

**REPORT FOR: OVERVIEW AND
SCRUTINY COMMITTEE**

Date of Meeting: 17th November 2015

Subject: Project Minerva Update

Responsible Officer: Tom Whiting
Corporate Director of Resources

**Scrutiny Lead
Member area:** Cllr Stephen Wright
Cllr Primesh Patel

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary and Recommendations

This report sets out progress to date on Programme Minerva (“Minerva”) since it was last presented to the Overview & Scrutiny Committee in December 2014 and presents the outcomes achieved against the original aims.

The aims of the project were as follows:

- Plan for long term cost reduction within support functions in line with the expected reduction in Council budgets.
- Agree the approach for the re-procurement of ICT and in particular whether this should include other back office functions
- Assess the business case for coming off SAP onto an alternative ERP system.

Members will be aware that the programme encompassed a range of work streams which included:

- The project to review and transform the HRD service;
- A range of work streams focussed on identifying and delivering savings in a number of Council departments by 1st April 2015 (Revenues & Benefits, Payroll & Shared Services, Human Resources (HR) and Finance & Assurance;
- The project to tender for a new ICT contract;
- Further investigation of potential shared service opportunities, including the development of potential relationships with other Local Authorities.

The major outcome from the projects was the delivery of 20% savings through internal re-organisation which were delivered on time in order for a full year effect of savings to be taken in 2015/16. These included:

- A restructure of the Finance function
- A restructure of Human Resources and a re-writing of HR Policies and introduction of a new phone based service and helpdesk system. New self-serve HR capability has also been made available online.
- A restructure of Revenues and Benefits, the partial ‘northshoring’ of an element of the service and implementation of further automation.

The savings were delivered for a full year effect in 2015/16 which was quicker than originally anticipated as the council’s funding gap grew over the life of the project.

In addition the following outcomes were also achieved from the programme:

- A successful re-tender of the ICT contract, with the award of a new contract to Sopra Steria with effect from 1st November 2015;
- A decision to remain on the existing SAP system; and
- Further investigation of shared services opportunities.

Recommendations:

Members are asked to:

- I. Note the results achieved from Minerva (effectively complete);
- II. Offer comment on the project activities completed to date; and
- III. Acknowledge that the total programme spend was £70k under the original budget (of £1,741k).

Section 2 – Report

Introduction

The Council launched Minerva in March 2013 in response to three key challenges that the Council was expecting to face and 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 ICT Service contract with Capita that could be exercised subject to one year's prior written notice.
3. The future requirement and use of the existing SAP IT system.

In considering the above, a range of possible options were researched and evaluated including internal cost reduction proposals, SAP replacement, relocation of services, shared services, outsourcing and a retender of the ICT service.

A summary of the work undertaken since December 2014 and the key outcomes achieved are set out below:

Internal Cost Reductions

Services in scope within the Resources Directorate developed cost reduction options including but not limited to internal change projects, service transformation and increased self-service through channel migration. Internal options were developed with an input from managers and employees across the Resources Directorate. Options were also received from Trade Unions (i.e. Unison) in relation to some service areas.

Internal options identified a potential for almost 20% savings across Finance and Assurance, Human Resources and Shared Services and Collections and Benefits. These accounted for potential annual savings of £2.0m based upon an initial investment of £1.3M and an annual cost base of approximately £11.6m. The overall payback period for these was less than two years. The projects for these areas have all been satisfactorily implemented and the benefits released.

ICT Re-tender

The existing partnership agreement with Capita was to expire on 3rd November 2015 but could have been extended by up to five years subject to at least 12 months written notice. The variation to that agreement for the provision of IT Services was also to expire on 24th November 2020 but contained a break clause provision that could be exercised subject to giving at least 12 months prior written notice.

The contracted services provided by Capita included Business Transformation and had an initial focus on SAP implementation for Finance, Payroll, CRM

(Customer Relationship Management) and the delivery of Procurement savings.

In 2010, the IT Service was incorporated within the existing partnership agreement as a contract variation with one of the key contractual requirements being a major IT upgrade programme. The ability to transfer risk to the supplier was a key factor in this decision.

As the option existed to re-tender the IT Service contract, it was considered that the opportunity for securing greater value from the contract should be taken especially as the market had fundamentally changed since the contract was originally awarded. Additionally, further changes in the delivery of IT services were anticipated for which the existing contractual arrangement provided little “headroom” to accommodate. The added need for the Council to achieve significant savings targets between 2015 and 2020 was also a material consideration in this decision.

Based upon the above key factors, at the Cabinet meeting on the 15th January 2014 it was therefore agreed:

1. To exercise the early break clause within the Incremental Partnership Agreement variation for the provision of IT Services.
2. To refrain from extending the initial period of the Incremental Partnership Agreement.
3. To approve the re-tender of the IT Service contract under EU Procurement rules and in accordance with contract standing orders and delegate authority to proceed with the procurement to the Corporate Director of Resources in consultation with the Portfolio Holder for Communications, Performance and Resources and the Portfolio Holder for Finance and to bring a contract award recommendation to Cabinet for commencement of the IT Service contract.
4. To approve a process to appoint a Legal and Commercial provider for the re-tender of the IT Service.
5. To authorise the Corporate Director of Resources to continue exploring the potential for a shared service arrangement with suitable partners.
6. To approve the launch of a two-year cost reduction programme aimed at achieving a savings target of 17% (i.e. £2.0m per annum).

Current Situation

Cost Reduction

The Council budget that was agreed in February 2014 projected a funding gap of £24.75m in 2015/16 and £20.765m in 2016/17. Based upon this projected gap, it was apparent that savings of the magnitude required could only be realised through significant changes to service delivery models. Grant settlement figures subsequently published indicated an estimated £75M budget gap for the four year period 2015/16 to 2018/19.

The annual value of the services in scope under Minerva (please see “Services in Scope” below) was approximately £11.6M (excluding the ICT service element). The savings identified from progressing with the internal options recommended to Cabinet in January 2014 through Minerva totalled £2.0M.

Services in Scope

Services in scope for Minerva were as follows:

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

Approach Taken

Following the Cabinet decision in January 2014, plans to implement the 5 key projects for the services in scope were commenced focussing on cost savings, transformation, potential shared service arrangements and the Procurement of ICT services. A summary of the outcomes relating to these is set out below:

1. HRD Review and Transformation

As part of the cost reduction exercise it was identified that the service did not meet the needs of the organisation and that a transformation of the HR service was required to achieve the level of savings and meet the organisation's needs. As a result of a review that was commissioned and jointly undertaken by the Chartered Institute of Personnel Development (CIPD) and the Institute of Employment Studies (IES) the following changes to the service model and roles performed within it were made:

- Implemented an improved HR service delivery model including the implementation of a phone based service and helpdesk system and re-written HR Policies;
- Realised full year savings of £494k by 1st April 2015;
- Delivered the transformation on time, to agreed quality standards and within budget;
- Ensured smooth transition to the new delivery model;
- Effectively managed the impact and transition for affected staff: and
- Acting as a platform for delivering further savings in the future (2016/17 and beyond).

To facilitate the achievement of the above, a Project Team was established and a new Target Operating Model (TOM) was developed and implemented. The main features of the TOM are outlined below:

Human Resources (HR)

- Improved and standardised processes delivering operational efficiencies.
- A redesign of the HR intranet to improve front-end usability and making it easier for users to navigate and to access HR information.
- An integrated Case Management System (CMS) and workflow system for entering, administering and tracking requests for HR support and transactions providing a single source of records.
- 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 for HR and Organisational Development activities in their final report dated May 2014.

Organisational Development (including Learning and Development)

- Enhanced HR and line management skills and capability aligned to the new service delivery model.
- A new, cost effective model that builds upon the high-level functional structure proposed by the CIPD and the IES for HR and Organisational Development activities in their final report dated May 2014.

Shared Services (including Pensions, Payroll & SAP Support)

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

The new service delivery model is provided to all Council directorates and the schools service.

Employee consultation for the revised service delivery model proposals was concluded on the 8th December 2014 and the project was concluded on the planned date of 1st April 2015.

Health and Safety

Savings within the Corporate Health & Safety team were related predominantly to changes in the organisational structure resulting from transferring the service to the Environment and Enterprise Directorate, thereby merging the Health & Safety team with the Environmental Health team. A reduction in full time equivalent posts as well as the cost base for the service was anticipated as a consequence. Additionally, increased income was anticipated from external sources.

The new arrangements have been implemented resulting in an advance realisation of savings totalling £41K for 2013/14 and a full year's saving of £101K for 14/15 onwards.

Lessons Learnt from the HR Project

At the conclusion of the project a post-project review was undertaken. The main lessons learnt were:

- The training and development specification for managers and HR staff was over ambitious and could not be met given the budget constraints.
- Training for managers could have been delivered in house by HR and/or the project team.
- Allowing voluntary exit staff to leave earlier, not requiring them to work their full notice periods would have minimised disruption and low morale among remaining staff.
- Create an "idiot's guide" to the Target Operating Model for staff and managers to aid communication and consultation with staff and customers.
- Started consultation with the trade unions a lot earlier regarding the need to streamline HR Policies and Procedures.

2. Revenues & Benefits

Cost reductions identified through Minerva for the Revenues and Benefits services related to reductions in staffing achieved through increased customer self-service and the automation of processes, combining of roles to achieve synergies, and a resilience and support service currently provided by Capita through the existing partnership agreement.

A restructure of the service, including partial northshoring, has been completed following a 4 week consultation period. Integration of e-forms with back office systems to enhance the customer experience and create additional capacity has also been completed. Resilience and support for the services is being retained through the existing incremental partnership agreement with Capita and permission to procure a supplier to facilitate seamless provision of this support from 1st November 2015 when the existing partnership agreement ends has been sought from Cabinet at the December 2015 meeting.

The annual savings of £459K identified through Minerva have been realised by the planned date of 1st April 2015 and implementation has been completed on time. On income collection Revenues & Parking Income has not been affected and excellent monthly collection occurs. However there were some performance pressures in Housing Benefits concerning processing times. This may have partially resulted from the staffing reduction and in order to resolve the issue additional temporary resource has been put in to the service. The situation is being monitored.

3. Finance & Assurance

Just under a third of the savings proposed for 2015/16 will be employee cost savings arising from a reduced headcount. A third of the savings target has been achieved through increased investment income generated as a result of recent loan activity. Savings of £200k have been realised through reducing contributions to the Insurance Fund following a review of claims activity and the balance of £110k has been achieved through charging activity to other income sources such as the Pension Fund.

The new arrangements were in place by 1st April 2015 in order to yield a full year's equivalent of savings amounting to £964k. Additionally, £80k was realised early in 2014/15.

4. ICT Procurement

Following the Cabinet decision in January 2014 when it was agreed not to extend the current IT Outsource (ITO) (with Capita) and the Minerva update report to this Committee in December 2014, a range of procurement activities have since progressed and been completed enabling the award of a new ICT contract to Sopra Steria. Legal and technical support for the procurement was provided through Eversheds and New Networks respectively following a selection process.

Procurement for the ITO was conducted applying the EU Competitive Dialogue procedure following advice from Eversheds. This process enabled

the Council to engage with the market to establish how the service can be delivered to meet objectives through an iterative dialogue with suppliers. This approach also allowed solutions to be proposed, discussed and amended throughout the process until the optimum solution is submitted.

The ITO procurement was advertised through the Official Journal of the European Union (OJEU). An initial “bidders day” was held that was attended by 47 suppliers and PQQ’s together with Invitations to Submit Outline Solutions (ISOS) were submitted by 12 organisations. ISOS responses remained unseen until the PQQ evaluations were complete. The top 8 bidders had their ISOS submissions opened.

ISOS submissions were then evaluated for the 8 bidders shortlisted and 4 bidders were then invited to participate in competitive dialogue. A further evaluation of submissions was undertaken at the Invitation to Submit Detailed Solutions (ISDS) stage whereby the number of bidders was reduced from 4 to 3.

Competitive dialogue was concluded in early 2015 with Sopra Steria being awarded the contract.

External Shared Service Arrangements

The Council is continuing to identify shared service opportunities with other Local Authorities, particularly other London Boroughs and County Councils. These initiatives are now being managed by individual services (such as Commercial & Procurement, Legal and HR) and have been moved out of Minerva’s remit.

Progress continues to look for a shared service partner for HRD. A business case is being developed with Buckinghamshire County Council aligned to their usage of the SAP system.

Initial work is also being undertaken to look into whether there is a possibility to create a shared service for Commercial & Procurement between Brent, Bucks and Harrow.

Programme Governance

Minerva has now been completed and subject to final legal costs in respect to the ICT Migration will come in below budget and on time. The Minerva Programme Board has been disbanded.

Financial Implications

The Council budget agreed in February 2014 projected a funding gap of £24.75M in 2015/16 and £20.765M in 2016/17 (as reported to Cabinet/Council in February 2014). The grant settlement figures subsequently published indicated a then estimated £75M budget gap for the four year period 2015/16 to 2018/19.

The annual value of the services in scope under Minerva (excluding ICT) was approximately £11.6M. The original savings identified under the internal option from Project Minerva totalled £2.0M, which through the various projects outlined above have been achieved.

Performance Issues

Proposed changes to service delivery models have resulted in services being delivered in a different way. There is an increased emphasis on self-service particularly in HRD and for customers accessing Revenues and Benefits services through Access Harrow. In some areas, support is now provided through different channels (such as via the Intranet and online policies and procedures). As mentioned above there have been some performance pressures within Housing Benefits concerning processing times. This is being addressed using additional resource to relieve the pressure and the situation is being monitored.

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. There was a Risk Register for the major projects (e.g. ICT and HRD).

Project risks were documented on the project risk register and proactively managed through the Project Reporting arrangements and through VERTO.

Equalities implications

Was an Equality Impact Assessment carried out? Yes

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 was revisited for each of the proposals as they were 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 was completed for Project Minerva and considered by the Equalities Impact Assessment Quality Assurance Group at their meeting of 16th December 2013. Specific EqIA's for the individual projects or areas were established and completed, as required.

Section 3 - Contact Details and Background Papers

Contact: Tom Whiting, Corporate Director of Resources X5484

Background Papers: None