

Divisions Affected – All

PERFORMANCE & CORPORATE SERVICES OVERVIEW & SCRUTINY COMMITTEE

21 July 2023

Update on progress of the Business Services Transformation programme

Report by Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to

Note the update on progress with the Business Services Transformation programme.

Executive Summary

2. This report provides an update on progress with the Business Services Transformation Programme following the report to Cabinet in April 2023, including the work undertaken to date, the case for change, options under consideration and the current direction of travel. Following Cabinet approval of the outline business case in April, the programme is currently reviewing processes and developing requirements and a business case to inform a Cabinet decision in November to commence a procurement process.
3. The Business Services Transformation programme is a transformation programme reviewing the Council's finance, transactional procurement, HR and payroll services and supporting systems, including the services provided by Hampshire County Council's Integrated Business Centre (IBC). This includes the services provided to the Council and to maintained schools.

Background

4. An outline business case was presented to Cabinet in April 2023 to transform finance, procurement, HR and payroll services and systems. These services are currently delivered in partnership with Hampshire County Council, following a decision in 2015 to move to a shared service delivery model known as the IBC.

5. The IBC partnership provides back-office services to all council staff, including the Oxfordshire Fire and Rescue Service and more than 200 schools. It makes use of standardised processes, automation, and self-service and was implemented in July 2015. This new operating model was implemented in July 2015 at an approximate cost of £6m. It enabled the Council to reduce annual revenue costs by approximately £700k as part of plans for Council-wide savings and avoided significant capital investment required to develop self-service functionality, which was needed at the time for the Council and for maintained schools. Additionally, future licence liability for the Council was also avoided as an increasing number of schools converted to academies.
6. The options appraisal delivered as part of the outline business case recommended the full or partial in-sourcing of finance, transactional procurement, HR and payroll services and the enabling technology. The option to do nothing was discounted at the options appraisal stage due to the findings from the case for change.
7. Different options for full and partial in-sourcing, including their pros and cons, are now being investigated as part of current work underway, in order to identify a preferred option to inform development of the business case. As part of this work, the option to remain with IBC and improve efficiency and ways of working is also being further explored.

Case for Change

8. The £700k savings from the IBC implementation in 2015 have been realised through the economies of scale achieved by sharing services with other organisations and a one-size-fits-all delivery model. Additional annual savings of £200k from 2019/20 have been realised following the onboarding of new partners. However, the shared services operating principles and the requirement for system changes to be agreed by all partners have resulted in a lack of agility and ability to respond to the Council's changing needs.
9. A Case for Change review was undertaken in Q4 2021/22 and informed the options appraisal and outline business case. The analysis identified opportunities and drivers for change to move from the existing shared services partnership, for example:
 - Improving accessibility of data and information to support accurate decision making.
 - Improving processes and workflow with appropriate controls within the system to avoid workarounds, increase efficiency and improve risk management.
 - Process inefficiencies. Initial work considering technology advances and new ways of working suggests there are further opportunities for efficiency savings in management and administrative time.
 - Ability to improve processes end-to-end and realise benefits. The 'one size fits all' operating model, and the high costs of change, restricts the Council from being able to exploit the benefits of a modern ERP solution at pace.

10. Further analysis undertaken as part of developing requirements has validated the above drivers and also highlighted the following challenges which all contribute to the case for change:
- The current system is not intuitive, which increases the time officers take to undertake tasks and requires them to constantly seek support from other knowledgeable users.
 - The process for manager self-service has become unmanageable, both in terms of expectations on officers and need for more effective workflow and controls.
 - Teams are often adopting their own workarounds, for example additional approval forms or using personal excel spreadsheets.
 - The level of data and reporting available is not sufficient and the training provided does not set individuals up for success. The inability to link data results in manual processes, for example using Excel.
 - There is a strong sense that significant time, energy and money is wasted by officers in chasing IBC activity, re-learning how to use the system and in resolving issues.
 - The support from IBC is limited to an email / online enquiry service by IBC which is not timely or efficient. This leads officers to seek help from experienced / knowledgeable users internally to compensate and help resolve issues.

Work undertaken to date

11. The Requirements stage commenced in May 2023 and has completed its initial Discovery and Visioning phase. This phase has comprised:
- Senior Stakeholder Interviews – Initial interviews with senior management stakeholders from across Finance, Procurement, HR & Payroll and Education to understand the strategic context and drivers to inform the analysis.
 - Voice of the Customer Analysis – Workshop engagement with finance, procurement, HR and payroll stakeholders, nominated officers from across the Council's directorates and a representative group of business managers from Oxfordshire maintained schools. The sessions focused on capturing stakeholders' views on the issues with current processes and ways of working, what works well and desired improvements for the future.
 - Current Process Review – Confirmation of process scope for the review, stakeholder engagement, high-level process documentation and identification of process issues and opportunities for improvement.
 - Business Services Vision and Future Model – Development of a vision and design principles for the Business Services Transformation programme. This also includes a review of the different high-level future operating model options, their pros and cons and identification of a preferred model.

12. Following identification of a preferred model, the next phase of work will be to develop a business case to inform a decision at Cabinet in November 2023 on whether to progress a procurement process. Alongside this, high-level future processes and requirements will be developed including both business and technical requirements to inform a procurement. Work will also be progressed to identify a preferred route to market and to develop all required documentation to launch an Invitation to Tender.

Options under consideration

13. The following different options for a full or partial in-sourcing have been reviewed, including their pros and cons.
 - Option 1 (Single ERP) – In-sourcing services and implementing a single ERP solution.
 - Option 2 (Multiple Solutions) – In-sourcing services and implementing a fully integrated combination of best-of-breed solutions for finance, transactional procurement, HR and payroll.
 - Option 3 (IBC Hybrid) – Partial in-sourcing of services where IBC is not deemed to meet current or future needs and remaining with IBC for some specific services (e.g. Payroll).
 - Option 4 (Other Hybrid) – Partial in-sourcing of services where outsourcing is not deemed to be effective and outsourcing some specific services (e.g. Payroll) to another 3rd party/s.
14. The alternative option to exit IBC and procure a similar outsourced transactional managed service was discounted at the Options Appraisal stage as it presents some of the same restrictions as the current IBC service and will not enable the Council to gain greater control of the service.
15. The further option to remain with IBC and improve efficiency and ways of working is also being explored but this will require an increased level of flexibility from IBC to meet the Council's specific requirements.

Direction of travel

16. The four options are being evaluated based on how well they deliver on the following agreed criteria in order to identify a preferred option. Each criteria has been allocated an agreed weighting to inform the scoring.
 - Business Users (15%) – Improving the user experience and quality of data and increasing officer satisfaction with self-service, freeing-up time for greater value-adding activity in providing services to residents.
 - Functional users (15%) – Improving the functionality, user experience, control environment and reporting for finance, procurement, HR and payroll officers, freeing up time for greater value-adding activity to support the business in decision making.
 - Technical, including implementation (30%) – Improving levels of compliance and controls, ease of ongoing management of integrations,

- alignment with the Cloud based approach, and the ease of implementation at a manageable level of risk including integrations.
 - Financial (40%) – Ongoing and capital costs of the solution and its implementation including integrations and delivery of realisable and intangible efficiencies.
17. Approval for the identified preferred option will be sought from the Business Services Transformation Programme Board and will inform the development of the business case and definition of high-level future processes and requirements. Approval for the business case and recommended operating model option will be sought from Cabinet in November 2023.
18. Appropriate timing for the delivery of the required implementation project is being explored including understanding the potential implications of IBC's planned upgrade in the short to medium term from their existing SAP system to the latest version, S/4HANA.

Corporate Policies and Priorities

19. Examples of how the implementation of a new operating model, including enabling technology, would contribute to the Council's nine strategic priorities are as follows:
- Improved reporting, analytics and insights will enable improved management decision making.
 - Increased efficiency / officer time savings through improved processes, including intuitive self-service with controlled workflow and greater automation, enabling officers to allocate more time to focus on service delivery.
 - Improved workforce resilience enabled by modern and fit-for-purpose processes and systems, supporting an engaged workforce focusing on service delivery.
 - A strong contribution to the Council's climate agenda, through procuring a cloud hosted solution from a technology vendor with a corporate environmental agenda including a commitment to Net Zero.

Financial Implications

20. Cabinet approved funding of £1.57m from the Transformation Reserve to meet the costs of programme resources to prepare requirements for a transformation and potential procurement process.

Legal Implications

21. There are no legal implications resulting from this update report.

Staff Implications

22. There are no staff implications resulting from this update report.

Equality and Inclusion Implications

23. There are no equalities and inclusion implications resulting from this update report.

Sustainability Implications

24. There are no sustainability implications resulting from this update report.

Risk Management

25. The following key risks have been identified including planned mitigating activities. Ongoing programme management will ensure that identified risks are owned and managed effectively by the Programme Board and other senior stakeholders as appropriate to ensure continued focus on their status and effective mitigation.

No.	Risk	Impact	Likelihood	Mitigation
1	If there is a lack of resource capacity there is a risk that key stakeholders and data/information are not available in required timescales.	High	High	Programme to define resource requirements at each stage for governance approval and for directorates to fulfil the resource needs. Recruitment of experienced service lead resources to provide additional capacity.
2	If there is a lack of inhouse knowledge for some functions (e.g. payroll, AR) for the IBC solution and how data is currently held in SAP, this may impact the quality of the procurement and lead to increased costs and delays during implementation	High	High	Mitigated for Requirements and Procurement stages via Finance Lead, HR & Payroll Lead, P2P Lead recruitment and PWC Consulting advice.
3	If the Council transitions to the new service and system as a single big bang go-live there is a greater risk of process failure due to the volume of change being implemented at one time and change overload for the organisation.	High	High	Phasing options are being considered as part of implementation planning in conjunction with IBC.
4	If there is an unclear strategic ambition for the programme, there is a risk of a lack of a shared and clear understanding among stakeholders developing requirements for the procurement.	High	Medium	Requirements stage to develop the vision and preferred model, which will inform the future state processes and requirements for each service. Programme is part of the Delivering the Future Together Programme (DTFT).

5	If the change is not fully owned and driven by the services (i.e. Finance, Procurement and HR) over the life of the programme, the effective delivery of the change, its adoption and the realisation of its benefits will be impacted.	High	Medium	Programme organisation with clear roles and responsibilities for service Sponsors and Process Owners. Business Change workstream to engage services and facilitate required change delivery required by services.
6	If the wider organisation is not ready to support and adopt this transformational change there is a risk of delay during implementation, increased costs and delayed benefits realisation.	High	Medium	Establishment of cross-directorate Strategic Programme Board to ensure pan-organisation sponsorship of the change. Involvement of representatives from across directorates from early in the change to build buy-in and support.
7	If the organisation adapts or customises a Software-as-a-Service (SaaS) system to meet its requirements there is a significant risk of increased costs and delays due to additional required testing and defect fixing during implementation and following periodic software updates.	High	Medium	Strong sponsorship will be required for the design principle to adopt rather than adapt the chosen SaaS ERP solution, coupled with a robust change control process during implementation to prevent software customisations.
8	If there are poor existing processes and a lack of data ownership there is a risk that data held in SAP is not of sufficient quality	High	Medium	Development of a Data Preparation Strategy, plan and governance in advance of implementation included as part of Requirements stage.
9	If the business change is not managed well from the pre-procurement stage there is a risk that the organisation will be significantly negatively impacted due to gaps in requirements and a lack of buy-in.	High	Medium	Workstreams have been established to engage service stakeholders in the review of processes, development of requirements and preparation for the procurement.

10	If other IBC partners decide to change their solution and exit from IBC before or at the same time as OCC, IBC's ability to support this programme and their business-as-usual performance for the Council may be impacted.	High	Medium	Progress business case to gain a decision on Council's future direction. Communicate agreed direction to IBC and agree ways of working for ERP review and implementation as early as possible.
11	If this major change programme is running at the same time as other change programmes, there is a risk of this change stalling other initiatives, change fatigue and a lack of resources.	High	Medium	This programme forms part of the wider Council's transformation. Governance and dependency management to be determined as part of wider DTFT transformation planning.
12	If decisions on full vs. partial insourcing are not well informed with the wider practical implications and risks, there is a risk that the implementation of the chosen model is more complex than expected, resulting in longer timescales and higher costs during implementation.	High	Low	Consultancy advice from PWC on the implications of different delivery models (including full vs. partial insourcing), to inform development of the programme's vision and future model.
13	If Schools choose to procure an alternative outsourced service and system: <ul style="list-style-type: none"> - Further work will be required to integrate the new Schools system with the Council's new ERP. - There will be conflicting demands on Finance and HR resources who will need to be involved with both changes. 	Medium	Low	<ul style="list-style-type: none"> - Any schools alternative ERP procurement and implementation will need to be managed as a separate programme. - Required integrations between the Schools ERP and the Council's new ERP will be managed as part of this ERP programme. - Resource capacity and requirements will be reviewed in the event that this risk materialises.

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Annex: None.

Background papers: A Programme for Transforming the Council's
Enterprise Business Systems and Processes Cabinet
Report (April 2023)

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