

**AUDIT & GOVERNANCE COMMITTEE – WEDNESDAY 18
NOVEMBER 2015**

**HAMPSHIRE PARTNERSHIP – THREE MONTHS’ POST GO LIVE
STATUS**

Report by the Chief Finance Officer

1. Introduction

- 1.1 The Audit & Governance Committee has been kept informed of progress towards Go-Live of the Hampshire partnership and since Go-Live. Given we are now into three months post Go-Live, it seems an appropriate juncture to provide the Committee with a further update.
- 1.2 This report focusses on the Finance Systems, including, purchasing and income, but does not include HR.
- 1.3 Cabinet took the decision to join the Hampshire Partnership in June 2014 following a strategic business case and the evaluation of various options available. It was decided that joining the Partnership would realise significant collective benefits through sharing resources, investment and capacity.
- 1.4 Implementation occurred in July 2015, one week later than originally scheduled and we have now completed the first three months of post Go-Live. Although there are still a number of issues to be resolved, we are broadly on a positive trajectory. An IBC Services to OCC – three month Stabilisation – Gateway Review report has been prepared by the Hampshire County Council’s (HCC) Head of Shared Services for Senior Officers in OCC. This report is attached at **Annex 1** and provides the Committee with issues identified to date, proposed solutions and the achievement of performance metrics, as agreed for measuring project success.
- 1.5 A number of arrangements have now been put in place with HCC to expedite the resolution and escalation (as appropriate) of issues. Although some are in the early stages, they are proving to have a positive impact. The expectation has always been, and has been communicated to both this Committee and Cabinet, is that stabilisation and embedding of the new arrangements would be expected to take six months. This would be in January 2016 and at this point it would be expected that there were minimal key issues remaining.

2. Benefits of the Partnership

- 2.1 Oxfordshire joined the Hampshire Partnership which is successfully providing shared Corporate Services for HCC, Hampshire Fire and Rescue and Hampshire Constabulary. Once stable, the partnership will deliver significant savings for the Council as well as providing a modern self-service framework. In addition to the financial benefits, a number of non-financial benefits will be achieved. These include; maintaining resilience and enabling front-line transformation through automation and the adoption of best practice processes.
- 2.2 All partners will benefit from future investment and a programme of enhancement is currently underway with an upgrade scheduled for November 2015. Further developments around reporting and mobile technology are scheduled for 2016.

3. Governance Arrangements

- 3.1 Strong and joint governance arrangements have been put in place to monitor the transition since July, covering the first three month period of stabilisation. This has included; the Project Board (jointly attended by Hampshire and Oxfordshire), a Professional Leads Stabilisation group reporting to the Project Board, also jointly attended by senior Hampshire officers and Oxfordshire Professional Leads for Finance, Purchasing, HR and Schools. An Oxfordshire Externalisation Board has also remained in place with senior management representation across all the outsourced areas which met monthly, and which I chaired.
- 3.2 Governance arrangements have been put in place for the six month stabilisation period. These are shown in **Annex 2**. In addition, Oxfordshire will sit on the Strategic Partnership Board as the operational partner representative. The Chief Finance Officer will represent Oxfordshire. This Board will meet bi-annually. Although Oxfordshire's Externalisation Board has now ceased, it will be replaced by an operational board, the Hampshire Partnership Board, which will meet monthly until at least mid-2016 and consist of the Professional Leads and chaired by the Chief Finance Officer to ensure that issues continue to be identified and resolved.

4. Stabilisation Issues

- 4.1 A number of issues occurred during the stabilisation period and these were managed by the Professional Leads Group which had oversight of an Issues Log for the three month period, to prioritise actions and mitigate associated risks.
- 4.2 In summary, these issues consisted of:

- First time events:
 - Pre Go-Live purchase orders unable to be converted to “new” ones;
 - School suppliers in estore not initially open for use;
 - Inconsistency in the set-up of schools;
 - Multiple Employment arrangements (directorates and schools) resulting in access issues;
 - Bulk upload adjustments for HR and pay rather than relying on self-service;
 - Inability of the IBC BPC system to roll-over narrative and deliver drill-down functionality;
 - Staffing cost reports unable to be run.
 - Gaps in data/understanding:
 - Requirement to set up teachers with a secondary record;
 - Complexity of resolving bursar access;
 - Duplicate payments batch file, requiring recovery from suppliers;
 - Bank mandates for direct debits and direct debit runs;
 - Levels of unallocated cash;
 - Loading of “old” OCC vendor numbers;
 - Lack of engagement on some new processes such as submission of first petty cash claims.
 - Process and system issues:
 - Slow responses to IBC enquiries;
 - Flexi-time recording issues;
 - Minor data breaches.
- 4.3 Most of these issues have either been resolved or are in the process of being resolved through current IBC processes, OCC change of process or a change request which will be implemented in November/December. Over the coming months we will continue to capture any new issues, resolve outstanding issues and ensure resolved issues do not resurface. Overall, processes need to become part of business as usual over the next three months.

5. Impacts of Issues on the Council

- 5.1 The issues identified above have had some impact on the business. The key ones are listed below:
- Duplicate payments - we are aware that there have been some duplicate payments to suppliers since the Hampshire Go-Live and have arrangements in place to recover these. At present, we cannot be sure of the totality of these overpayments and Hampshire is working to provide us visibility of this as soon as possible. We have requested that this metric is included in the P2P (Procure to Payment) Dashboard

and they are currently investigating this option or will be discussing a suitable alternative.

- Late payments to suppliers where Purchase Orders are not migrated. This has been particularly problematic for payments to Social Care agency staff. We have undertaken a complete review of these invoices and discussed these with the relevant suppliers. Many of the issues have been around the format of the invoice when it is submitted to the IBC and supporting documentation. Payments are now progressing.
- Late/incomplete Direct Debit runs. This has been largely an issue in Adult Social Care. There were two direct debit runs where all payments were not collected from the IBC. This is looking to be rectified in the mid-November direct debit run. We receive rejection reports after each run to monitor progress.
- Aged-debtor information – We have been unable to obtain an Aged Debtor report since Go-Live. This will mean that we have been unable to manage and recover any potential outstanding debts. We expect this information to become available once the O2C (Order to Cash) Dashboard goes in production from end November/early December.
- Pensions issues (MARS returns) – There have been issues regarding the quality of the information provided to OCC. The issue pertains to lack of quality assurance over the data provided which should be a function of OCC as the employer and owner of the OCC data. We are currently working to identify where this activity should reside in OCC.

6. Arrangements for Ongoing Resolution of Issues

6.1 We have put in place a number of arrangements to more quickly and effectively capture, identify and resolve issues, these include:

- A structured process for capturing issues across the Council, with a nominated person in each directorate gathering issues and meeting fortnightly with Professional Leads to either resolve immediately or identify a solution and report back. A comprehensive log of all issues and resolutions will be kept by each nominated person. This process will not include schools as there is a separate process in place managed by the Schools Transition Team;
- Working Groups, consisting of HCC and OCC staff, which meet monthly to rectify income and purchasing related issues;
- The Schools Transition Team will have visited every school by year-end providing hands-on-training on the new processes and formulating an understanding the difficulties encountered by schools and how they can be resolved. This is supplemented by “shadowing” sessions for schools for finance and HR, run by the IBC. Take up of all sessions has been good and these are starting to deliver dividends;

- The roll-out of a comprehensive programme of “Bitesize” training covering; finance, HR and purchasing, being delivered at various locations across the County. This programme has already commenced and is due to continue until at least January 2016. Early feedback has proven to be very positive. This training will continue to be delivered on an ongoing basis as a refresher programme and for new OCC starters;
- A broad suite of guidance (“How To”) material and top-tips on the intranet on all IBC outsourced services. This has recently been reviewed and enhanced;
- Gathering precise information on qualitative aspects of responses by the IBC is difficult, however we have in place a number of mechanisms which should facilitate this including:
 - a “mystery shopper”, whereby an independent caller will contact the call centre anonymously with a fictitious query to test the how well the IBC solves the issue or escalates, combined with their attitude and approach to the caller;
 - HCC have instituted forums for collecting information on customer interaction;
 - An OCC representative from schools and HR will be listening in to some queries taken live at the call centre.
- The Business Data Upload (BDU) system was designed as an interface between OCC feeder systems and the IBC SAP system. It was also agreed that it could be used for one-off vendor transactions. Since Go-Live it has transpired that there are significantly more users who have access to this system and are regularly using it much more than originally envisaged. The controls around this system are very weak. We have put in place a BDU Project whereby OCC staff will form an understanding of the types of transactions uploaded and work with HCC to improve OCC processes so they can use an established, standard route with the requisite controls.
- Hampshire is currently testing a P2P and O2C Dashboard, which will provide key metrics of purchasing/payments and income activities. This is due go-live end November/early December.

7. Performance Metrics

- 7.1 A number of performance measures were agreed between HCC and OCC at the inception of the project which would indicate its success, covering finance (purchasing, invoicing, payments, banking and tax), operational finance (BPC) and HR (recruitment, DBS, pay, expenses). However, these are all quantitative. There are currently no qualitative measures such as customer service. Generally, indicators are showing a stepped improvement over the three month period and these are expected to continue to improve over the next three months.

RECOMMENDATION

The Committee is **RECOMMENDED** to note the report and ask the Chief Finance Officer to report back in February 2016 once the partnership has been operational for six months.

LORNA BAXTER

CHIEF FINANCE OFFICER

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