

**REPORT FOR: OVERVIEW AND
SCRUTINY COMMITTEE**

Date of Meeting:	17 th December 2013
Subject:	Project Minerva
Responsible Officer:	Tom Whiting Corporate Director of Resources
Scrutiny Lead Member area:	Cllr Jerry Miles, Resources Policy Lead Councillor Cllr Amir Moshenson, Resources Performance Lead Councillor
Exempt:	No but Exempt Appendix 1 – by virtue of Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Enclosures:	Appendix 1(to be tabled) – Exempt information

Section 1 – Summary and Recommendations

This report sets out progress to date on a new Council Project (Project Minerva) which is forward planning for savings in a number of Council departments post 2015 and is also considering future plans in relation to the Council's IT and Business Transformation Partnership services currently managed under a partnership agreement with Capita.

Recommendations:

Members are asked to:

- I. Note progress on Project Minerva to date;
- II. Offer comment on the project activities completed to date; and
- iii. Advise on future involvement of Overview and Scrutiny Members in relation to Project Minerva.

Section 2 – Report

Introduction

The Council launched Project Minerva during 2013 in response to three key challenges that the Council is expecting to face and needs to plan for, namely:

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

Current Situation

Cost Reduction

In February 2013, the Council set a balanced budget for 2013/14 and for 2014/15. However, in the preparation of proposals for the two year budget it became evident that the duration of national austerity measures for public services would continue beyond 2015. Consequently, work would need to commence on planning for the delivery of further significant savings beyond the two year budget that was set.

Exact figures on the levels of cost reduction that will be required are not known at this stage. However, an assumption has been made that savings of approximately 30% across all Council services will be required in the four years from 2015/16.

It is evident that the delivery of savings on this scale may only be achieved through significant changes to service delivery models for Council services and as such forward planning is very much required.

IT Service and Business Transformation Contract

The Council entered into a Business Transformation contract with Capita in October 2005. The initial project undertaken through this contract was the implementation of SAP systems to deliver the Council's Finance, HR, and Customer Services as well as to deliver savings in procurement

Further Business Cases were subsequently delivered through the Capita Contract including Libraries, Special Needs Transport, Refuse and Street Services. The current Mobile and Flexible Working and Towards Excellence projects are also being delivered under this contract.

The contract term was for an initial period of 10 years with an opportunity to extend for up to a further 5 years. In November 2010 the Council outsourced

its IT Services to Capita under a variation to this contract for a period of 10 years with a break point after 5 years.

The existing contract (incorporating the variation) therefore permits potential cessation dates of October 2015 for the initial partnership agreement and November 2015 for the variation added for the IT Service.

SAP System

The Council has been actively involved in Programme Athena which has been running across London. The objective of Programme Athena was to promote sharing and commonality for the back office systems being operated by London Boroughs. This involved grouping Councils by the IT system they were operating and assessing whether they could move to single instances of that system and potentially to shared back office arrangements.

Harrow Council has been involved in the OneSAP stream of work and has therefore had discussions with other Boroughs operating SAP systems to seek convergence opportunities. The Corporate Director of Resources has been the OneSAP project lead for London.

An outcome of Programme Athena has been exposure to trends in back office systems across the Boroughs. A number of Boroughs for example are migrating from some of the larger ERP systems onto mid-tier systems.

The potential for replacing the Council's existing SAP system (a top range solution in use across a range of commercial and public sector organisations worldwide) with a mid-range solution has therefore been considered with input from two current market leaders for mid-range solutions in use by Local Authorities.

Other Stakeholders

There are a range of stakeholders that could potentially be affected by project outcomes including residents, Council employees and Trade Unions. Contextually, the Council also provides a range of support functions to Schools who receive services through a range of Service Level Agreements (SLAs).

Services in Scope

The services in scope for this project and associated baseline data are shown in Table 1 below:

Function	Estimated Cost – 2013/14				
	Cost of Staffing including on-costs	Other Direct Costs	Other Direct Overheads	Total Costs	Number of Staff
	(£m)	(£m)	(£m)	(£m)	#
Information Technology (IT)	0.5	6.4	0.8	7.7	7
Revenues & Benefits	3.2	-	1.3	4.5	99
Finance & Governance	3.0	-	0.6	3.6	56
Commercial & Procurement	0.8	-	0.1	0.9	14
Human Resources & Shared Services	3.0	-	0.5	3.5	71
Transactional Processing carried out in other Areas ##	0.2	-	0.0	0.2	7
Total	£10.7m	£6.4m	£3.3m	£20.4m	254

Table 1

Notes:

1. Costs exclude all Support Service Scheme Recharge as majority of Services included in above
2. # Staff numbers relate to Harrow Staff only
3. ## Numbers relate to transactional processing activity being carried out Access Harrow and is subject to validation. Other transactional activity carried out in other Directorates is being investigated.

Approach Taken

The Council's approach to the anticipated financial challenges has involved the following key elements of work to date:

1. Option Development

The Council identified early on three broad options for the future delivery of these services:

1. Internal Transformation (including re-specification of services, SAP system replacement and relocation of services);
2. Sharing Services (with another local authority); and
3. Outsourcing (to a private sector company).

1. Internal Transformation

To develop internal options, services in scope have been given the opportunity to identify how they could achieve potential savings of up to 30% and the levels of investment required. As part of this exercise they were also asked to make an assessment of the impact of these changes on the service provision and clients of the Resources Directorate.

2. Sharing Services

A number of Councils with a stated ambition to either set up shared services or become service providers were contacted.

Of the Councils approached, a number did not consider that they were in a position to commence the provision of services to Harrow Council. Only two Councils attended meetings to discuss the opportunity for joint working and of these, only one has had continued dialogue with the Council.

3. Outsourcing

To determine the levels of savings the market could deliver if some or all of the services in scope were outsourced and what the subsequent model for service delivery may be, six private sector organisations were approached.

For the private sector providers, an initial meeting to discuss Harrow's challenges and ambitions and to ascertain how willing they would be to work with the Council took place. Following the initial meeting, they were each sent a Prospectus which showed the services in scope, their current set up and costs and staffing levels.

Private sector providers were then invited back to a second meeting having received the prospectus to discuss the potential for savings and the models they would put in place to deliver the savings and services concerned. The outputs from this exercise are being used as a soft market test.

4. Options Analysis

Comparisons of internal options against the solutions proposed by external suppliers will be undertaken. Where appropriate, comparisons will also be made with shared service providers.

Consideration of potential risks arising from a disruption to services will also be considered within the options analysis stage. Additionally, investment levels and associated savings will be compared.

5. Workforce Engagement

The development of internal options has involved significant employee input to establish options for achieving savings.

Employees in scope have been provided with regular updates and invited to a number of staff presentations during September and October to ensure the provision of a timely and consistent message. Employees have also had the opportunity to meet with the Project Manager in a number of open sessions and to ask questions about the project. There is also a Project Minerva intranet site which is updated with the latest presentations and responses to questions raised.

There are meetings with Trade Union representatives being held weekly in order to provide a regular update and communication forum.

6. Client Engagement

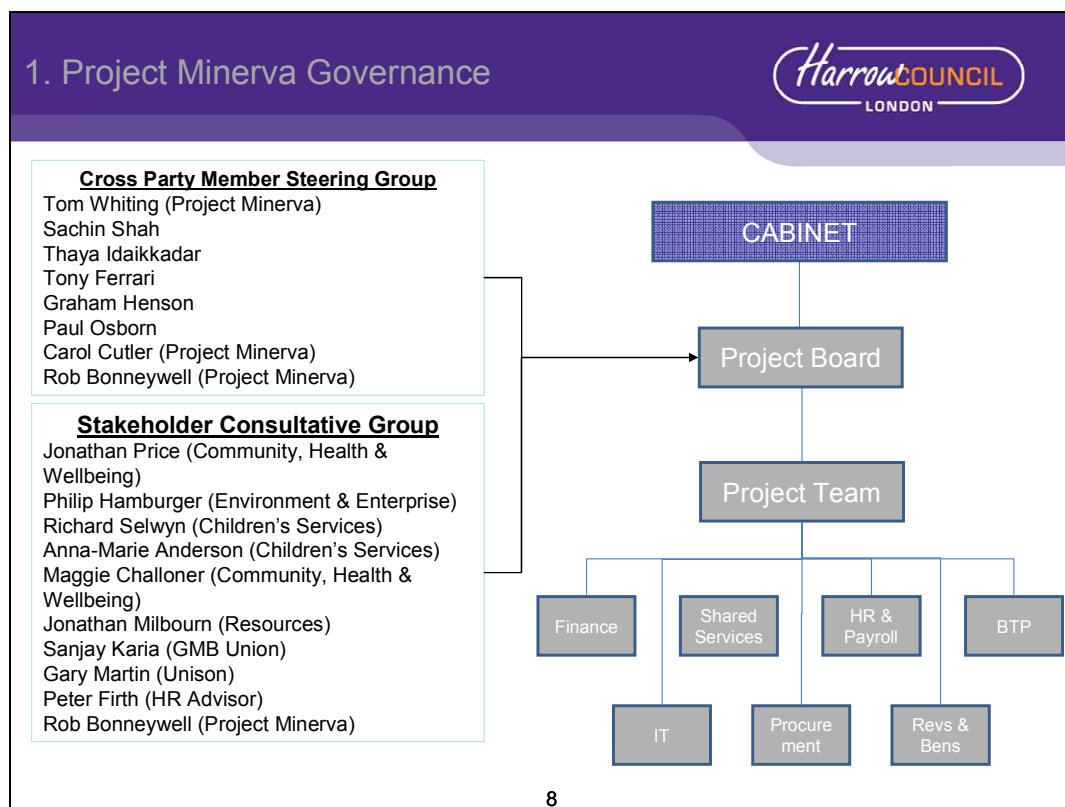
The continued national austerity measures and the outcomes from Project Minerva are likely to facilitate the delivery of Council services in a very different way from how services are currently delivered. Savings are likely to be driven by increased levels of self service and engagement therefore started early with service areas as part of this exercise. This has comprised of surveys with each Departmental Management Team and workshops with managers to understand their current perceptions of services and their likely appetite for receiving services differently in the future. Additionally, the project has established a Stakeholder Consultative Group that has representatives from each of the Directorates and the Trade Unions. This group meets monthly and provides a communication channel into the main client groups for the in-scope services.

7. Schools Engagement

The schools are users of a number of the services in scope through a range of Service Level Agreements (SLAs). If the Council were to consider outsourcing any of these services, this would impact upon the schools. It is therefore important for them to be involved in the process and to understand the choices that they have in respect of the future provision of these services.

The project has been presented on a couple of occasions to the term meeting of the Head Teachers. There have also been school cluster meetings and a conference for Heads and Governors in November to debate the issues involved and to discuss how schools might want to access their support arrangements in the future.

8. Legal & Commercial Advice
The letting of the original IT contract awarded to Capita was supported by external legal and commercial advice. It is anticipated that legal and commercial advisers will be required in the course of this project.
9. Project Governance
A number of Project Governance arrangements have been put in place and are summarised in the diagram below:



The Cross Party Member Steering Group met during September and October and discussed the project plan and project timelines, with particular regard to the timings for local elections in May 2014.

10. Approach & Timescales
The proposed approach is based on submitting a report and recommendations to the January Cabinet meeting.

An indication of the key dates is included below:

04/12/13: CSB Meeting to discuss Project Minerva recommendations
17/12/13: Overview & Scrutiny Committee
15/01/14: January Cabinet Meeting

The precise details of any options to be progressed and associated timescales will be determined once the recommendations have been considered and a decision made. However, the underlying assumption behind the above timescale is that if a re-tender of the IT Service contract is to be undertaken, a supplier / partner would need a period of

up to six months in which to prepare for the contract commencement date. To this extent, a procurement process would need to start in January 2014 to permit the Council to arrive at a shortlist of potential partners by the time of the local government election in May 2014.

Financial Implications

The Council is expecting to face savings targets of 30% across service areas in the four year period post 2015/16. Whilst these figures cannot be determined with precise accuracy at this stage, they are being applied for forward planning purposes.

The annual value of the services in scope is approximately £20M.

Project Minerva has been set up to assist in planning and evaluating how services could meet these challenges and deliver the required savings identified.

Performance Issues

There are no firm proposals for the services in scope at this stage and that is not the purpose of this report.

The models that may be proposed for the delivery of services are likely to see services delivered in a different way. There is likely to be a greater reliance on self service and in some areas the levels of support may be less than at present. The right balance between quality and cost will be developed during any procurement process should the Council proceed to market and will be taken ahead internally if services are retained in house.

Environmental Impact

There are no direct environmental impacts anticipated from this report.

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? Yes

Risks associated with the project are documented on the project risk register and proactively managed through the Project Reporting arrangements.

Equalities implications

Was an Equality Impact Assessment carried out? Underway and for information the legal requirements are as set out below and will be complied with accordingly.

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties. They are not duties to secure a particular outcome. The equalities impact will be revisited for each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that the Council has regard to the statutory grounds in the light of all available material such as

consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

It is important that robust equalities impact assessments are completed and that consultation is undertaken whilst the project is in a formative stage.

An overview Equalities Impact Assessment will be undertaken for the project to be considered by the Equalities Impact Assessment Quality Assurance Group at their meeting of 16th December 2013.

Section 3 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	on behalf of the* Chief Financial Officer
Date: 2 December 2013		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the* Monitoring Officer
Date: 5 December 2013		

Section 4 - Contact Details and Background Papers

Contact: Tom Whiting, Corporate Director of Resources X5484

Background Papers: None