

AUDIT & GOVERNANCE COMMITTEE –24 FEBRUARY 2016

HAMPSHIRE PARTNERSHIP – SIX MONTHS' POST GO-LIVE STATUS

Report by the Chief Finance Officer

Executive Summary

1. An update on the Hampshire Partnership - Three months' post Go-Live was provided to the Audit & Governance Committee on November 2015. The six month's post Go-Live milestone was achieved in January 2016.
2. This report focusses on the status of the service at six months stabilisation, including issues which are still outstanding and actions taken for resolution. In scope is Finance, HR and Schools.
3. A joint report with Hampshire County Council (HCC) is attached at **Annex 1** – Integrated Business Centre (IBC) Services to OCC – 6 Month Stabilisation. The IBC is the specific name of the shared services centre in Hampshire.
4. Overall, OCC is in a much improved position compared to three months ago, at the mid-point through stabilisation. The expectation has always been, and has been communicated to Members, that stabilisation and embedding of the new arrangements were always expected to take six months.
5. OCC continues to work closely with HCC to understand and respond to remaining issues and has implemented a number of mechanisms to ensure a swift resolution.

Governance Arrangements – Operational and Strategic Boards

6. The Hampshire partnership provides shared Corporate Services for Hampshire County Council, Hampshire Fire & Rescue, Hampshire Constabulary and OCC. Operational and Strategic Boards have been established which bring together all the four partners. The Chief Finance Officer chairs the Operational Board and represents all operational partners on the Strategic Direction Board.
7. Meetings of both Boards were held in January 2016. At these meetings all partners agreed that in order for HCC to be able to sell its services and broaden its customer base, two things were required; qualitative data, which gave a view of customer satisfaction with the service, and reliable and efficient service delivery.

Remaining Outstanding Issues and Specific Actions for Resolution

8. There are two key ongoing issues related to delivery of services by the Hampshire partnership, which we are working very closely with HCC to resolve. These, and their associated actions, are all detailed in the joint report, in **Annex 1**. The two which are significant are listed below:
 - OCC has yet to receive a full set of the monthly pension data for either the Local Government or Fire-Fighters Pension Schemes. The Pension Services team is finding workarounds to avoid undue delay in the payment of new pensions and death grants, but the lack of data has led to delays in the calculation of employer contribution rates for new academies. The late submission of data may potentially result in difficulties in providing the Actuary with the information required for the 2015/16 Accounts and the 2016 Valuations. However, this is being actively managed and work is continuing with IBC colleagues to ensure all the outstanding data is provided, and we continue to assess and mitigate the risk. There is a jointly agreed plan in place to deliver this information in the required timeframe, which HCC is progressing.
 - HCC not meeting target response timescales for queries and measuring the effectiveness of those responses. The non-achievement of targeted response times has ramifications both on the business and its customers. As an example, a number of adjustments need to be made retrospectively to payroll when response timeframes aren't met by HCC, exacerbated by OCC manager late notification. HCC will be rolling out a plan of continuous improvement of its Customer Support model, including the Contact Centre and online enquiry forms to meet targeted requirements, over the coming months. The plan will look at quantitative (response times) and qualitative (effectiveness/customer experience) aspects. OCC will supplement this with user/manager education and improved online guidance.
9. Detailed/transactional level information which under pins the Aged Debt Report, especially with respect to legacy debt (pre-IBC or migrated debt) is currently outstanding.
10. There are some operational issues that have been identified during the stabilisation period, that are not directly IBC related but are as a consequence of the transfer and should have been addressed during the business readiness project stream. These are now being addressed internally within the Directorates on a case by case basis, overseen by Corporate Finance to ensure internal control requirements are being met.
11. There are some other issues on the income collection side, which are undermining confidence in service reliability, including;

- A batch of invoices being sent to OCC customers with HCC payment details;
- Invoices emailed to customers which are hitting spam filters and hence risking non-payment;
- Emails being sent to customers with unsuitable subject headers (e.g dunning letters, or invoice numbers);
- IBC Portal reports not being an accurate reflection of an actual customer account balance as data is being drawn from other customer records.

The IBC are aware of these issues, as they have been escalated to the Head of the Shared Services Centre. There is a plan in place for resolution and is currently treated as a priority.

OCC Actions for Process Improvement

12. We have in place a number of arrangements from an OCC perspective to more effectively capture and resolve issues:
 - Since October 2015 we have been meeting monthly with IBC representatives to discuss purchasing and income related issues. This will continue at least until the end of the financial year.
 - In November 2015 we implemented a more coordinated approach to the capture, escalation and resolution of issues through an IBC Coordination Group consisting of a nominated Coordinator for each Directorate. This group excludes schools as issues have been addressed through the Schools Transition Team. The Coordination group meets weekly and on a regular basis they are attended by the Head of the IBC and his subject matter expert.
 - In December 2015 we identified particular IBC issues relating to the payment of large suppliers in E&E. We subsequently invited relevant staff and IBC representatives to discuss these issues and associated processes in detail. There was also a follow-up session in January. This targeted approach has proven to be very successful and are currently working with other Directorates to deliver the same.
 - For the last few months, senior representatives in OCC have regular (at least monthly) face-to-face dialogue with senior members of the IBC to escalate significant and unresolved issues relating to Finance and HR. There is now a well-defined escalation route into the IBC.
 - “Bitesize Training” rolled out in October for both Finance and HR continue to be popular and well attended and have contributed to the more effective management and resolution of problems.
 - The Business Date Upload (BDU) was designed as an interface into the IBC SAP system for one-off vendor transactions, and for which no other standard solution is currently available. A project was established in October to review these transactions, as the controls around this system

are weak. The Project team have identified a number of areas which could use an existing solution for payment and those which require an alternative to the current interface system. We will be having discussions with HCC over the coming weeks.

Moving Forward

13. Now we have achieved six months' stabilisation of the IBC, it would seem appropriate to take a more strategic and targeted approach to issue resolution and improvements. In the lead up to stabilisation the view was more short-term and tactical, which was required to reach a steady state.
14. There are a number of mechanisms which have already been introduced or are in train to enable this transition:
 - In the lead up to year-end closedown, The Procure to Pay (P2P) "Bitesize Training" will be less generic and will focus on targeted use of reports and information which can be extracted from the IBC portal. The portal contains copious amounts of information which will facilitate year-end activities. We are also undertaking some analytics around how many people across the organisation have been trained and if there are any obvious gaps we need to target. We have requested a report from the IBC around the types of P2P queries being submitted via on the online tool to further target training requirements.
 - A P2P Improvement Plan is in the process of being developed to focus on the long-term strategic process improvements to facilitate an embedded and sustainable solution.
 - We have introduced a focussed resource in Corporate Finance to be the conduit with the IBC on all corporate debt related issues and re-engineered the process to ensure they are managed swiftly.
 - A member of the OCC corporate income team will be working with the Music Service to improve its internal processes and better align with the IBC with a view to fully automate the regular invoice run.
 - OCC is establishing a Schools Review Group, similar to that established in HCC, which will be meaningfully involved in the on-going review, development and improvement of schools processes with HCC. This Group will have its initial meeting in March and report into the Schools Forum.
 - For the relationship with HCC to continue to grow in a constructive and positive way, users need to be more optimistic and encouraging in the communication with OCC staff and with the IBC. At this point in the partnership, this change of mind set is critical to building a strong long-term relationship. Internal communications will be framed in this manner.

- HCC has a planned roll-out of a number of strategic process improvements over the next 12-24 months which will be of significant benefit to OCC including: increased self-service capability for managers; design and deployment of technology to support self-service; change to business processes to continue the adoption of new ways of working; National Living Wage and National Insurance changes; assessment of resources, structures and remuneration to support delivery of wider organisational change and redevelopment of a Recruitment Retention Strategy.

RECOMMENDATION

15. The Committee is **RECOMMENDED** to agree that a further update be provided in 3 months' time.

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