

Joint Scrutiny Committee



Report of Head of HR, IT & Technical Services

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To: Joint Scrutiny Committee

DATE: 30 January 2017

Five Councils partnership update

Recommendation

That the committee note the contents of this report

Purpose of Report

1. This report provides an update on the day to day operation of the two contracts let by the Five Councils partnership since their start date of 1 August 2016.
2. The report does not explore the financial implications, which will be covered as part of the process for and scrutiny of the 2017-18 budget setting process.

Background

3. The background to the award of the two contracts was described in a report to the Joint Scrutiny Committee of 21 January 2016 and is not repeated in detail here.
 4. Contracts were awarded to Capita (Lot 1) and Vinci (Lot 2), with service commencement date of 1 August 2016 for South Oxfordshire ("South") and Vale of White Horse ("Vale") District Councils.
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Partnership structure

5. The Five Councils partnership includes Hart District Council, Havant Borough Council, and Mendip District Council in addition to South and Vale.
6. East Hampshire District Council is able to access services through its own partner council, Havant, but is not itself a party to the contracts.
7. Governance arrangements are set out in the contracts and in an Inter-Authority Agreement (IAA) between the five partner councils. The IAA provides for the appointment of a client relationship director, a role to which Vicki Whitehouse was recruited starting in July 2016.
8. The client relationship director has at her disposal a client team made up of employees of all partner councils whose role (in outline) is to monitor the contracts and manage the performance of the contractors.
9. Experience of the first six months of the contracts has demonstrated a need to clarify details of the boundaries of responsibility between the contractors, the client team acting for all five councils, and retained services within each of the partners. Mark Stone is leading work for South and Vale in this area.

Capita (Lot 1)

10. Formal performance reporting is in the early stages. After the initial three months of the contract, we have received two monthly performance reports. The December report shows that eight out of nine key performance indicators (KPIs) and all 25 performance indicators (PIs) were being met.
11. The KPI where performance was below target was in payroll, measuring timeliness of employee payments. The failure arose from the delay in paying councillors' expenses in December.
12. Baseline data is still to be gathered for many KPIs and PIs (for example, for human resources and payroll) which are not yet included in these figures, and the performance reports do not yet offer a comprehensive picture.
13. Although all of the in-scope services have moved to Capita's management, they have not yet all undergone the transformation anticipated in the contract. There is an implementation plan with dates scheduled through 2017 and 2018 before all partners reach the agreed target operating model (TOM).

PROCUREMENT

14. The procurement service has been running according to the new TOM since service commencement on 1 August 2016, and procurement operations have given no cause for concern.
 15. The intention is to agree a new set of contracts procedure rules to be harmonised across all partner councils. New rules have been drafted and will be considered within South and Vale by the legal team before coming to the full councils for adoption (if approved).
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CUSTOMER SERVICES

16. Our reception and switchboard services have continued largely unchanged since 1 August. There have been some changes of process within Capita but these have had no visible impact on customers.
17. As a part of the new contract, we switched the provision of the previously failing out of hours service to Capita. The out of hours call service has settled quickly and passed its first big test – the extended Christmas break – without incident.

HUMAN RESOURCES (HR) AND PAYROLL

18. Our biggest operational challenge so far has been with the HR and payroll service. We are currently in the middle of a period of change, with much of the service and back-office systems having moved to Sheffield but TOM not due until the end of May.
19. This interim state has created a number of operational difficulties for employees. The previous HR system is still being used for a minority of tasks and will continue until May, and employees are not always certain about which system to use for which task.
20. The Sheffield team got off to a very shaky start and the quality of service delivery plummeted. There is a rectification plan in place and progress is being made (for example the backlog of calls has reduced), but service delivery remains a long way short of the level it should be.
21. The payroll service should by now have moved to the new system but is still being run according to processes in place before the start of the contract. Capita is continuing to deliver our payroll from Carlisle on the old system rather than from Sheffield on the new.
22. The payroll delays have arisen from a failure to provide sufficient evidence of:
 - accurate payroll processing on the new system
 - successful interface loading payroll data into the core finance system
 - robust plan and success criteria.
23. Officers including the Assurance Manager and the Section 151 Officer (Head of Finance) have repeatedly made clear that we will not sanction a move to the new payroll system until we are satisfied on all of the points above.
24. Some councillors will be aware that there was a delay in payment of their expenses in December, reflected in the failure to meet the KPI for that month. Capita is to provide a full report on this incident before the end of January.

INFORMATION TECHNOLOGY (IT)

25. The IT service is work in progress at present, with TOM due to be achieved at the beginning of April. The councils' servers and network are being moved onto Capita's IT infrastructure, and desktops will be migrated to Windows 10 with new hardware for most users. The telephone system will also be upgraded.
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26. Some problems are being experienced with operational IT during this period of migration. Most seriously, there was a failure of the Virgin network affecting the offices at Milton Park and the Beacon from around 4.15pm on Tuesday 17 January until 10.45am on Wednesday 18 January. Capita is to provide a full report on the incident before the end of January.

ACCOUNTANCY

27. We are due to move to a new finance system, Integra, at the beginning of April, replacing Agresso. Cash receipting will also move to a new system.

28. The existing service has been largely unchanged so far, though the introduction of new systems will in due course facilitate a reduction in the size of the on-site accountancy team.

29. There was recent period of two days of Agresso problems in which the system could be read but no updates could be applied. Capita is to provide a full report on this incident by the end of January.

REVENUES AND BENEFITS

30. There have been no changes yet to revenues and benefits processes, and the client manager reports that performance has been excellent since the start of the new contract.

LICENSING

31. There have been no significant changes in licensing at this stage. Work is under way to prepare for migration to a new system, with TOM date scheduled for August 2017.

LAND CHARGES

32. There have been no major service changes at this stage, though preparatory work is taking place to ensure that all records are digitised consistently. The TOM date is scheduled for October 2017.

Vinci (Lot 2)

33. Vinci is the contractor for Lot 2, and is delivering the facilities management service itself. It has two subcontractors which are delivering the other parts of the Lot 2 Service, Indigo for car parking and Arcadis for property and asset management.

34. Much of the service change was implemented with effect from the start date of the contract, 1 August. In particular, all of the councils' property records were moved to Concerto, a comprehensive property management system which is now used by the contractor, the client team, and retained staff to maintain all property related records. The system continues to evolve and this has been a good step forward for improving our record keeping.

35. As with Capita, formal reporting is in the early stages. The provisional monthly report for December shows all 16 KPIs being met.

CAR PARKS

36. The main change in the car parks service was the introduction on 1 November of a new cashless payment system, Connect, replacing RingGo which was previously operated by the councils.
37. During the first few weeks of operation there was a problem causing a small minority of Connect customers to be overcharged. Indigo accepted that there was a problem, provided a plan for resolving it, and carried out their plan as scheduled so that the issue was resolved by 28 November. The customers who had been overcharged were refunded, and there was no loss of parking income to the councils. Making allowance for confusion arising from the new Connect system, we did cancel three excess charge notices (two in South, one in the Vale).
38. In other respects the service has continued unchanged. We anticipate that ticket machines will be upgraded in due course, subject to satisfactory trials in each district.

FACILITIES AND PROPERTY MANAGEMENT

39. The facilities management service has for the most part been operating smoothly and new ways of working are beginning to settle down. Staff are becoming accustomed to logging requests in a more formal manner on Concerto than was previously the case, and the team has introduced some more rigorous processes.
40. The Concerto system has been adopted and is being well used for keeping track of council properties and repairs. The routine business of managing planned preventive maintenance has been formalised more systematically and record-keeping has improved.
41. Subject to budget approval, we intend to commission condition surveys of council properties. This will provide a detailed record of the condition of the buildings and enable us to determine the level of investment required to bring them up to the good standard which is expected as part of the contractual commitments.
42. All of our leases have now been reviewed, with landlords' and tenants' responsibilities documented clearly, though in some cases the older leases leave some room for interpretation.
43. We are expecting by the end of January to receive draft proposals from Arcadis for the future management of the property portfolios at each council, and these will be discussed with the relevant cabinet members.

Conclusion

44. Inevitably, such a major change is disruptive. Performance to date is a mixed bag, with some services working well and others requiring improvement. We are awaiting full reports on three recent incidents in which service has been badly disrupted (payroll, IT network and Agresso).
 45. There is opportunity for further scrutiny through the Five Councils Joint Committee and Joint Scrutiny Committee.
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