

CABINET – 15 JULY 2014

EXTERNALISATION OF BACK OFFICE/SCHOOL FACING SERVICES – NEXT STEPS

Report by the Chief Executive

Introduction

1. In April 2014, Cabinet agreed to suspend the procurement process for the outsource of Finance and HR back-office services and the Joint Venture for School Improvement and related support services for schools. It also agreed to commission a full business case for Oxfordshire with a view to joining the Hampshire IBC partnership and creation of a new partnership with Hampshire for Education services.
2. Work is progressing on developing a new partnership for Education Services across both County Councils. An update on progress with this partnership will be brought to Cabinet in September 2014.

Progress to date

3. Following receipt of an outline business case from Hampshire County Council in April 2014 and the subsequent Cabinet decision, detailed discussions have taken place with Hampshire which have enabled the development of a full business case for Oxfordshire to join the existing partnership for the delivery of back office services.
4. The dialogue with Hampshire has led to some changes to the services in scope for the partnership arising due to differences in processes and practices between the two organisations. The services which will not form part of the partnership at this stage are most of the Specialist Payments team and the Financial Assessment team, together with some small elements of several other teams. Further consideration will be needed to determine where these services will sit in the structure of Oxfordshire County Council recognising the link between other programmes such as the Adult Social Care Improvement Programme (ASIP). The scope of services that are proposed to join the partnership are set out in Annex 1.
5. The business case is based on a go-live date of 1st July 2015. An implementation plan has been drafted and subject to Cabinet agreement will commence on 1st August 2014.
6. Key features of the partnership arrangement include:
 - Services will be delivered from the existing Integrated Business Centre (IBC) in Winchester (a small number of specialist posts in schools finance and schools HR will remain located in Oxfordshire)

- Staff working in the partnership will all be Hampshire County Council employees
 - Oxfordshire staff who choose to, will TUPE¹ to Hampshire County Council employment
 - Where there are insufficient staff transferred to meet the staffing required in the partnership, Hampshire IBC will recruit directly
 - The partnership is concerned with operational delivery. Strategy and Policy remain with Oxfordshire County Council
 - HR and Finance services will be available to Oxfordshire maintained schools through the partnership. Academies will be able to purchase services directly from Hampshire County Council.
7. There will be a partnership management function within Oxfordshire County Council² that will oversee the performance of the IBC as well as monitor and take action on identified risks.

Partnership Governance and Legal Implications

8. The existing Hampshire partnership is legally underpinned by an unincorporated public to public partnership. This enables each public body to jointly deliver and share the benefits of shared services between themselves.
9. Oxfordshire County Council will join the Hampshire partnership as an operational partner through a co-operation agreement. Key points in this relationship are:
- Oxfordshire County Council will not be a strategic partner, contributing investment and will therefore not have a vote in partnership affairs. The partnership will also develop a short list of Reserved Matters at the early stages of mobilisation through which OCC can directly influence decision making through the Strategic Board. These will primarily relate to key issues affecting the overall validity of the partnership.
 - Reserved matters would include, for example, future outsourcing of activity from the IBC; admission of new partners (operational or strategic).
 - Fundamentally, strategic decisions cannot impact on the rights and operations of operational partners (such as Oxfordshire).
 - This will be a fully collaborative partnership where partners play different roles in end to end service delivery with all partners having responsibility to perform.
 - Oxfordshire County Council will retain influence and control on the partnership through an operational forum which provides a basis for consultation and the exercise of influence in the management of the overall joint working arrangements.

¹ TUPE – Transfer of Undertakings (Protection of Employment) Regulations

² Met from within existing resources

Change Management

10. Joining an existing partnership where processes are standardised to achieve maximum efficiency will require changes to ways of working in Oxfordshire. The partnership maximises the use of self-service and digital delivery beyond our current self-service offering. The self-service functions will be accessible both through mobile devices and from the desktop.
11. The HR self-service will be expanded to include absence management. The IBC is also developing self-service for performance and appraisal management which will be rolled out in due course. For Finance & Purchase-to-pay functions, there will be changes in how cost centre managers, requisitioners and approvers interact with the existing tools³ and the related support arrangements.
12. Changes in processes will require training for all managers in Oxfordshire County Council. A training programme will be devised in collaboration with Directorates as part of the implementation plan.

Financial Implications

13. The Medium Term Financial Plan (MTFP) includes savings for Oxfordshire Customer Services of £3m, £2.5m of which is to be achieved in 2015/16. Of this, the target saving for HR and Finance through externalisation is £0.681m.
14. One off transitional costs are expected to be in the region of £6m, most of which was anticipated in the original business case including an estimated £2.2m for redundancy and pension strain costs, mobilisation costs of £1.5m and the costs of ICT investment and transition costs of £1.0m. Broadly similar costs would be incurred if alternative business models, such as an outsourcing, were adopted.
15. ICT Services will cost more than our current baseline mainly due to the enhanced operational IT infrastructure needed to deliver a more automated service, plus the on-going operational contribution needed to ensure SAP is upgraded as necessary. Although savings related to SAP support costs should be realised, general ICT infrastructure costs may increase.
16. HR/Finance savings set out in the full business case are within the range expected from the market and the target saving of £0.681m can be achieved by joining the partnership, even after the additional cost of ICT. However, as set out in paragraph 23 below, the partnership works on a cost share basis. As such there is no mechanism for guaranteeing future savings.
17. Further savings from the restructuring of services now out of scope, as well as a restructuring of the OCS management team, will help to realise the full

³ The partnership uses both SAP Business Planning and Consolidation and SRM

savings required of £3m. Joining the partnership will also enable the realisation of savings in the MTFP arising from the Asset Rationalisation programme.

18. There is an expectation that further savings will be achieved beyond those in the full business case through the addition of new partners and further process improvements. The partnership is also envisaged to be progressive and there will be opportunity to transfer further services into the partnership by agreement beyond the 1st July 2015 joining date.

Staffing Implications

19. Where services are in scope for transfer to the partnership, staff will TUPE to Hampshire County Council employment and will be based in the Integrated Business Centre in Winchester. A small number of posts in schools finance and schools HR will remain located in Oxfordshire.
20. Given the distance from Winchester, there is no requirement for our employees to transfer to the IBC in Winchester. If staff choose to TUPE they will be eligible for relocation support under this Council's existing arrangements. If staff choose not to transfer to the partnership, redeployment elsewhere within the County Council will be agreed where possible. New arrangements will be in place across the Council from September 2014 to ensure that all vacancies, as they occur, are made available as redeployment opportunities wherever possible. However, if redeployment is not available then, subject to conditions, redundancy may be necessary.
21. If Cabinet agrees the recommendation to join the partnership, then a full staff consultation will commence in the autumn of 2014. The final position on staff choices, redeployment and redundancies would not be clear until March 2015.
22. A total of around 140 posts are in currently in scope for transfer to the partnership. The maximum redundancy costs if no staff choose to TUPE to Hampshire would be approximately £1.4m plus estimated pension strain costs of approximately £0.8m.

Risk Management

23. As part of the on-going discussion with Hampshire, the risks relating to the development of the partnership arrangement have been fully explored and are reviewed regularly.
24. There are some considerations that are specific to the Hampshire partnership that need to be understood in relation to risk:
 - The partnership works on a cost share basis. As such there is no mechanism for guaranteeing the saving set out in the full business case, or for controlling cost increases. However, as costs will be distributed to all partners there will be an incentive to drive improvements to reduce costs.

- As the Hampshire IBC has only been operational since April 2014 there is no track record of successful delivery of services. However, due diligence has been undertaken on the financial and business model from the original partnership which has provided some assurance that the operations should be robust.

RECOMMENDATIONS

25. The Cabinet is RECOMMENDED to:

- (a) agree to join the Hampshire partnership as an operational partner for the provision of back office support services with an expected go-live date of 1st July 2015.
- (b) note that a report will be brought to Cabinet in September 2014 setting out the progress made towards a business case for a second partnership with Hampshire concerning a range of school improvement and support services.

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Background papers: Cabinet 15 October 2013 – Item 8
Cabinet 15 April 2014 – Item 8

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Services in scope for partnership with Hampshire

Finance

Technical Team (Tax)
Finance Service Desk
Banking & Control
Accounts Payable
Income Team
Central Buying Team
Specialist Payments (part)

HR

Pay & Employment Information (Directorates)
Payroll Control
Data Management & Reporting
Resourcing
HR Vetting & DBS
Learning & Development Administration
HR Advice & Helpdesk

Education Support Service

Schools Pay & Employment Information (Schools)
Schools Finance
Schools HR

A small number of posts within the existing OCS operations will transfer to the Corporate HR & Finance teams or Directorates