 100% target and never falls below 99%. In 2018 the Council's expert Payroll adviser (contractor), advised that Hoople were an effective payroll provider whom the Council could have confidence in to provide our payroll and HR Admin service.
- 3.22 Hoople is experienced in BW and their business processes are fully aligned with it. Hoople has a good and thorough understanding of our payrolls through the BW Redesign Project. Prior to 2024 and the transfer of the operational service to a new provider, Hoople would hold the Council's data and host our payroll solution on their BW template as part of the move to the Hoople build. This would de-risk the transfer of the service to a new provider. As a minority shareholder the Council can exert some influence around system and service development.



- 3.23 However, Hoople has no experience of operating a fire services payroll. We did look at commissioning a separate payroll provider to deliver the Fire and Rescue payroll, but no Fire Authority uses BW for payroll. If a different system was used to run the Fire and Rescue payroll it would be necessary to remodel LFR processes which would complicate transition significantly and would impact adversely on transferring the existing Serco staff to the new provider. For these reasons it is not viable to have a separate Fire and Rescue payroll provider.
- 3.24 Through the BW redesign project, Hoople have gained a detailed understanding of the Fire Payroll and this knowledge and building it into the BW template mitigates the risk of their lack of experience on Fire payroll along with the TUPE transfer of Serco staff who currently deliver the service. Hoople would share the Serco staff knowledge with colleagues in Hereford to provide resilience over time and would set up a Service Level Agreement arrangement with another Fire payroll provider to build their knowledge base.
- 3.25 We have had positive preliminary discussions with Hoople. Both Hoople and the Council recognise the importance of the existing staff transferring under TUPE and with this in mind we have both agreed that under the new arrangements all of the staff currently providing the service must remain located in Lincoln. The intention is to accommodate those staff alongside Council staff to continually improve services, to work in partnership and over time to remove any duplication. Property colleagues have confirmed that this is possible within the Council's existing accommodation so long as a smarter working approach is adopted. It is likely that the accommodation would be with Council HR staff but further work needs to be done before the location can be confirmed
- 3.26 This will mean that the senior management function would be located in Herefordshire and the staff and line managers in Lincoln. Hoople would manage this through a combination of engagement, remote and onsite presence and a jointly agreed team structure. Hoople will ensure that;
- all team members have the same tools and opportunities for training and development
  - the same process and systems will be used at both sites
  - communication will be regular
  - the senior manager in Lincoln will have management support in Herefordshire to support when needed
- 3.27 As the Council is a shareholder of Hoople we simply pay the staff costs deployed on the services plus a fair share of the Hoople service and corporate overheads. There is no profit element. This straightforward approach to charging adopted by Hoople provides flexibility to take into account future uncertainties.
- 3.28 Entering into a shared service arrangement with Hoople for Payroll and HR Administration services would provide a "one stop shop" where the system and

service are provided by a single provider reducing the complexity of the arrangements and clarifying lines of accountability.

- 3.29 As a Hoople shareholder the Council will have some influence on how the services and system are delivered without the Council having to take on the responsibility of service delivery after so many years of the service being outsourced. The Council knows that it can work in partnership with Hoople and not having to deliver payroll and HR administration itself will give the Council more capacity to influence managers and schools to engage with improved ways of working particularly around maintaining data quality.
- 3.30 Whilst the costs of a shared service arrangements are not yet known they are likely to be less than insourcing (assuming the same number of staff are employed) due to most if not all staff not being in the LGPS pension scheme and because no profit is charged.
- 3.31 For the above reasons set out in paragraphs 3.24, 3.27-3.30 and set out in the pros and cons in Appendix A the recommendation is that the shared service model is adopted in April 2024 and that continuing discussions take place with Hoople to work up a detailed proposal.

#### *CIPP report*

- 3.32 An independent report was commissioned from the Chartered Institute of Payroll Professionals (CIPP) to identify (i) whether CIPP was confident that the Council had the capability to deliver Payroll and HR Admin and (ii) what service delivery model was the lowest risk option for the Council. The author of the report had 45 years of experience in payroll. The report identifies that the risks are largely the same for the insource and Hoople options (e.g., fire payroll, and securing payroll staff) and are the same as those previously identified by the Council.
- 3.33 The report author is confident that the Council can deliver the service based on his conversations with key individuals and because of his experience elsewhere. He believes that this is the least risky option of the 3 service models.
- 3.34 The report author's advice is that the outsourcing model carries most risk because the outsourced payroll model generally works better in the private sector within a single industry (manufacturing, pharmaceutical, hospitality, etc). The outsourced model works (primarily) on a large, shared service centre basis with multiple clients.
- 3.35 In terms of the shared service Hoople option the report points out that taking on the Council's payroll will almost double the size of the Hoople payrolls and staff and points to Hoople's lack of experience on the Fire Service payroll. The mitigations for the latter are dealt with in paragraph 3.24 above. The Assistant Director Human Resources and Organisational Support has considered the doubling point but is not concerned by this given the overall stability of Hoople set out in paragraph 3.21. Whilst the risks are acknowledged they are not particular to the shared service delivery model but also

apply to the insourcing. In both cases it will be important to encourage the current staff employed by Serco to transfer to the new provider.

#### **4. Future Customer Service Centre (CSC) and Transformation Commissioning**

##### *Recommended Approach*

- 4.1 To outsource the CSC as a single operational service where the key technology (telephony and Customer Relationship Management system (CRM)) will be selected and owned by the Council and where the responsibility for reducing the calls into the CSC will also sit with the Council.

##### *Background – CSC Operations*

- 4.2 The CSC is the front line for most Council telephone calls and operates 24/7 365 days a year. It handles routine incoming transactional activity and lengthy, complex, high-risk activity such as social care referrals and assessments. Serco has a strong management team and employs between 110-120 FTE. There is high staff turnover consistent within the customer service industry. There are 30+service lines and 300+ calls queues to manage. Since Covid Serco have had staff working from home and in the office.
- 4.3 The majority of call volumes relate to straightforward transactional activity some of which could be managed more efficiently through self-serve. There is also high-risk activity such as social care referrals and assessments which must be handled with care to protect vulnerable service users and the Council's reputation. Whilst there are far fewer social care calls, capacity is split roughly 60/40 weighted towards Social Care work making it clear that whatever service delivery model is selected quality must be protected.
- 4.4 The Council's existing telephony is old and unstable and cannot support digital transformation which would reduce the number of calls into the CSC. The Council is carrying out an options appraisal to choose a new web- based telephony platform to be used across the Council including in the CSC. This will be in place along with the selected CRM well before the 1 April 2024.
- 4.5 In spite of the limited use of technology to date the chargeable calls answered volumes have fallen from 405,189 in 2015/16 to 254,097 in 2020/21 a 37.29% reduction. Call volumes for 21/22 are expected to be similar to 20/21. Calls offered have also fallen in a very similar profile. Once the new telephony is in place the Council and Serco will work together to digitise and optimise all customer facing processes via standard digital platforms in the CSC which will further reduce the number of contacts in the CSC before April 2024.
- 4.6 In terms of the operation of the CSC the main responsibility is ensuring that there are the right levels of staff in the right place, at the right time, with the right level of

training to deliver the right level of quality of interaction. The required resourcing levels change depending on the time of the day, the day of the week and the month of the year, and what other events or incidents are in play e.g. flooding. Too many staff is costly, too few result in high abandoned rates and wait times, low customer satisfaction and increases the risk of high staff turnover.

4.7 Effective forecasting and staff roster scheduling is therefore essential including understanding the different types of contacts (telephone, email & e-form, webchat, text messaging, social media, etc) and having the ability to know when to schedule staff fulfilment activity.

4.8 The biggest challenges are:

- Recruiting and retaining staff given pay levels and high vacancy rates elsewhere.
- Maintaining effective technology, CRM and telephony as a minimum.
- Maintaining communications with service areas so the CSC knows what is going on across the Council.

4.9 The existing performance of the Serco team is good. Serco has recently been awarded the Customer Service Excellence award, the Government's national standard for excellence in customer service. Serco deliver customer contact/service centres for the European Commission and Council, for Hertfordshire (which is being reprocured) for the Department of Health and Social Care and for a number of charities. They have about 2000 FTE with c115 FTE deployed on our contract.

4.10 The Council benefits from the scale of Serco's customer contact/service centres through the strong support services the Lincolnshire account receives from a central provision including a Knowledge Manager, Scheduling Assistants, Trainer and Performance Analyst giving access to best in class capacity planning, forecasting and Management Information capabilities.

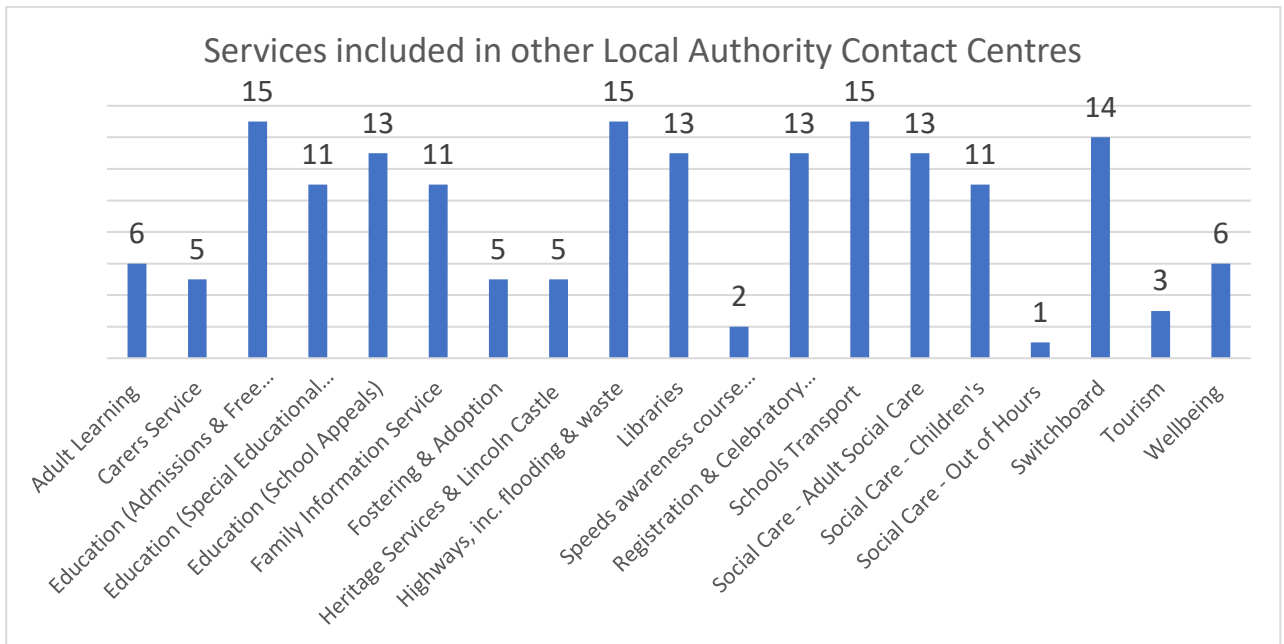
4.11 During Covid the Council's positive relationship and existing contract with Serco allowed us to put in place additional services in the CSC very quickly and also gave us ready access to their national testing centre activities. There were also times when with our consent Serco diverted calls to their customer contact centres in Liverpool.

#### *Other Authorities*

4.12 A benchmarking exercise took place in January 2022 to see what services other Councils deliver through their CSCs. The sample pool of 15 focused on shire counties, with some unitary and close CIPFA matches to ensure applicable comparisons. It demonstrated that most Councils deliver their own Customer Service Centres. Three Councils' CSCs were externally commissioned, with the rest of the CSCs delivered in-house. Those commissioned externally were Hertfordshire (Serco), Kent (Agilisys) &

West Sussex (Capita). West Sussex and Hertfordshire are in the process of recommissioning their CSC, Kent recently extended their contract to 2025.

4.13 The services commissioned in Lincolnshire are set out along the bottom axis in the bar chart below with the number of other authorities who also deliver those services through the CSC. This demonstrates that the Council is in line with other Councils and has a well developed and mature CSC.



### Structure

4.14 It is critical that the Council retains a single contact centre as part of the One Council strategy. This is the model seen across local government and operated in Lincolnshire since 2005. It provides resilience, the ability to manage peaks and flows across the various service streams efficiently and transparency. Fragmenting the CSC would have a detrimental impact on a consistent approach to delivering a good value customer experience, implementing the Customer and Digital Strategies and gathering Insight.

### Relationship between Digital Transformation and CSC Service Operations

4.15 The proposal is that whatever service model is adopted for the CSC the Council should retain responsibility for digital transformation and the technology that supports it. This is because the CSC is only one element of customer interaction. The aim will be to move many customer interactions across the Council to digital solutions with much more information, guidance and self-service being put in place taking a One Council approach.

4.16 Doing so will bring benefits across the Council in terms of improved processes leading to reduced cost and improved customer experience. It is what customers and staff

expect and is a political priority. To be confident that it can be achieved the Council needs to maintain control of what is transformed when, the rate and cost of transformation and the tools necessary to delivery it. Earlier attempts to outsource transformation to Mouchel and Serco were disappointing.

- 4.17 Realistically though the Council will not be able to recruit or afford all the transformation skills and capacity required which will fluctuate over time. Therefore, a mixed model for resourcing transformation would be best with a combination of in-house resource and external expertise secured as and when required. External expertise would bring knowledge of innovation and work elsewhere. This is the approach being taken by other local authorities who are generally sourcing this work through the Crown Commercial Service Digital Outcomes and Specialist Framework which is designed to help the public sector design, build and deliver bespoke digital solutions and services.
- 4.18 More pragmatically the Council's existing telephony needs to be replaced now and cannot wait. This will involve the Council in detailed selection and implementation work and cost. Once the work is completed the intention would be to maximise use of the system beyond April 2024 along an extended period to amortize the cost.
- 4.19 At the same time a further options appraisal will be carried out to see if the Verint Customer Relationship Management system (CRM) recently implemented by Serco is the best value for money option which meets the Council's needs going forward. There is an overlap between the two systems (telephony and CRM) capabilities and the dual options appraisal will prevent us from over specifying. It will also simplify the procurement so that we can rely on those things that matter most such as the quality of the social care delivery. Requiring external providers to use Council specified telephony and CRM systems will also reduce the need for data transfer and system implementation at the end of the contract.

#### *CSC Service Delivery*

- 4.20 There remain two options for CSC operational service delivery – in-house or external.

#### *Service Delivery Options – External*

- 4.21 An outsourcing brings in specialist service expertise covering resourcing /staff allocation know how and the design of scripts, including efficient design of call queues. It passes the risk of resourcing and operation including recruitment and retention of staff to another organisation and avoids high pension costs. It provides a scalable service and resilience where the provider has other contact centres. It also opens up the ability to leverage common contact centre toolsets (e.g., Forecasting and Workforce Management Software) where the provider operates other contact centres providing better value. Significantly it reduces the amount of Council change in 2024 by avoiding a reasonably complex in-sourcing as advised by the Institute of Government in paragraph 2.5 above.

- 4.22 As providers will be required to use the Council's technology their scope for creating efficiencies which they would benefit from through the deployment of technology will be limited. This along with the fact that it is a single service that is being put out to tender means that an outsourcing needs to be put together carefully so that it is attractive to the market.

#### *Service Delivery Options – In-house*

- 4.23 In-house delivery should be more agile with no need to negotiate operational change through a contract. However, against this, in-house provision clearly requires in-house expertise in CSC operation and the Council will retain the risk of resourcing (recruitment and retention of staff) and operation. It would lose the ability to leverage a third- party provider's resource and resilience as happened under Covid. Costs of operation would increase as a result of pension contributions but there would be no provider profit to pay. In addition in-sourcing would add to the amount of change in 2024.

#### *Overall Conclusion*

- 4.24 Whilst running the CSC in-house would give a greater degree of control which would support the transformation of the customer journey, the current experience of an outsourced CSC has been positive. The operation of the CSC is itself a reasonably complex logistical operation and not one that the Council has very recent experience of. Turnover is high and so therefore is recruitment and retention activity. The CSC currently benefits from Serco's wider CSC expertise and external providers are likely to offer more resilience where they run more than one CSC.
- 4.25 The Government's Commercial Function guidance referred to in paragraph 2.2 points out that an advantage of outsourcing is that it gives management space to focus on core priorities and free up resources. It also references the ability to draw on innovation and new approaches and expertise. Both factors are at play here when the Council's management capacity has higher value things to do than continually resourcing the CSC and where innovation is more likely to be had from an organisation who operates at scale.
- 4.26 The advice from the Institute for Government at paragraph 2.5 above also must be considered in the context of this overall re-commissioning exercise and the other demands on the Council. Given the extent of change the view is that the Council cannot be confident it can successfully manage and deliver the insourcing and operation of the CSC without detriment to other activity. Consequently because of this, and for the reasons set out in paragraphs 4.21, 4.24-4.26 and set out in pros and cons summary in Appendix A, an insourcing of the CSC is not recommended.

## *Procurement*

4.27 The proposal is to build an attractive procurement on the basis set out below which will then be subject to market engagement to see if it can be improved upon to make sure that we put out an optimum package of activity;

- All the existing services will remain within the contract. The procurement will be set up to provide flexibility so the scope can change throughout the contract duration.
- As much of the activity will be social care we require experienced resilient call operatives and will focus on quality through the procurement.
- Maintain the existing operating hours for the core CSC service, 8am to 6pm Monday – Friday a 50 hour week which has worked well since 2015.
- The Council to specify and provide the CSC telephony and the CRM system. This will ensure we get what we want at a value for money price and enable providers to work efficiently and reflect this efficiency in their price.
- The provider will be a source of expertise on new and evolving technologies and integrations which could help improve the CSC and can make investment proposals concerning the CSC technology in return for an agreed share of any savings. With the Council's permission it will also be able to carry out transformation work on behalf of the Council.
- The initial duration will be 5 years with additional extensions of 2 plus 2 years exercisable with the agreement of both parties.
- Providers will be encouraged to adopt a smarter working approach as in the Council to save cost and benefit staff. The Council will provide the accommodation probably on the Lincoln campus though this is yet to be confirmed.
- Retain KPIs but review to see if they can be improved.
- Adopt a volume variable approach to pricing so as volume falls so does payment whilst enabling a Provider to cover their fixed costs.

## **5. Adult Care Finance (ACF) and Exchequer**

### *Recommended approach*

5.1 Insource the Adult Care Finance and Exchequer Services as from the 1 April 2024.

### *Background*

5.2 In total there are c68 Serco FTE deployed on the finance services 43FTE on ACF and 25FTE on Exchequer. The staff are well regarded and some are very experienced. There is a clear synergy between Adult Care Financial Services and Corporate Exchequer Services, in particular credit control. It is important therefore to ensure the



same commissioning option is chosen for both. Also separating the two out without a detailed knowledge of how the services are delivered would present a significant risk.

- 5.3 The contract with Serco is a contract for services. The Council has not delegated the delivery of its ACF function to Serco. Consequently, the Council has retained responsibilities for the financial charging framework through the Adult Charging Policy and the interpretation of legislative changes and identifying required system and process changes. Further the introduction of the money laundering rules when dealing with service user assets means the Council must now give the necessary authorisations. As a consequence there is already shared ownership of the services.
- 5.4 Key Performance Indicators cover the contracted activity and have been consistently delivered throughout the life of the contract. Serco has agreed to revise the performance measures in ACF so that the Council has clarity about the extent of debt and the customer experience which the existing measures do not provide.
- 5.5 Serco have recruitment challenges and sometimes carry vacancies across the teams despite recruitment activity.
- 5.6 Collection of the income generated from ACF forms part of the Council's legal responsibilities defined in the Care Act 2014 and the collection of service user contributions is critical to support the Council's financial position. Under a change in national legislation the Council's ACF responsibilities will shortly be increasing potentially exposing the Council to more debt. In anticipation of this over the last 18 months the Council has led a Debt Review Programme working with Serco to improve income collection and to manage debt down. This work continues.
- 5.7 The Debt Review Programme illustrates that actions need to be taken earlier on in the charging pathway to ensure prompt payment of providers, complex financial assessments are not delayed and the income due to support service delivery is received. To do this ASC charging needs an infrastructure which promotes the following: -
- Increased visibility of the service user's income, expenditure and any associated risks to its collection integrating the financial assessment and income collection process to recoup income before it becomes a debt.
  - The issue of clear, concise financial information to service users at the start of their care.
  - Greater efficiency in service delivery with reduced hand offs to reduce duplication in contact.
- 5.8 On occasion advice issued by Serco is challenged by Council Managers as Serco are unable to direct these managers actions e.g., not using purchase orders, and taking a tougher stance on debt repayments.

## *Market Review*

- 5.9 In 2018 we established that there was no identifiable commercial dedicated marketplace for exchequer and/or social care financial services as standalone services.
- 5.10 In the summer of 2021, we checked all the Contract Notices since 2018 to see if any finance services contracts had been let on their own and none had been, re-affirming that most authorities deliver their own services though Bromley and Barnet London Boroughs and Sheffield City Council had outsourced some of their financial services as part of much bigger contracts.

## *ACF and Exchequer Service Delivery Options*

- 5.11 There remain two options for ACF and Exchequer Service operational service delivery – in-house or external.

### *Option A - Insource the Adult Care Finance and Exchequer Services to the Council from 01 April 2024*

- 5.12 Work undertaken by the Council with Serco through the Financial Assessment Improvement Programme (FAIP) over the last 18 months confirms the need for greater visibility, accountability and control across the end-to-end AC charging and income recovery pathways and the need for greater proactivity.
- 5.13 Insourcing maximises the opportunity to deliver an efficient and effective credit control function. Existing arrangements will need to change as a result of the government announcements for paying for care in both public and private markets and the intended move to paying our social care providers gross with the Council collecting service users contributions. It is of critical importance that the Council has the flexibility to react quickly to these and other changes.
- 5.14 Insourcing ACF into the Council will create the ability to build one team around the service user. This will encourage ownership and provide the ability to build resilience in the team. Closer working with AC front line staff is necessary as it is these staff that are ideally placed to know the service user's needs and their financial situation. Wrapping the charging infrastructure around front line workers will improve the customer experience, efficiency, income recovery and help meet the recently announced AC reforms.
- 5.15 The intention would be to transfer like for like services with no new recruitments save for the recruitment of an additional 4 FTE posts graded G5 in Exchequer to ensure the Council's debt is chased quickly. The quicker the debt is collected the less is written off.

5.16 For the Serco FTE deployed on ACF post 2024 the intention would be for the 'traditional' finance functions e.g., debt collection, income allocation / matching, payments to transfer into the Resources Directorate with those service user based roles i.e. ensuring service users understand their financial obligations transferring into the Adult Care and Community Wellbeing Directorate to work with the front-line teams.

*Option B - Outsource the Services to a third-party from 01 April 2024*

5.17 The market review confirms no realistic outsourcing options for ACF and Exchequer services on their own. If a decision is taken to outsource the CSC then there would be scope to bundle ACF and exchequer with it but this would not be a good match and would not be attractive to the market likely damaging competition for the CSC.

*Recommended Option*

5.18 The recommended option is Option A to insource. The Council would then have full control of the services and the ability to restructure to make and sustain service improvements. It would be better able to respond to the anticipated additional demands arising from the government announcements to introduce a care cap and change the charging arrangements potentially doubling the number of financial assessments the Council will need to complete. It is likely that income recovery would improve.

5.19 All Finance staff would be working to a single strategy and a common set of objectives with clarity over who has responsibility for delivery and the Council would have more income visibility which is critical given the findings to date and the move to gross payment to social care providers.

5.20 The Council would be better able to deliver a proactive service with no surprises for service users or the Council. It would increase our flexibility to respond quickly to any new service changes/ demands and to quickly re-prioritise instead of needing to go via a third party and negotiate under a contract.

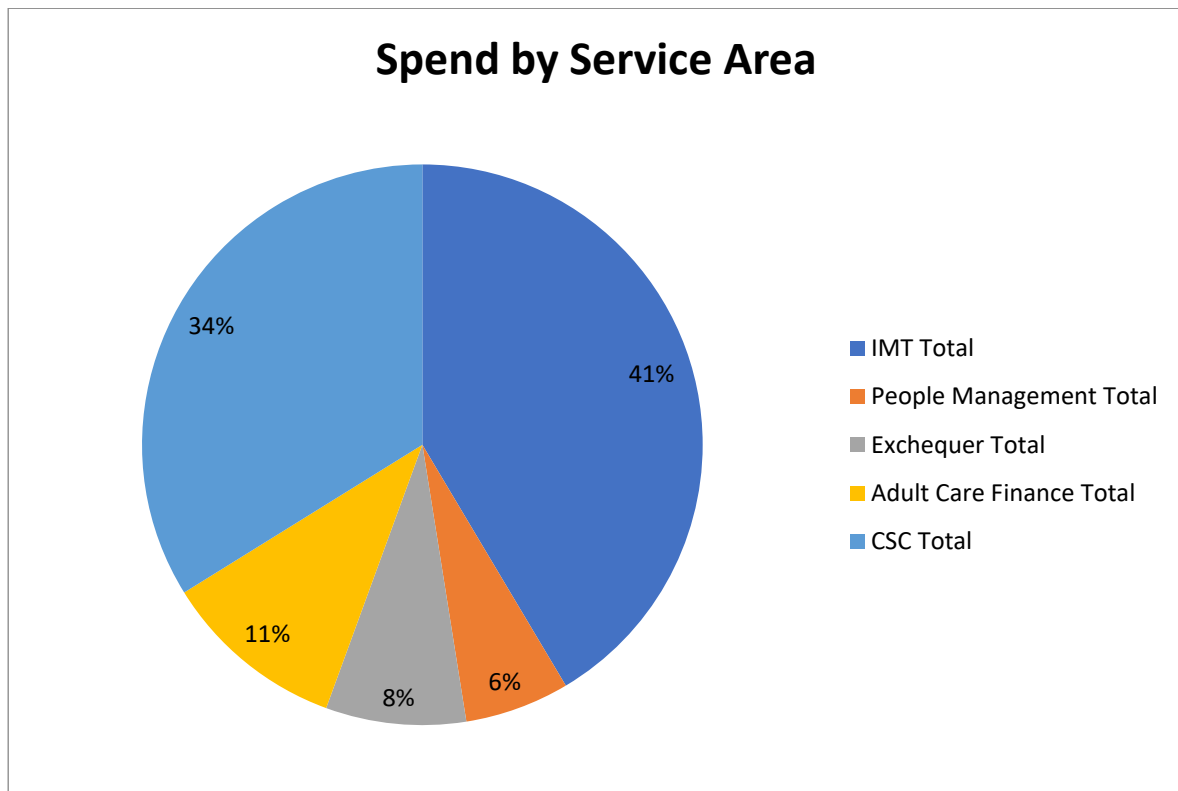
5.21 It would reduce the fragmentation of the services and provide the potential for efficiencies through integration, reduced hand offs / duplication of work and looking at processes from an end-to-end perspective which will improve productivity and effectiveness. It would encourage closer working between the Exchequer and Adult Care Financial Services teams and between the Adult Care Financial Services Team and Adult Care Practitioners which is important given the scale of the AC debt.

5.22 The Government Commercial Function report sets out in paragraph 2.3 above the circumstances in which in-sourcing works and, in this case all 4 criteria are met as are most of the criteria set out in the Institute for Government report in paragraph 2.4. The advice goes on to say that "government bodies should prioritise insourcing projects based on a pragmatic assessment of their capacity to deliver them and where they will have most benefit". It is clear from the last 18 months that the Council has

the capability to deliver the services and because of the extent of the debt and the likely speed of change will get the most benefit from insourcing these services. Consequently because of this, and for the reasons set out in paragraphs 5.12-5.14 and 5.17 -5.22 and set out in pros and cons summary in Appendix A, an insourcing of the Adult Care Finance and Exchequer Services to the Council from 01 April 2024 is recommended.

## 6. Budget

- 6.1 In 21/22 the Council spent in the order of £14,850, 000 on the Serco contract for the services including IMT and it is predicted that the 21/22 spend will be in the order of £14.8 million that covers the staff costs, Serco central services charges, profit and non-staffing costs including software charges support contracts and accommodation. The allocation of 21/22 charges against service areas are set out below.



- 6.2 The expectation is that the proposed new commissioning arrangements of themselves will be delivered without causing a step change in the overall cost though it is not clear what impact the current inflationary pressures may have. The reasons for this are set out below.
- 6.3 Whilst the specification will be reviewed for the externally provided services to see if it can be improved upon the services required are essentially the same as currently delivered. For the external services we will take a pragmatic approach to the commercial basis of the arrangements and listen to the market engagement feedback

so that the offer is attractive in the procurement to generate competition which will help drive price down. The Serco staffing levels are understood by service leads for Adult Care Finance and Exchequer and no changes are expected in the short term save for a small increase in the debt collection team which should be self-funding as written off debt is reduced. The insourcing of finance staff over the longer term will enable a wider view of the services to be taken and provide the potential for working more efficiently through improved process and internal synergies.

- 6.4 For the Hoople option, the costs will be on a cost recovery approach so that Hoople would recover the costs in delivering the services including the running costs of the team, management oversight and a proportion of overheads. The expectation is that digital transformation will reduce the contacts into the CSC reducing charges. Preliminary work that has been done in Adult Care Finance and Exchequer and HR Administration and Payroll indicates that the cost of the services will not change materially in the short term.

## **7. Risks**

- 7.1 The key risks identified in the corporate support services review work has been a lack of capacity to deliver the project so that the decision making can take place as planned. Another risk identified is a concern regarding a possible lack of providers for schools who receive finance and HR Payroll and Admin services from Serco. The other substantive risks is that there might be insufficient transition time and capacity to move the Council from the old into the new arrangements and that there may be limited interest in the CSC procurement.
- 7.2 The risk of delay around decision making has been managed effectively with the decision for the IMT options paper going to Executive as planned in May 2022 and the scheduling of this report dealing with the non-IMT services taking place earlier than intended to provide for additional transition time into the new arrangements. Discussion has confirmed that there will be a schools' provider whatever options are chosen. In addition to creating more time for transition a dedicated programme director has been brought in to manage the transition risk and project management resource has been allocated and its sufficiency will be kept under review. The key risks and how they have been managed are set out in Appendix B.

## **2. Legal Issues:**

### Procurement

Given the value of the proposed outsourcing the Council will be required to comply with the Public Contracts Regulations 2015. Two options for procurement of the CSC operations in accordance with the Regulations are being considered.

The first is a full tender process with the ability to negotiate the Council's requirements, with that part of the market which is experienced in the delivery of CSC services. This approach, the Competitive Procedure with Negotiation, is useful where the Council is keen

to ensure the right balance of risk transfer in the contract and to pre-select those bidders best suited to deliver the services.

The second is through a Crown Commercial Service framework where some of the bidders are experienced in providing CSC services to local government and some are not. Whilst there are bidders on the framework who could deliver our services some organisations who could also do so are not on it. The framework is attractive as it also allows discussion with bidders during the procurement procedure and does allow us to down-select bidders based upon their experience. It is likely to be the quickest approach. However, before we decide which route to go down we intend to do some market engagement to see which procurement route is likely to result in the most competition. Either approach will give us a sufficient transition period.

For the skills and capacity necessary to support digital transformation this work is likely to be sourced through the Crown Commercial Service Digital Outcomes and Specialist Framework which is designed to help the public sector design, build and deliver bespoke digital solutions and services.

#### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision-making process.

An Equality Impact Analysis has been carried out and is attached to this report as Appendix C.

There are not considered to be any Equality Act implications arising out of the choice of delivery model for future services for HR Administration and Payroll, Finance Exchequer and Adult Care Finance.

There are however potential impacts on those staff with protected characteristics resulting from any change in the delivery model and the transition to that change. The impacts are considered in Appendix C along with the mitigations which include effective staff engagement and consultation, the requirement for any new providers to comply with TUPE regulations and the Equality Act, and the availability of local Council accommodation and Smarter Working for any services insourced and depending on the decisions made for any services externalised reducing any requirement to relocate.

The ongoing and future operation of the CSC is customer facing and has ongoing Equality Act implications which need to be addressed so that as many customers with protected characteristics can communicate with the Council as possible. Consideration also needs to be given to the impact of increasing digitalisation in the way the Council interacts with citizens. The Equality Impact Analysis at Appendix C covers discusses these matters and sets out the mitigations currently in place which include the use of Relay UK a service provided by BT for the deaf and hard of hearing, a translation service for non -English speakers and the use of plain English within the CSC. In terms of increased digitalisation, it has been agreed in principle that the telephone channel will remain available to those who because of their protected characteristics or otherwise cannot carry out digital transactions.

As part of the implementation process all those steps taken to maintain effective communication for all will be reviewed to see if they can be improved upon and an impact assessment will be conducted separately on this.

The proposals put forward in this Report are the best way of ensuring the ongoing availability, performance and development of services that fully support the Council in supporting its residents and communities in a way which meets the Equality Act requirements.

### Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS) in coming to a decision.

There are not considered to be any direct JSNA or JHWS impacts of the decisions required by this Report. Indirectly, the Council's support services underpin the work of the Council and the way it interacts with its customers and communities. The proposals put forward in this Report are considered to be the best way of ensuring the ongoing availability, performance and development of services that fully support the aspirations of the Corporate Plan which directly contribute to the achievement of JHWS objectives.

### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

There are not considered to be any direct impacts of the decisions required by this Report on the section 17 considerations. Indirectly, the Council's support services underpin the work of the Council in fulfilling its crime and disorder functions. The proposals put forward in this Report are considered to be the best way of ensuring the ongoing availability, performance and development of services that fully supports the Council and its partners in that work.

### **3. Conclusion**

The report has considered all of the main insourcing and outsourcing options for each service area and has set out in detail the pros and cons of each option in Appendix A before coming to clear recommendations.

Taken together the recommendations as advised by the Institute for Government at paragraph 2.5 are realistic about the amount of insourcing that can be done at one time and recognise the advantages that outsourcing can offer as set out by the Government Commercial Function at paragraph 2.2 above. A pragmatic approach has been taken.



#### **4. Legal Comments:**

The Council has the power to adopt the models of service delivery for Finance, CSC and HR Admin and Payroll and to adopt the approach to Transformation support set out in the Report.

The proposed procurement processes for the Customer services operations are consistent with the Council's legal duties.

Future procurement of digital transformation support will also need to follow procurement rules and the suggested Crown Commercial Service Digital Outcomes and Specialist Framework would do so.

The decision is consistent with the Policy Framework and within the remit of the Executive.

#### **5. Resource Comments:**

As the report sets out, there are no step changes in the expected costs of delivering these services from the options which have recommended for each area of service delivery.

As part of our future budget setting exercises, inflationary uplifts will be built into the budgets recommended for approval by the council for the delivery of these services. Accepting the recommendation within the report should offer best value for money and be deliverable within the approved budget of the council.

#### **6. Consultation**

##### **a) Has Local Member Been Consulted?**

n/a

##### **b) Has Executive Councillor Been Consulted?**

Yes

### **c) Scrutiny Comments**

This Report will be considered further by the Overview and Scrutiny Management Board at its meeting on the 26 May 2022 and the comments of the Board will be reported to the Executive.

### **d) Risks and Impact Analysis**

See the body of the Report and Appendix B and Appendix C

## **7. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Pros and Cons of the 3 different service delivery models
Appendix B	Corporate Support Services Review Risk Log
Appendix C	Equality Impact Analysis

## **8. Background Papers**

The no background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

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