

# **Overview and Scrutiny Committee**

## **TABLED DOCUMENTS**

**DATE: Tuesday 9 December 2014**

### **AGENDA - PART I**

**7. PROGRAMME MINERVA (Pages 1 - 14)**

Report of the Corporate Director, Resources

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Minerva Update

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9<sup>th</sup> December 2014

Project Minerva was launched in March 2013 to address 3 key challenges:

1. Future pressures for cost reductions anticipated from 2015/16 and beyond.
2. The break clauses within the Council's existing contract with Capita that could be exercised subject to one year's prior written notice.
3. The future requirement and use of the SAP IT system.

Options considered and evaluated included Internal Transformation, Sharing Services and Outsourcing for the following service areas in scope:

- ICT Service re-tender
- HRD Review and Transformation (including Shared Services, Payroll and Health and Safety)
- Revenues & Benefits
- Finance & Assurance

- Internal Options - Annual savings £2.0m (17% of spend excluding savings for IT re-procurement), payback under two years, investment costs £1.3m.
- Replacing SAP – Procurement / implementation cost, average payback 5 years, potential service disruption.
- Relocation of back office services – payback approximately ten years, risk of service disruption.
- Shared services – initial discussions with other authorities have been fruitless but Harrow investigating other options
- Outsourcing – Savings between 13% and 20% per annum, payback 2 to 4 years, investment £6.8m - £8.5m payable up front or via contract, disruption through staff relocation and replacement of SAP.

- Provision for the Partnership Agreement with Capita to end on 3rd November 2015 and for the ICT Service to end on 24th November 2015.
- An opportunity existed to secure greater value from a new contract.
- Changes in the future shape and delivery of IT services are anticipated.
- Significant savings targets needed to be achieved.

In January 2014, Cabinet approved the following:

- Exercise of the break clause for the provision of ICT Services to permit cessation from 24<sup>th</sup> November 2015.
- Agreement to not extend the Partnership Agreement with Capita scheduled to expire on 3<sup>rd</sup> November 2015.
- The re-procurement of ICT Services.
- A contract award recommendation for Cabinet to consider.
- The appointment of a Legal and Commercial advisor.
- Authorisation for the Corporate Director of Resources to continue exploring potential partners for a shared service.
- Approval to launch a two-year cost reduction programme aimed at achieving a £2m annual savings target (i.e. 17%)

Since the January Cabinet decision, the following progress has been achieved:

- ICT procurement has commenced.
- Legal and technical support through Eversheds and New Networks has been procured.
- A Bidders day was held with 47 suppliers represented.
- From evaluation of PQQ's and outline solutions, 8 Outline Solutions were evaluated and 4 bidders were invited to participate in dialogue.
- Following evaluation of detailed solutions, dialogue is now continuing with three suppliers.



- Current Harrow Council model is “Single Provider”
- Developments in the ICT Market have been towards SIAM (Service Integration and Application Management) and Towers for specific ICT components
- Government suggested approach is for SIAM / Towers but this is based upon large scale Government ICT procurements
- Our soft market test indicated:
  - Lack of scale makes the SIAM / Towers model unattractive
  - Providers unwilling to take on a full service with an intention to then disaggregate it under a SIAM / Towers model
- Professional advice from Eversheds and SSG confirmed the findings of the soft market test
- Result was to proceed to appoint a prime vendor and to determine through competitive dialogue the extent to which disaggregation may be achievable and the benefits associated with this.

- Quality 60%
  - Architecture & Design of Solution 30%
  - Managing Service Delivery 30%
  - Change, Innovation & Transformation 30%
  - Community Impact 10%
  
- Price 40%
  - Value for Money 60%
  - Variability incorporating certainty and flexibility 30%
  - Performance and Risk 10%

A minimum acceptable threshold of 50% will apply to the qualitative element.

Evaluation of final tenders now anticipated for end of February 2014.

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# Background and Features of the New HRD Service Model



## Background

- Client engagement undertaken and research indicated the current service did not meet organisational needs.
- Transformation was required to address organisational needs and deliver savings of £494k by 31<sup>st</sup> March 2015.
- A service review and report were commissioned from CIPD and IES to propose a new target operating model.
- Employee consultation has just concluded.

## Proposed Human Resources (HR) Changes

- Improved and standardised processes
- A redesign of the HR intranet to improve usability and make it easier for users to navigate and access information.
- An integrated Case Management System (CMS) and workflow system for administering and tracking requests for HR support and transactions
- Deployment of a new telephony system to effectively manage and handle HR requests and transactions received by telephone.
- A new, cost effective model that builds upon the high-level functional structure proposed by the CIPD and the IES.

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## Organisational Development (includes Learning & Development)

- Enhanced HR and line management skills and capability
- A new, cost effective model that builds upon the high-level functional structure proposed by the CIPD and the IES.

## Shared Services (including Pensions, Payroll & SAP Support)

- Improved HR Information System (HRIS) configuration and functionality to enable effective HR operations and self service.

## Health and Safety

- Merger of Health and Safety Team with the Environmental Health Team to achieve synergies in functions
- New arrangements already implemented and savings of £41,000 achieved for 2013/14 and £101,000 for 2014/15 onwards.

## Revenues and Benefits



- Savings identified through Project Minerva from staffing reductions, increased self service and process automation.
- Re-procurement of third party resilience and support to process work, more cost effective than temporary resource, counteracts the effects of reducing HB administration grant and the uncertainty of impact on service of Universal Credit.
- Organisational restructure commenced following consultation.
- Online Housing Benefit application form subject to user acceptance testing and applications for direct debit, single person discount and reporting changes of address now available online.
- Savings of £459,000 will be achieved by 31<sup>st</sup> March 2015.

- Savings identified through Project Minerva to bridge the anticipated funding gap.
- Just under a third of savings from a reduced headcount for which employee consultation has just finished.
- One third of savings from increased investment income resulting from recent loan activity.
- Reduced contributions to the Insurance Fund following a review of claims activity.
- Balance of £110,000 through charges to external sources such as the Pension Fund.
- Savings of £80,000 realised in 2014/15 and full year savings of £964,000 will be achieved by 31<sup>st</sup> March 2015.

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- Continued identification of potential shared service opportunities explored.
- County Councils offer greater opportunities for economies of scale and the likelihood of using SAP thus minimising costs and risks associated with a systems migration.
- Hampshire County Council option no longer under consideration as they have progressed with a shared service arrangement with Oxfordshire County Council for HR and Finance.

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