

THREE RIVERS & WATFORD SHARED SERVICES JOINT COMMITTEE

Date of meeting: 16 February 2009

PART A

AGENDA ITEM

5

Title: IMPLEMENTATION – PROGRESS REPORT

Report of: Laxmi Curwen – Shared Services Programme Manager

1. SUMMARY

1.1 This report provides an overview of the implementation of shared services and gives an update on progress at Watford on the Council's grading structure and pay modelling. It sets out the proposals for implementing shared services prior to the resolution of these issues.

2. RECOMMENDATIONS

2.1 This Joint Committee is asked to note the progress made towards implementing shared services.

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Report approved by:

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3. PROGRESS REPORT

3.1 **Change Management**

Proposal for Redeployment for HR, Finance and IT

At its meeting on 17 December 2008 (Minute JSS15/08 refers) the Committee resolved that the shared services restructure be progressed, but staff be employed on the existing salary schemes of the two councils until they were in a position to finalise salaries linked to the Watford pay and grading structure. Formal consultation on this proposal will begin with staff and Unison on 10 Feb 2009. In broad terms, the proposals would mean staff moving into new structures and co-locating on existing salaries; relocation arrangements and compensation are as per the Change Management strategy agreed by the Joint Committee in October 2008. Once pay modelling is complete and salaries agreed (currently expected to be July 2009), staff would be consulted again and should new salaries be higher than current ones, pay would be back dated to April. If any salaries are lower than existing salaries, agreed protection arrangements would apply from July 2009. Consultation is due to end on 22nd March 2009. Depending on feedback during consultation, redeployment could be completed and staff in post by 20th April 2009.

Impact on budget of pay and grading

The shared services budget has been based on service structures proposed in the Detailed Business case. As pay information had not been finalised the employee salary costs relate to spot salaries agreed with Heads of Service as an indicate mid point of a salary range. A comparison of existing salaries of staff within shared services to spot salaries indicates that overall existing salaries (excluding on costs) are approximately £200,000 lower across all services than we have allowed for in the business case.

It is our intention that as part of the pay modelling work, as soon as any indicative salary levels are known, the likely impact on shared services salary budget and the business case is assessed and feedback provided to the Joint Committee before salaries are finalised.

Heads of Service

The recruitment campaign for the appointment of the Head of HR has started. SOLACE is assisting us with this appointment. An advert will appear in People Management on 26th February 2009, and the interview schedule is being finalised. Lieven Hermans has been appointed to the post of Head of ICT until April 2009. The recruitment process for this post will start in March 2009.

3.2 **Office Moves**

Work on enabling office moves to take place to co-locate Shared Services is progressing well. At Watford, general planned refurbishments of the New Annexe building have commenced and is incorporating requirements for Shared Services which will utilise floors 2 and 3. At Three Rivers, it is proposed that part of the 1st floor be utilised by Shared Services. The current plan, that takes into account

support officer remain in post till June/July 09 to support Shared Services Heads with the implementation, after which the work on implementation will be managed by the Heads of Service, all of whom will be in post by then.

A summary of the key milestones and their current status is shown below, with the addition of 2 new milestones of Appointment of HR Head of Service and Grades & salaries confirmed - :-

Key Milestone	Forecast date	Status	Comment
Joint Committee Set up	24 July 2008	Completed	
Consultation forums set up	October 2008	Completed	Originally expected Aug 08
Heads of Service Appointed for Finance, R&B and ICT	December 2008	Completed	
Budget for SS, Service Plans and Detailed Business Case updated	December 2008	Completed	Originally Nov 08
Implementation team in place	December 2008 /January 2009	Partly completed	Remaining 2 roles are being selected and appointed in Feb 2009.
HR Head of Service appointed	July 2009	On track	New milestone
Appointments made for HR, Finance, ICT	April 2009	At risk	
Office moves complete for HR, Finance, ICT	April – July 2009	On track	
Grades and salaries confirmed	July 2009	On track	New milestone
HR system/Payroll solution in place	April – June 2009	On track	
R&B systems harmonised Appointment and office moves for R&B complete	Nov 2009	On track	
Finance systems harmonised	April 2010	On track	
ICT solution for service delivery in place	April 2010	On track	

3.4 ***Procurement of the financial management system (FMS) and the plan for implementation***

- 3.4.1 An advertisement for the financial management system was placed in the Official Journal for the European Union on 24 October resulting in thirteen suppliers completing the pre-qualification questionnaire (PQQ).
- 3.4.2 PQQs were issued on 7 November and returned on December 1. An evaluation team (Head of Finance, two Finance Managers and the Audit Manager) examined PQQ responses on 3 December, establishing a shortlist of six suppliers for the Invitation to Tender (ITT). The Procurement Officer investigated tenderers and ensured compliance with financial and insurance requirements.
- 3.4.3 Officers produced the ITT documents and the system requirements with advice from independent accounting and software consultants. The ITT was issued to six tenderers on 24 December.
- 3.4.4 Tenderers were required to submit bids by 6 February. During the tender period finance officers visited potential supplier's offices for system demonstrations clarifying the nature of the shared services governance arrangements, separate entity accounting complexities and shared reporting requirements.
- 3.4.5 Following receipt of tenders, the evaluation team will examine responses and

assess these for price and quality using a scoring assessment tool based on the system requirements defined in the ITT. This exercise will be conducted in the elapsed time between the issue of this report and the meeting of the Joint Committee. The Joint Committee will receive a verbal update at the meeting.

3.4.6 It is anticipated that three suppliers will be shortlisted for user demonstrations in Watford/Rickmansworth. An evaluation team will be formed for site reference visits during March.

3.4.7 The FMS is an integrated system including modules for –

- General Ledger
- Purchasing
- Accounts Payable (Creditors)
- Accounts Receivable (Debtors)
- Fixed Assets
- Payroll Cost Accounting
- Cash Reconciliation
- Financial Reporting

3.4.8 The timetable for the award of the contract is shown in Appendix 1.

3.5 ***Procurement of the revenues and benefits system (RBS) and the plan for implementation.***

3.5.1 An OGC framework agreement was used to invite a number of companies to provide a tender for this requirement.

3.5.2 Expressions of interest were received from four companies.

3.5.3 Officers produced the ITT documents and the system requirements and these were issued to the four tenderers on 9 January 2009.

3.5.4 Tenderers were required to submit bids by 30 January. During the tender period a team of officers from Watford and Three Rivers visited user sites.

3.5.5 Following receipt of tenders, the evaluation team will examine responses and assess these for price and quality using a scoring assessment tool based on the system requirements defined in the ITT. This exercise will be conducted in the elapsed time between the preparation of this report and the meeting of the Joint Committee. The Joint Committee will receive an oral update at the meeting.

3.5.6 The evaluation will include system demonstrations at Three Rivers or Watford.

3.5.7 The timetable for the award of the contract is shown in Appendix 2.

3.6 **ICT - Technical Infrastructure Support – Market Testing**

3.6.1 At its meeting on 17 December 2008, (Minute JSS16/08 refers), the Committee noted that the ICT Service Plan assumed that the Steria contract with Three Rivers would terminate in 2010 and that legal advice was being sought on whether the technical infrastructure support part of the service required market testing.

3.6.2 The legal advice is that whilst it is not compulsory to market test the service, both

councils have to demonstrate that they are achieving Best Value within the meaning of the Local Government Act 1999. It is difficult to see how the councils can demonstrate that best value is being achieved unless there is some price and service comparison with the private sector. The provision of IT services is not the core business of local government.

3.6.3 Officers are of the view that there should be a tender exercise and that this approach would be consistent with that used for the procurement of payroll and the IT systems for human resources, finance and revenues & benefits.

3.6.4 It is recommended however that an assessment of the market is carried out before embarking on a full scale tendering exercise. This is because the services that the councils want to procure are certain to change during the life of the contract and any partnership should include advice on how the service might improve the councils' IT strategies. Any specification drawn up now should not constrict future requirements. It is felt suppliers could advise at this stage how they best perceived a specification and contract being drawn up.

3.6.5 Members are reminded that a soft market test was carried out at the outset of shared services. It is proposed to approach four IT suppliers (Serco, Steria, Northgate and Capita) that contributed to that exercise with a view to obtaining their views as to the scope of the contract and an indication of price. Both councils are named in contracts that Hertfordshire County Council have with Serco and Welwyn Hatfield District Council have with Steria, so costing information may be more readily obtained. All four companies can supply similar services through the OGCBuyingSolutions Catalist framework agreement. This would enable the procurement process to be shortened using central consortia contracts.

3.6.6 The market assessment might result in the following options:-

- a) if there is a clear indication that the private sector can provide better value for money than the in-house option, the cost of which has been factored into the detailed business case, then it is suggested that no in-house bid be prepared.
- b) If there is a clear indication that the in-house option provides better value for money and the councils feel this is plainly demonstrable, then the in-house option should be pursued and no tender exercise be carried out.
- c) If the assessment is inconclusive then a tender exercise that includes an in-house option should be pursued.

3.6.7 Officers are identifying what resources are required for each option and whether or not there are existing budgets from which the costs might be met.

3.6.8 A timetable is shown at Appendix 3 if a contract is to be tendered.

4. **IMPLICATIONS**

4.1 **Policy**

4.1.1 The recommendations in this report are within the policies of the Joint Committee, Three Rivers District Council and Watford Borough Council.

4.2 **Financial**

4.2.1 There are no changes to the budget or the efficiency gains already agreed by the Joint Committee, Three Rivers District Council or Watford Borough Council as a result of this report.

4.3 **Legal Issues**

4.3.1 None specific.

4.4 **Risk Management and Health & Safety**

4.4.1 All programme risks are being actively managed by the programme team and the Shared Services management team. There are no risks associated with the recommendation in this report.

4.5 **Equalities**

4.5.1 *Relevance Test*

Has a relevance test been completed for Equality Impact? No

Did the relevance test conclude a full impact assessment was required? N/A

4.5.2 *Impact Assessment*

Not required.

4.6 **Staffing**

4.6.1 Included above

4.7 **Accommodation**

4.7.1 Included above.

4.8 **Community Safety, Sustainability & Environment, Communications & Website and Customer Services**

4.8.1 None specific.

Appendices

Appendix 1 – Timetable for award of the Financial Management System contract

Appendix 2 – Timetable for award of Revenues and Benefits System contract

Appendix 3 – Timetable for the award of the Technical Infrastructure Support contract

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Financial Information System:

Invitation to Tender - Watford Borough Council & Three Rivers District Council for the Supply and Implementation of a Financial Management System.

Watford Borough Council & Three Rivers District Council Statement of Requirements

Revenues & Benefits System:

Invitation to Tender - Watford Borough Council & Three Rivers District Council for the Supply and Implementation of a Revenues and Benefits System.

Watford Borough Council & Three Rivers District Council Statement of Requirements

Appendix 1

Timetable for the award of the Financial Management System contract

Activity	Date
Dispatch of ITTs	23 December 2008
Initial viewing of systems at suppliers' offices	5 January – 23 January 2009
Return of ITTs	6 February 2009 (12 noon)
Opening Tenders	6 February (between 2 and 5 pm)
Evaluation of ITTs and shortlist selection	9 February – 13 February 2009
Notify Suppliers	16 February 2009
Hold presentations	23 February – 27 February 2009
Site visits and evaluation	2 March 2009 – 20 March 2009
Decision on supplier	23 March 2009
Finalise contract details	24 March 2009 – 30 April 2009
Commencement of the Contract	1 June 2009

Appendix 2

Timetable for the award of the Revenues and Benefits System contract

Activity	Date
Dispatch of ITTs	9 January 2009
Site visits and evaluation	22, 23, 26 or 27 January 2009
Receipt of tenders	12 noon 30 January 2009
Opening Tenders	30 January 2009 (after 12 noon)
Evaluation of ITTs and shortlist selection	30 January – 2 February 2009
Notify Suppliers	3 February 2009
System demonstration	4 February – 6 February 2009
Decision on supplier	By 18 February 2009
Finalise contract details	19 February – 28 February 2009
Commencement of the contract	1 March 2009

Appendix 3

Timetable for the award of the Technical Infrastructure Support contract

Activity	Date
Market Assessment	February 2009
Develop tender documentation	March 2009
Issue tender. Suppliers prepare bid.	April – May 2009
Tenders received.	June 2009
Evaluation of tenders and site visits	July – August 2009
Selection of supplier	September 2009
Supplier's 'due diligence'	October – November 2009
Sign contract	December 2009
Set up period	January – March 2010