

Division(s):

## **AUDIT & GOVERNANCE COMMITTEE – 5 JULY 2017**

### **Hampshire Partnership - Update**

#### **Report by Director of Finance**

#### **Introduction**

1. In January 2017 the Audit and Governance Committee received two updates with regard the Hampshire Partnership and the operations of the Integrated Business Centre (IBC). The first was included within the Financial Control Improvement report, and the second was a specific update on the HR Services. This report is for the first time combining the update on both the HR and Finance services being provided.
2. The previous reports highlight two key areas in the operations that were subject to independent review:
  - (a) Payroll Configuration; and,
  - (b) Customer Service Centre.

The outcomes of these reviews have now been concluded and a summary is provided later in this report.

3. In summary overall the partnership governance has been working effectively over the past six months, and there is more open and constructive dialogue on issues arising and improvement opportunities. The Partnership will shortly be signing off agreement to a major IBC Customer Service Improvement Programme that we are fully involved with and will be supporting to ensure that it delivers on the significant improvements required. Quality of customer service remains the key issue for OCC and our staff.

#### **Update on Independent Reviews**

##### **Payroll Configuration**

4. As previously reported to the Committee there had been difficulties experienced in providing the Pensions team with accurate and timely reports. In October further concerns were escalated by the Pension Team to the Director of Finance and the Director of HR. The concerns highlighted suspected errors in the configuration of the payroll system in specific areas of the calculation of pensionable pay. It should be noted that the errors identified were not material in value; however, following various discussions with the IBC at both an operational and senior management level, it was agreed that due to the persistent issues arising, and lack of satisfactory resolution, there was a lack of confidence in the assurance over the accuracy of the system configuration, change control process and operations.

5. Under the direction of their Chief Internal Auditor, Hampshire County Council commissioned an independent payroll and pension's subject matter expert to undertake a review, and to provide assurance over the accuracy and integrity of the system and processes. A summary report of the findings and action plan is attached as Annex 1 to this report.
6. Although the review identified no major issues there were a number of recommendations made which have been implemented; however, resolving the original errors arising from the configuration issues has not yet been concluded.
7. The review highlighted staff development was needed at an operational level to understand the system configuration and how it impacts the payroll records being updated. This will be on-going and therefore it will be some time before we are comfortable with the level of assurance from the IBC operation alone. In the interim we have retained the services of our "subject matter expert" to provide quality monitoring and review.
8. In addition a new Pensions and Payroll Working Group has been set up, and is meeting monthly with key colleagues from both OCC and the IBC (including our subject matter expert) to discuss any emerging issues and to ensure actions arising are concluded quickly and accurately.

### **Customer Service**

9. In the final quarter of 2016, the Hampshire Partnership (including OCC) commissioned an external consultant, Deliberata, to undertake a full review of the IBC customer service model in light of concerns that it was not performing effectively. The initial work included a comprehensive survey of "customers" (internal users) from all four partners, (Hampshire County Council, Hampshire Constabulary, Hampshire Fire and Rescue, and OCC). The evidence from that survey, consistent across all partners, was one of major dissatisfaction with the service.
10. Deliberata made a series of strategic recommendations for improvement identifying weaknesses across the partnership in areas such as governance and communication, along with more specific areas for improvement for example self-service, enquiry management, performance, and technical development.
11. Subsequently a new Customer Services Manager has been appointed and is part of the IBC Strategic Management Board.
12. The outcome of the Deliberata review has been the development of a Customer Service Improvement Programme. The programme plan is due to be signed off by the Strategic Partnership Board in July, but work on engagement with partners, procurement and implementation of new technology has already started.
13. The Programme has three core objectives:

- Overcoming customer challenges
- Delivery of the operating model, including good governance
- Focus on the customer whilst continuing to drive up performance and efficiency.

Deliberata will continue to provide external objective oversight of the programme to ensure that all partner organisations and customers have confidence they are being represented.

14. All partners are in agreement this programme is a priority, and at OCC we have established our own project lead to ensure we are enabling delivery. Crucially there is recognition of the need to fully engage with partners in the co-designing of solutions.
15. A new governance structure has been drafted to run consistently across all partnerships. The model has been built around the good practice adopted between OCC and the IBC over the last 12 months
16. In conjunction with this Programme, the OCC project lead is also undertaking some end to end process reviews looking at the managers role and responsibilities within that process, to determine whether it is the most efficient and effective approach. The outcome of this work will be used to inform discussions with the IBC in respect of the customer service improvement. Within OCC this activity is all coming under the governance of our Transformation Programme, and specifically under the Business Efficiencies work stream.
17. The initial focus of the management process reviews will be activity relating to the updating of organisational management data, for example leavers and recruitment. Organisation Management data was an area identified for action in the Annual Governance Statement, and recruitment process is an area highlighted as not working effectively and too time consuming.

### **Finance update**

18. There have been no material issues or concerns regarding the Finance operations.
19. There are two functional areas within Finance, Purchase to Pay (P2P) and Order to Cash (O2C) (Income and banking) where the professional leads from OCC and IBC meet monthly to discuss performance and issues arising. Within these groups they agree tactical and strategic solutions to any problems identified, or areas for improvement.
20. These meetings are proving very successful, and whilst there is always room for improvement, the issues are being managed, and those that take time to resolve are not material in impact or value.
21. The key focus for these groups at the moment are:

- Vendor and customer master data cleansing.
- Implementation of the Supplier Portal enabling self-service to changes of master data.
- Introduction of prepaid cards
- Continuous improvement on reducing aged debt
- Continuous improvement on improving aged creditors
- Introduction of on-line payments (within OCC)

### **HR Update**

22. The Hire to Retire (H2R) Functional Review Group meets monthly, and as previously mentioned in this report, payroll and pensions matters are now discussed separately in a newly formed functional review group.
23. Similar to Finance, the Functional Review Groups are operating well; however the H2R systems and operations remain resource intensive for the Strategic HR function in OCC, and for our staff. A successful outcome of the customer service programme will be a significant reduction in time taken to resolve H2R related queries and errors.
24. Recruitment system and organisational management data remain the two key strategic issues of focus for the H2R Functional Review Group.
25. There remains a large volume of activity relating to restructures within OCC. The process requires significant planning and resource to effect the changes as the collection of change data is large, it is a manual process and is therefore higher risk of error; there is also a long lead in time required by the IBC. Multiple teams are involved as in order to ensure an employee can operate in a new post it requires the alignment of changes to the finance hierarchy and the organisation hierarchy.
26. The time lag in this process and examples of it not being right first time is causing management issues within services. It is an end to end process that needs a strategic review; however as an interim measure we have offered to the IBC that we process the changes using the expertise we have available within OCC. This has been accepted and we are now working through the details to ensure this approach has the right governance and control.

## **RECOMMENDATION**

27. **The Committee is RECOMMENDED to:**
- (a) note the report;**
  - (b) Confirm whether updates are required routinely and at what frequency, or reported by exception should material issues arise;**
  - (c) Agree to receive a detailed presentation on the Customer Service Improvement Programme.**

Lorna Baxter  
Director of Finance

Background papers: None

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