



London Borough of Harrow Council
&
Buckinghamshire County Council
Joint Shared HR Service Project

Harrow Council

LONDON BOROUGH OF HARROW COUNCIL

&

BUCKINGHAMSHIRE COUNTY COUNCIL

OPPORTUNITY FOR SHARED HR SERVICE

BUSINESS CASE

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Executive Summary

The harsh financial climate and financial austerity measures mean that the pressure to provide services at reduced cost is of paramount importance to both councils.

More and more councils are exploring ways to share services, looking at ways to improve efficiencies that will reduce costs.

Both London Borough of Harrow Council (LBH) and Buckinghamshire County Council (BCC) have undertaken transformation exercises that drive improved practices, whilst reducing their in-house capacity; this leaves the options of either working together to drive change and reduce cost or to outsource to a Private Sector organisation.

Following the successful collaboration of the Councils' Organisational Development & People function and Legal function and a high level Payroll Business Case, an options appraisal to look at the opportunity for the full HR function was undertaken in September 2015. This business case now explores the preferred two options for working together on full HR and Payroll function:

- Option 1 – a HR service Managed by Buckinghamshire County Council (BUCKS)
- Option 2 – a HR service jointly Managed by both Councils (JOINT)

The purpose of this document is to inform a decision as to which option to take forward to both Council Cabinets for a decision to proceed.

Inter Authority Agreement

The appendices within this document articulate the proposed phases and expectations regarding target operating principles for illustrative purposes. Once a decision is made to proceed, detailed work will be undertaken with both parties to develop an Inter-Authority Agreement. This document will detail, but is not limited to:

- Delivery standards, Service Level Agreements
- Performance review and remedy notices
- Break clauses
- Relationship Management and the dealing with Member/Strategic issues
- Reporting and KPIs
- Retention/return of data
- Implications for staff affected by TUPE transfer
- Full cost to Harrow of Option 1, including overheads
- Sharing of financial benefits/savings
- Sharing of implementation costs (investment, redundancy etc.)
- The application of TUPE
- Governance requirements

Financial Summary

The financial summary for both options is detailed below, with [Appendix I – ICT and Implementation costs](#) providing a breakdown of proposed ICT activities and implementation costs. With both options, investment and redundancy costs outweigh identified savings in year 1 and year 2. The main reduction



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in headcount will occur from April 2017. This is to enable the new management team to use the first part-year to fully understand the differences, the opportunities and allow time for stakeholders to be engaged in the changes ahead.

The full financial breakdown is detailed in Section 5, Finance Analysis and Comparison, with additional breakdown of indicative ICT costs and implementation costs detailed in [Appendix I](#). In summary the overall difference in financial terms is:

	Option 1 Bucks managed model			Option 2 Jointly Managed Model		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
In year (savings)/expenditure	373,325	(315,802)	(667,897)	397,527	(126,100)	(433,819)
Cumulative (savings)/expenditure	373,325	57,523	(610,374)	397,527	271,427	(162,391)

The cumulative savings (shown in red) will be split between both councils.

The main difference between the two models is the savings realised through creating a lean management structure, reducing duplication and matrix managing under the Bucks managed model.

A tolerance of +/- 20% should be allowed for in respect of quality of data, unknowns around people affected by the change, pension strains, ICT developments and estimates regarding future job ranges.

The Inter Authority Agreement will detail how savings, investments and income generation are split. Based solely on the current identified salaries, plus on costs, an indicative apportionment of Savings and Investment would be approximately 40:60 (Harrow:Bucks), based on:

- Total Salary cost (including on costs): £3,934,180.47
- Cost of Harrow posts including on costs: £1,501,113.45 (38.16%)
- Cost of Bucks posts, including on costs: £2,433,067.02 (61.84%)

This takes no account of organisational overheads and additional costs, which would need to be explored as part of the Inter Authority Agreement.

The apportionment of additional income generated from Harrow Borough Schools would be detailed as part of the Inter Authority Agreement.

ICT implications

The ICT implications are the same for both options. This Business Case provides a High Level roadmap of proposed ICT activities. More detailed work is currently being undertaken to inform the financial modelling.

With both options, it is proposed that only ICT developments to support joint working (i.e. connectivity) and the transfer of Schools and Pensioners payroll are undertaken as part of this programme of change. As such, in either option both councils will therefore retain SAP/HR and independent ESS/MSS portals and Harrow schools will continue to benefit from a SIMS to SAP connectivity.

Further work is being undertaken with both ICT teams, together with Harrow’s provider Sopra Steria to explore the ICT solution; however the estimated minimum investment on ICT to support this



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programme of change, included in the financial summary above is approximately £421k over the 3 year period.

As the councils are now working together across multiple functions (Legal, Organisation Development and potentially Procurement and now HR) it is anticipated that a wider analysis of the ICT infrastructure and joint SAP estates will be undertaken, which must sit outside the scope of this project. The implementation of this programme of change would align closely with any recommendations coming from that project.

Payroll

A previous recommendation that BCC host Payroll and Transactions services for both councils is included in both options. This is because BCC is in a better position to absorb the additional work associated with providing a service to both authorities.

The Payroll proposals, as outlined in [Appendix A – the Roadmap for Change](#) are such that in either model Harrow would retain ownership of their data in a 'live state', which means an exit strategy will be easier to construct and execute if necessary.

Impact on Customers

One of the drivers for this project was the requirement to maintain or improve customer experience. The ICT changes are limited to those that enable cross working, and have no detrimental impact for internal or external customers.

Internal services will see no initial change to their experience, retaining the use of independent SAP ESS/MSS portals until such time as there is business benefit to review this. Over time, there is likely to be aligning of help desk activity, so the telephone number used may change. However both councils will retain intranet access to their independent policies, procedures and guidelines (although these may be standardised as part of reviewing best practices).

The hosting of payroll for schools will transfer to Bucks CC in both options, from April 2017 at which point the customer experience will change slightly as Harrow schools transition to the Bucks SIMS to SAP connectivity. How this will look is not currently known, but training and guidance will be part of the engagement with schools during autumn/winter 2016/17 to ensure customer experience is maintained. Bucks CC are developing the SIMS to SAP solution to mirror or enhance the capability currently provided, to ensure that the quality of experience is not diminished and this will be fully tested before the transition of Harrow schools' payroll from April 2017.

It is anticipated that through shared working, the breadth of knowledge will be developed, for example in Employee Relations casework and the sharing of Change Management expertise. This is expected to result in improved customer experience for more complex cases and ongoing transformation activities.

Pros and Cons of each option

Both options have benefits and dis-benefits that may inform the decision-making process and these are summarised below:



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PROS (Benefit)	Option 1 Bucks	Option 2 Joint
Develops resilience through multi-skilled workforce - Peaks and troughs effectively managed	✓	✓
Contribution based pay that drives performance and improves control of spend	✓	x
Provides opportunity to review 3 rd party contracts and create economy of scale	✓	✓
Lean decision making process, to support quick response to change	✓	x
Minimal initial impact on staff	x	✓
Career opportunities for staff to develop knowledge and expertise across a wider customer base	✓	✓
Mobile working environment that reduces overheads <i>I.e. Bucks are currently working to 7/10 desk space. Harrow has recently moved to a mobile working environment.</i>	✓	✓
Commercial team support included.	✓	x
Customer experience is valued and built upon	✓	✓
Clear ownership of responsibilities and accountability, which will minimise risk.	✓	✓
Consistent leadership and agreed vision for driving change	✓	✓
Greater depth of knowledge in specialist ER case work	✓	✓
Lower reduction in staff numbers = lower redundancy costs	x	✓
Relationship Management and continuity of support for Senior Management Team	✓	✓
Development of ICT connectivity across both councils will support beyond the HR service (i.e. Legal and OD and People)	✓	✓

CONS (Dis-Benefit/Risk)	Option 1 Bucks	Option 2 Joint
Mitigating actions, such as included KPI's/Standards in the Inter Authority Agreement will need to be considered		
Local knowledge and skill may be lost if staff are not willing to be part of new model		
Combined governance structure may create slower decision making process and restrict speed of change		
Staff may not like the chosen model		
A lean management structure may undermine capability to support further organisational transformation.		
TUPE would exist and host employer would absorb pension strain		
Multiple terms and conditions for staff would make culture change and management more difficult		
Multiple political and financial drivers and organisational priorities		
Customers may have different customer experiences from within the same team		



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Considerations for success

The return on investment and realisation of full benefits will be subject to implementation and the embedding of new working practices and cultures. How the service is developed and works in practice and its ability in the following areas will be key to success:

➤ **Quality of Customer Service**

Any impact on customers must be minimised where possible and well managed where necessary. The transfer of Payroll to Bucks in either model will result in a transition for Schools customers and as such a robust change management programme will be needed in either model to maintain customer service effectively.

➤ **Speed of delivering change**

The speed of delivery is essential to realise savings and efficiencies as quickly as possible. Both options could deliver this, however anecdotal experience suggests that a 'one host' (not ICT) model, will be able to respond to change and feedback much quicker and therefore drive efficiency savings faster. A shared governance structure with multiple political and organisations influences will potentially take longer for challenges to be responded to.

➤ **Recognition and implementation of best practice**

The recognition of where best practice has already been identified and implemented is essential to ensure continuity of customer standards and maintain a sense of value in what staff have already delivered. Either model will allow this to be explored, however it is anticipated that a 'one host' (not ICT) model with a single employer would be better placed to drive changes to adopt best practice more quickly.

➤ **Ability to drive change**

One management team, whether employed by one or two councils, will have the opportunity to review capacity, resources, contracts and spend. However, where staff are employed by different organisations, under one line manager, this would potentially impact the development of one consolidated culture. For example, managers may need to deliver against two separate performance systems and pay could also be awarded based on different models; either may create division within a team and impact morale.

➤ **Financial Ownership & Decision Making Accountability**

Having clear ownership of responsibilities and accountability for delivery will minimise risk. Clear budget ownership and lean, transparent accountability will be required to encourage ownership of risk and mitigate financial uncertainty. An Inter Authority Agreement for either option would cover these ownership details. .

➤ **Commercial Capability**

The continued financial pressures mean it is essential for the councils to operate in a commercial way, generating new income and retaining existing customers for the long term. A model that provides commercial capability will provide longer term sustainability.

➤ **Staff engagement & morale**

Any change will have an impact on staff and a dip in morale should be expected as staff transition to a new model. Consistent leadership and a single vision for continued change will be essential to developing new values, cultures and behaviours. Having staff on different sets



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of Terms and Conditions will potentially lead staff to retain loyalty, behaviours and practices linked to their sovereign employer, making cultural change more difficult.

The governance arrangements for the recommended model will be drawn up as part of the Inter Authority Agreement development.

Summary

Taking the three critical early success factors that have been the drivers for this proposed programme of change, the following summarises the position:

Early Project Critical Success Factors	Option 1 Bucks Model	Option 2 Joint Model
Deliver savings, minimising the need to reduce front-line services to residents	£610,374 Cumulative savings after Yr. 3	£162,391 Cumulative savings after Yr. 3
Create efficiency, capacity, resilience and career opportunities for colleagues.	✓	✓
Maintain or improve customer experience/satisfaction	✓	✓
Key Benefits identified	13	12
Key Dis-benefits	4.5	4.5

Experience from the recent collaboration of Legal services has indicated that realising maximum benefits in the longer term is going to be dependent upon more than a simple consolidation and collaboration. Different cultures, decision making processes, strategic direction, financial pressures and organisational priorities can all have an impact on any drive for change if multiple employers and a decision making processes.

The sharing of HR services is more complex than previously undertaken arrangements such as OD or Trading Standards, because of the breadth and depth of the processes, systems and services offered. As such it is recognised that the implementation of this programme of change requires detailed work on the inter-authority agreement and the target operating model for delivery. This is why the structural changes recommended for Year 1 have been kept to a minimum.

Due to the complexity, it is recognised that a single model is likely to be better placed to drive out economies of scale, standardise and improve processes and deliver cultural and behaviour change much quicker and therefore deliver more sustainable business benefits.

The comparison reflects that Option 1, a HR service Managed by Buckinghamshire County council will provide the greatest opportunity for savings, and is better placed to drive change and realise the benefits for both councils. Option 2, a jointly managed HR Service has the potential to achieve similar results, but is likely to take longer to realise the outcomes.



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Requirement of Joint Programme Board

The Joint Programme Board must now make a decision as to which option they wish to present to both Councils' Cabinet Members.

The necessary Cabinet reports will then be drafted for both Councils, requesting that:

- Both Cabinets for London Borough of Harrow Council and Buckinghamshire County Council will be asked to approve the implementation of the recommended model of delivery for a shared HR service.
- Both Cabinets will be asked to delegate authority to sign off the Inter-Authority agreement to appropriate senior officers within both councils

NB: Recommendation from Joint Programme Board on 3rd December 2015 was to recommend implementing option 1, a shared HR service managed by Buckinghamshire County Council



Full Business Case

1. Introduction

1.1. This paper sets out proposals for the creation of a shared HR Service for London Borough of Harrow Council (LBH) and Buckinghamshire County Council (BCC).

1.2. There are **3 early project critical success factors** and 3 longer term objectives:

Early Project Critical Success Factors:

- **Deliver savings, minimising the need to reduce front-line services to residents.**
- **Create efficiency, capacity, resilience and career opportunities for colleagues.**
- **Maintain or improve customer experience/satisfaction**

Longer term objectives:

- Maximise return on commercial work
- Enable the better use of technology and self-service opportunities
- Future proofing, to be able to flex and adapt to continued challenges and growth

1.3. The current financial climate, including the recent further savings targets set against local authorities' means that both LBH and BCC need to reassess once again how they deliver internal services and maximise opportunities to introduce new, more commercial ways of working and delivery of services.

Before the recent announcements reflecting a further reduction of 30% across local authority spend, both councils already had significant savings targets. London Borough of Harrow were looking to find around £82m of savings across all services within 5 years, with a current savings target of approximately £250,000 from the HR overall budget by 2017. Equally, Buckinghamshire County Council has financial targets of at least £400k in both 2018/19 and 2019/20 from across the wider Business Services Plus business unit.

1.4. The HR service functions of LBH and BCC provide a range of HR professional, advisory, transactional and operational services, which support internal and external customers including schools, academies, charities and partner organisations.

1.5. This project builds on the existing success of the councils working together on their Organisation Development function and their Legal function. It is proposed that the Relationship Management and strategic issues, i.e. from Members or Service Directors at Harrow will be dealt with, in either option, by the existing Head of Organisation Design and People. In Bucks this relationship already exists. See Appendix C or D for further detail.

1.6. Work has been undertaken by operational leads within both services to inform this business case. This includes mutual shadowing across the services in scope, process mapping of key activities and understanding the wider implications upon other services such as ICT. Further detail is available on request, including detail of the ICT situation and PDF process maps on activities with Employee Relations Council Services and Schools and Payroll Council Services and Schools.



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- 1.7. Both councils have undergone a period of transformation and bring a combination of strengths and examples of best practice that either model would look to utilise and build on.
 - 1.8. The recommendation for BCC to host Payroll & Transactions services for London Borough of Harrow and Buckinghamshire County Council is included in both options. This is because BCC is in a better position to absorb the additional work associated with providing a service to both authorities.
 - 1.9. Both models assume that each council will continue to use their own ERP (SAP) system, therefore retaining their independent ESS/MSS modules. In either case the benefits of extracting the HR/SAP element do not outweigh the significant costs (investment, implementation and change) that would be incurred through implementation.
 - 1.10. Phase 3 will be an opportunity to look at further opportunities to realise efficiencies through a longer term joint SAP strategy. It is expected that alongside Phase 1 and 2 of this programme a separate business case will be developed to look at the longer term strategy for SAP. Any outcomes from the separate SAP/ICT strategic direction of travel will be used to inform the developments throughout this programme of change, aligning activities where there is business benefit from doing so.



2. The Roadmap for change

The programme has a **three-year roadmap of changes, with savings being realised across the duration** as processes and practices are aligned, in line with the savings target dates for both councils. **Appendix A provides further detail for each implementation phase.**

Both councils agree that the transition to either model is complex and would involve detailed review of process, systems, practices and skillsets to best shape a shared service moving forward.

Detailed requirements will be included as part of the Inter Authority Agreement.

In both options there has therefore been an assumption that minimal change will occur from the outset in June 2016, restricting this to a restructure of the management team to create a new joint management team who can lead developments through the three implementation phases.

Decision-making gateways have been embedded into the implementation process to allow progress to be reviewed and decisions on investment to be reviewed in line with any changing financial climate. **Break clauses** will be detailed in the Inter Authority Agreement.

The following provides a summary of the proposed phases, which takes into account the desire for both authorities to realise savings at the earliest opportunity. **Appendix B provides further detail in relation to the proposed ICT activities;** further in-depth work needs to be completed with both ICT teams and Sopra Steria (LBH ICT partner)

Pre Implementation: March – May 2016

- Create Inter Authority Agreement
- Create ICT connectivity capability & Bucks SIMS to SAP
- Union, Customer and staff consultation
- Management team in place

Phase 1: June 2016 – March 2017

- Single management team (reduction in management headcount)
- Review of processes, practices & systems, economies of scale
- Begin embedding new culture. No change to systems or customer
- ICT development to support Phase 2. Bucks SIMs to SAP piloted with Bucks schools.
- Commercial activities
- Union, Customer & staff consultation & Change Management activities

Phase 2: April 2017 – March 2018

- Further reduction in headcount (absorb staff through increased customer volume)
- LBH schools and pensioners transfer to BCC payroll system.
- Standardisation of common business processes, SLAs, Policies and systems etc. adopted, where practical
- Commercial activities.
- Union, Customer and staff consultation & Change Management Activities

Phase 2: April 2017 – March 2018

- Further reduction in headcount
- Iterative development of business processes, policies, SLAs and systems adopted, where practical
- Union, Customer and staff consultation & Change Management activities
- Economies of scale and commercial activities



3. Scope

3.1. Services currently identified as in scope for both models include:

- ✓ HR advice & guidance/employee relations (casework, policies, change management etc.)
- ✓ HR Transactions/Administration
- ✓ HR corporate learning and development
- ✓ Payroll & Transactions
- ✓ Technical Payroll
- ✓ Teachers Pay and Pensions
- ✓ BCC HQ LHB Business Partner (proposed new post)

Services that are deemed 'out of scope', but whose work may be impacted by the outcomes of this project include:

- ICT technical development teams (different portfolio)
- Scanning team (Harrow)
- Business support team (Buckinghamshire)
- LGPS pension teams (both)
- HR Resources (BCC have an internal team, LBH outsource to Pertemps)
- HR DBS Service (BCC have an internal team, LBH operational front line managers undertake this work direct with supplier)
- BCC/HQ existing posts

Further work will be done on posts in and out of scope as part of the pre-implementation activity and developing the target operating model and inter-authority agreement.

- 3.2. All processes that relate to the above 'in scope' services will be reviewed as part of the phased implementation programme.
- 3.3. It is recognised that both councils have recently been through a transformation programme, developing areas of best practice, transition staff into new roles and developing new knowledge and skillsets. Both options would be expected to utilise any knowledge gained through previous transformations and adopt best practices in the development of the new operating model.



4. Proposed New Operating Models

Illustrative proposals have been drawn up for both options, reflecting how, at a high level, the new service would be developed over the phased implementation programme, including proposed staffing and management structures.

Appendix C details the proposals for Option 1 - a HR service Managed by Buckinghamshire County Council (BUCKS)

Appendix D details the proposals for Option 2 - a HR service jointly Managed by both Councils (JOINT)

The appendices detail:

- The outline operating model
- Anticipated savings
- A summary of implementation activities and anticipated impact for Management, Staff, Processes & Practice, ICT/Systems and Customers.
- Management structure charts

Both models would need further refinement and would be developed in line with Design Principles, as outlined in Appendix A. The final new operating model is expected to include:

- A leaner management structure (for option 2 Joint Model this would include matrix management across staff on different terms and conditions, from the two employers).
- Clear decision making and accountability.
- A drive to pool resources to allow for additional capacity, resilience and expertise; encouraging knowledge share and cross council working
- Opportunities for economies of scale and co-location and create standardised culture and best practice across both organisations.
- Payroll activities would transfer to BCC because there is greater capacity there to absorb the additional existing 48 school customers.
- TUPE would apply to relevant staff transferring to a new employer.
- Internal and external customer experience would be enhanced to build a service of excellence.



5. Comparison & Financial Analysis

5.1. Financial Analysis

The following provides a breakdown of the finances for each model, based on data available at the time. A tolerance of +/- 20% should be allowed for on both the savings and costs in respect of quality of data, unknowns around people affected by the change, pension strains and estimates regarding future job ranges.

The main difference between the two models is the savings realised through creating a lean management structure, reducing duplication and matrix managing under the Bucks managed model.

Option 1 – HR service Managed by Buckinghamshire County Council

<u>Bucks managed model</u>	Y0 2015	Y1 2016	Y2 2017	Y3 2018
<u>Base Costs</u>				
HR Staff	2,964,233	2,964,233	2,964,233	2,964,233
HR Management	969,948	969,948	969,948	969,948
Total Base Costs	3,934,180	3,934,180	3,934,180	3,934,180
<u>Business Case Costs</u>				
HR staff	2,964,233	2,972,859	2,712,986	2,557,795
HR Management	969,948	586,054	482,799	482,799
Senior HR Business Partner		68,303	68,303	68,303
IT Revenue Costs (incl Harrow)		61,400	61,400	61,400
IT Staff		34,614	34,614	34,614
Implementation Costs		78,303	73,303	2,500
Full capital cost (inc Harrow)	-	132,578		
Total business case costs	3,934,180	3,934,111	3,433,405	3,207,411
Difference pre redundancy	0	(69)	(500,775)	(726,769)
<u>Redundancy Costs</u>				
Redundancy costs staff			153,693	58,872
Redundancy costs management		137,713	31,280	
Pension strain (Harrow)		139,702		
Pension strain (BCC)		95,979		
Total redundancy costs		373,394	184,973	58,872
Overall Difference		373,325	(315,802)	(667,897)
Cummulative (savings)/expenditure		373,325	57,523	(610,374)



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Option 2 – HR service Joint Managed by Both Councils

<u>Jointly managed model</u>	Y0 2015	Y1 2016	Y2 2017	Y3 2018
<u>Base Costs</u>				
Staff	2,964,233	2,964,233	2,964,233	2,964,233
Management	969,948	969,948	969,948	969,948
Total Base Costs	3,934,180	3,934,180	3,934,180	3,934,180
<u>Business Case Costs</u>				
HR staff	2,964,233	2,972,859	2,824,216	2,683,005
Management	969,948	633,281	633,281	633,281
Senior HR Business Partner		68,303	68,303	68,303
IT Revenue Costs (incl Harrow)		61,400	61,400	61,400
IT Staff		34,614	34,614	34,614
Implementation Costs		78,303	73,303	2,500
Full capital cost (inc Harrow)	-	132,578		
Total business case costs	3,934,180	3,981,338	3,695,117	3,483,103
Difference pre redundancy	0	47,158	(239,063)	(451,077)
Redundancy costs staff			112,963	17,259
Redundancy costs management		114,688		
Pension strain (Harrow)		139,702		
Pension strain (BCC)		95,979		
Total redundancy costs		350,369	112,963	17,259
Overall Difference		397,527	(126,100)	(433,819)
Cummulative (savings)/expenditure		397,527	271,427	(162,391)

5.2. Principles for sharing Investment and Savings

A protocol for the sharing of costs and savings will need to be included in the Inter-Authority agreement, once a decision as to which option is made.

The following provides high level principles for consideration:

- Savings will be based on the 'as is' structure at the date of this business case. The agreed revised structure for Phase 1, June 2016 – March 2017 will be costed and the savings apportioned to the two councils on the same basis as the original base costs.



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- Redundancy costs and pension strain would be shared on the same basis as savings.
- Savings arising from Procurement of any reviewed contracts would be split pro-rata to spend.
- Increased revenue from attracting back Harrow Academies / Schools with outsourced HR / Payroll services would be shared. The apportionment of this would be detailed as part of the Inter Authority Agreement.
- ICT Investment will be shared, with the hosting council anticipated to bear the brunt of Phase 1 and Phase 2 implementation costs in Option 1. Break clauses in the Inter-Authority Agreement would include requirements regarding paying back investment costs in the event of early exit.

Based solely on the current identified salaries, plus on costs, the current indicative split for Savings and Investment is approximately 40:60 (Harrow:Bucks), based on:

Total Salary cost (including on costs): £3,934,180.47
Cost of Harrow posts including on costs: £1,501,113.45 (38.16%)
Cost of Bucks posts, including on costs: £2,433,067.02 (61.84%)

This takes no account of organisational overheads and additional costs, which would need to be explored as part of the Inter Authority Agreement.

The Bucks staffing structure includes a Change Team of approximately £550k (which in Harrow is partially fulfilled by OD and partially by external HR Associates) and a HR Service Desk of approximately £160k (which at Harrow is delivered as a virtual service desk).

As stated above, the apportionment of addition income gained from Harrow schools would need to be detailed as part of the Inter Authority Agreement.

5.3. Comparison of Options

The following section is split into 3 areas:

- Benefits (Pros) for each option
- Dis-benefits/risks (Cons) for each option
- Governance principles

5.3.1. Benefits, dis-benefits and risks

Both options have benefits and dis-benefits that need to be taken into account as part of the decision-making process, and these are summarised below:

PROS (Benefit)	Option 1 Bucks	Option 2 Joint
Develops resilience through multi-skilled workforce - Peaks and troughs effectively managed	✓	✓
Contribution based pay that drives performance and improves control of spend	✓	✗



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Provides opportunity to review 3 rd party contracts and create economy of scale	✓	✓
Lean decision making process, to support quick response to change	✓	x
Minimal initial impact on staff	x	✓
Career opportunities for staff to develop knowledge and expertise across a wider customer base	✓	✓
Mobile working environment that reduces overheads <i>i.e. Bucks are currently working to 7/10 desk space. Harrow has recently moved to a mobile working environment.</i>	✓	✓
Commercial team support included.	✓	x
Customer experience is valued and built upon	✓	✓
Clear ownership of responsibilities and accountability, which will minimise risk.	✓	✓
Consistent leadership and agreed vision for driving change	✓	✓
Greater depth of knowledge in specialist ER case work	✓	✓
Lower reduction in staff numbers = lower redundancy costs	x	✓
Relationship Management and continuity of support for Senior Management Team	✓	✓
Development of ICT connectivity across both councils will support beyond the HR service (i.e. Legal and OD and People)	✓	✓

CONS (Dis-Benefit/Risk)	Option 1 Bucks	Option 2 Joint
Mitigating actions, such as included KPI's/Standards in the Inter Authority Agreement will need to be considered		
Local knowledge and skill may be lost if staff are not willing to be part of new model		
Combined governance structure may create slower decision making process and restrict speed of change		
Staff may not like the chosen model		
A lean management structure may undermine capability to support further organisational transformation.		
TUPE would exist and host employer would absorb pension strain		
Multiple terms and conditions for staff would make culture change and management more difficult		
Multiple political and financial drivers and organisational priorities		
Customers may have different customer experiences from within the same team		



5.3.2. Governance Principles

Governance arrangements will be designed as part of the Inter Authority Agreement. Outline principles are included in Appendix E. The work to develop the governance requirements is anticipated to mirror the requirements being explored as part of the Legal business case.

Both models require clear leadership and vision, and a structured decision making process for driving change.



6. Other Considerations

6.1. ICT Requirements

This Business Case provides a High Level roadmap of proposed ICT activities, which would be explored in more detail once a decision on the model is made.

With both options, it is proposed that only ICT developments to support joint working (i.e. connectivity) and the transfer of Schools and Pensioners payroll are undertaken as part of this programme of change. As such, in either option both councils will therefore retain SAP/HR and independent ESS/MSS portals.

Details of the proposed ICT activity to support this programme of change are outlined in **Appendix B 'ICT Implications'** with a summary of the ICT costs in Appendix I. More detailed work is required with both ICT teams, together with Harrow's provider Sopra Steria, however the estimated minimum investment on ICT to support this programme of change is approximately £421k.

As the councils are now working together across multiple functions (Legal, Organisation Development and potentially now Procurement and HR) there may be benefit from a wider analysis of the ICT infrastructure and joint SAP estates. The implementation of this programme of change would align closely with any recommendations from an ICT project of that nature.

The Payroll proposals are such that in either model, Harrow would retain ownership of their data in a 'live state', which means an exit strategy will be easier to construct and execute if necessary.

6.2. Impact on Customers

One of the drivers for this project was the requirement to maintain or improve customer experience. The ICT changes are limited to those that support joint working, but have minimal impact on customers.

Internal services will see no initial change to their experience, retaining the use of independent SAP ESS/MSS portals until such time as there is business benefit to review this. Over time, there is likely to be aligning of help desk activity, so the telephone number used may change. However both councils will retain intranet access to their independent policies, procedures and guidelines (although these may be standardised as part of reviewing best practices).

The hosting of payroll for schools will transfer to Bucks CC in both options, from April 2017 at which point the customer experience will change slightly as Harrow schools transition to the Bucks SIMS to SAP connectivity. How this will look is not currently known, but training and guidance will be part of the engagement with schools during autumn/winter 2016/17 to ensure customer experience is maintained. Bucks CC are developing the SIMS to SAP solution to mirror or enhance the capability currently provided, to ensure that the quality of experience is not diminished and this will be fully tested before the transition of Harrow schools' payroll from April 2017.



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It is anticipated that through shared working, the breadth of knowledge, for example in Employee Relations casework, will be developed, resulting in improved customer experience for more complex cases.

6.3. Impact on Staff

6.3.1. TUPE

Appendix G – TUPE Implications, provides the background on TUPE and a guide to what will need to be considered where TUPE is considered to apply.

Both options have implications for staff where TUPE will apply and it is expected that TUPE implications will be covered in the Inter-Authority Agreement. The main considerations include:

- pension costs
- maintenance of LBH staff terms and conditions of employment before and after the transfer
- facilitation of LBH staff exits via redundancy ,
- implications if a staff member is required to relocate

6.3.2. Staff Appraisal

The following outlines the impact on the staff appraisal process for either option.

6.3.2.1. Option 1 – A HR Service Managed by Buckinghamshire County Council (TUPE applies)

In this option, impacted LBH employees would TUPE to Buckinghamshire County Council with their existing Terms and Conditions. Currently these employees are not subject to Performance Related Pay so from an appraisal process these employees would be expected to take part in DSP but their ratings would not be linked to pay. Consultation would be planned to offer these staff Bucks Pay and Conditions and the option to transfer to Contribution Based Pay.

New posts created and new employees who joined the new model after the TUPE transfer 'Go Live' date would be employed on Buckinghamshire County Council's Terms and Conditions and Contributory Based Pay would apply. This would then provide a cap on the future salary ceiling, with pay increases related to performance.

6.3.2.2. Option 2 – A HR Service Jointly Managed by both Councils

In a Jointly Managed service both councils would retain their existing Appraisal processes.

Harrow Council have a paper based system, where employees receive ratings for Approach, Ability and Objective delivery against a 4 point rating scale and performance is not linked to pay. The council are planning to move to an automated appraisal process for the 16/17 performance year, which is likely to be a SAP platform and as part of this process the Approach and Ability ratings will be replaced by ratings for Behaviours and Objectives.

Bucks Council has an automated appraisal process (Delivering Successful Performance) on a SAP platform that is linked to pay (CBP). This drives performance improvements and creates a ceiling for future salary increases.



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In a Jointly Managed shared HR service, the Management Team would need access and training on both systems, and would need to run different appraisal processes for different team members.

6.4. Commercial Capability

Bucks CC has established a dedicated Commercial Team, with key mandates to sustainably grow external income and to retain key customers. Since the creation of the team, in April 2015, BCC has been successful in generating increased orders from schools and academies from the Bucks market and in new geographies. By June 2015, BCC had surpassed the order total achieved during the entire previous year, representing a significant step forward in its commercial ambitions.

The Council has invested a lot of time in understanding its true cost of delivery and is confident that its costs and pricing represent full cost recovery. This capability and capacity would make a vital contribution to this project's objectives for commercial growth. The current income generated by Bucks' commercial activity is being used to expand the scope and extent of commercial operations.

Bucks have recently invested in new digital technologies such as a new e-commerce system and business-to-business sales management tool. These have greatly improved Bucks' ability to engage with new and existing customers whilst also enhancing the customer buying experience.

Bucks CC currently provides services to a wider range of customers than Harrow, which include schools and academies, local authorities, small businesses and charities. Bucks CC predominately operates in the education sector and has contracts with nearly 250 schools and academies for services for the new academic year.

Under the Shared Service Model, Harrow would be able to commission the BCC Commercial Team to support commercial activities (such as business development, product development, contract and account management) at competitive rates. These services would be provided as part of the Bucks model as standard.

6.4.1. Income Generating Potential and Customer Retention

Option 1, Buckinghamshire Managed shared HR service provides the opportunity for future growth and income generation. A successful collaboration with Harrow will raise the profile of the both authorities, both regionally and nationally. The expansion of the business has the potential to open a wider market for commercial operations and access a larger customer base. This increased pool of potential customers can further improve sales, resulting in increased profitability and reduced average costs.

The Bucks' account management strategy has played a key role in its ability to attract, satisfy and retain customers. Bucks CC has been able to build and maintain excellent relationships with its most important customers, which has resulted in increased business and high levels of retentions. There is confidence that the Buckinghamshire Managed shared HR service will be



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able to manage Harrow schools in the same way, attract new customers and encourage repurchasing of services from Harrow academies.

Using best practice for understanding its true cost of delivery and ensuring pricing represent full cost recovery, this team will support future commercial growth. New digital technologies such as a new e-commerce system and business-to-business sales management tool have greatly improved the council's ability to engage with new and existing customers whilst also enhancing the customer buying experience.

6.5. 3rd Party Contract Management and Renegotiation

Potential savings are also available through third party contract management and renegotiation. Both Councils have multiple contracts with various suppliers for common services e.g. SAP Licences, DBS checks, Occupational Health, Employee Assistance, Learning Management System etc. See **Appendix F 'Third Party Contracts and Opportunities for Economies of Scale'**

Under both models, savings can be realised through economies of scale, with opportunities to incentivise suppliers to actively seek to reduce costs, remove complexity and encourage innovation.

All pre-existing contractual obligations must be considered in more detail to fully understand both parties' responsibilities and develop exit strategies, as appropriate. The options appraisal identified potential savings in the region of £80k from the review and renegotiation of such contracts and that figure remains a realistic possibility over time.



7. Decision Required

The Joint Programme Board must now make a decision as to which option they wish to present to both Councils' Cabinet Members.

The necessary Cabinet reports will then be drafted for both Councils, requesting that:

- Both Cabinets for London Borough of Harrow Council and Buckinghamshire County Council will be asked to approve the implementation of the recommended model of delivery for a shared HR service.
- Both Cabinets will be asked to delegate authority to sign off the Inter-Authority agreement to appropriate senior officers within both councils

NB: Recommendation from Joint Programme Board on 3rd December 2015 was to recommend implementing option 1, a shared HR service managed by Buckinghamshire County Council



8. Next Steps

Appendix H – Next Steps provides detail of the next steps, including the formal decision making process and the timeline across both councils, together with the anticipated implementation workstreams.

Key considerations for the implementation roadmap include:

8.1. Inter-Authority agreement (including exit strategy)

The appendices within this document articulate the proposed phases and expectations regarding target operating principles for illustrative purposes. Once a decision is made to proceed, detailed work will be undertaken with both parties to develop an Inter-Authority Agreement.

This document will detail, but is not limited to:

- Delivery standards and Service Level Agreements, including the business relationship model
- Performance review and remedy notices
- Break clauses
- Relationship Management
- Reporting and KPIs
- Retention/return of data
- Implications for staff affected by TUPE transfer
- Full cost to Harrow of Option 1, including overheads
- Sharing of financial benefits/savings
- Sharing of implementation costs (investment, redundancy etc.)
- The application of TUPE
- Governance requirements

The Inter Authority Agreement will detail how savings and investments are shared, depending on the model chosen. Assuming that the. In summary, based solely on the current identified salaries, plus on costs, the split is approximately 40:60 (Harrow:Bucks), based on:

Total Salary cost (including on costs): £3,934,180.47
Cost of Harrow posts including on costs: £1,501,113.45 (38.16%)
Cost of Bucks posts, including on costs: £2,433,067.02 (61.84%)

This takes no account of organisational overheads and additional costs, which would need to be explored as part of the Inter Authority Agreement.

The Bucks staffing structure includes a Change Team of approximately £550k (which in Harrow is partially fulfilled by OD and partially by external HR Associates) and a HR Service Desk of approximately £160k (which at Harrow is delivered as a virtual service desk).



8.2. Stakeholder Engagement

Stakeholder engagement is critical to the success of the new model. Ensuring operational staff, customers and trade unions are engaged with and support the decision not only lends itself to an easier transition but also to a more successful service moving forward.

8.3. Change Management

8.4. A clear change management strategy will be designed at the beginning of the implementation phase. Internal and external customers and staff should feel engaged with the process and operational managers need to have ownership of programme. Articulating clear goals and delivery plan as well leadership from above are critical success factors.

8.5. TUPE

The transfer of staff under TUPE will require an appropriate staff consultation period (usually between 5 - 10 weeks) and will also require dedicated HR project resource which is anticipated to be drawn from the Buckinghamshire HR Change team.

8.6. Consultation activities (including Communication and Engagement)

As part of the consultation exercise it is recommended that in addition to the formal TUPE consultation, a period of small group and/or one-to-one drop-in sessions are offered to affected employees to reassure people about the transfer and check /receive relevant information

Communication activities will also be developed to support the wider stakeholder group, to include internal and external customers, unions and suppliers.

Considerations for success

Long term success and the full realisation of benefits will be determined by how the service works in practice and its ability in the following areas. The new operating model and any change management activities as part of implementation will need to recognise these areas to ensure that success is realised:

➤ **Quality of Customer Service**

Any impact on customers must be minimised where possible and well managed where necessary. It is expected that improving customer service is a priority for implementation.

➤ **Speed of delivering change**

The speed of delivery is essential to realise savings and efficiencies as quickly as possible.

➤ **Recognition and implementation of best practice**

The recognition of where best practice has already been identified and implemented is essential to ensure continuity of customer standards and maintain a sense of value in what staff have already delivered.

➤ **Ability to drive change**

The ability to maintain momentum during a phased transition is essential and clear consistent messages, communications and behaviours will be the tools to utilise.

➤ **Financial Ownership & Decision Making Accountability**

The Inter-Authority agreement must include clarity regarding ownership of responsibilities and accountability for delivery will minimise risk.

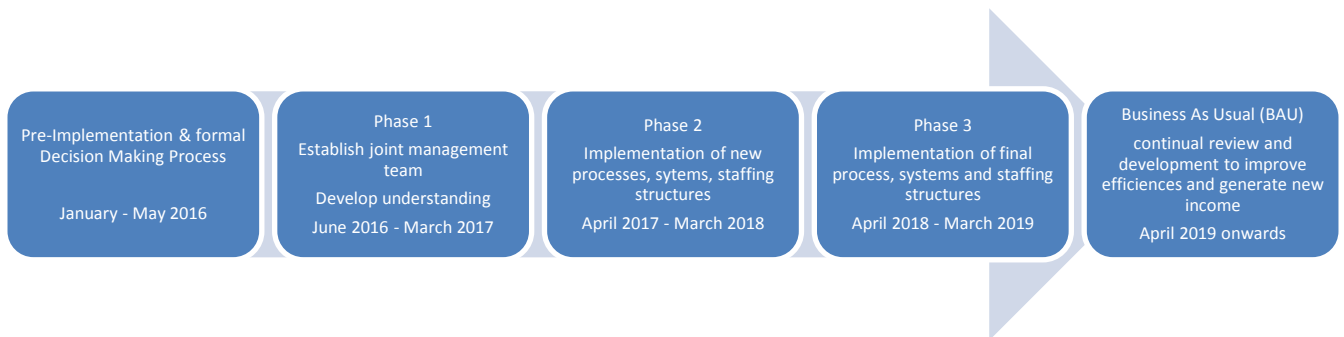


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- **Commercial Capability**
The continued financial pressures mean it is essential for the councils to operate in a commercial way, generating new income and retaining existing customers for the long term. .
- **Staff engagement & morale**
Any change will have an impact on staff and a dip in morale should be expected as staff transition to a new model. Consistent leadership and a single vision for continued change will be essential to developing new values, cultures and behaviours.

The anticipated timeline is detailed below:





9. Summary

Both Councils are in a situation whereby they:

- Are seeking to reduce the cost of their HR service and protect delivery of front line services to residents
- Do not wish to outsource the service – wishing to retain the customer experience provided by staff with local authority expertise and ethos.
- Need to establish an alternative delivery model that realises savings, whilst providing opportunity for future income generation and customer experience.

This strategic business case sets out the proposals and financial implications to overcoming this context through establishing a shared HR service, either by a model Managed by Buckinghamshire (Option 1) or a model Managed Jointly by both Councils (Option 2). This strategic business case demonstrates that there are multiple benefits from a new model of delivery and that it can deliver:

- ✓ Financial Savings
- ✓ Increased efficiency, capacity and resilience
- ✓ Maintained customer experience, with the potential to improve on pricing and service delivery

A new model of delivery provides the mechanism that means savings can be identified and delivered, shared between the two councils. This is the only way that has been identified for the services in scope to deliver this amount of savings without being outsourced.

Experience from the recent collaboration of Legal services has indicated that realising maximum benefits in the longer term is going to be dependent upon more than a simple consolidation and collaboration. .

The sharing of HR services is more complex than previously undertaken arrangements such as OD or Trading Standards, because of the breadth and depth of the processes, systems and services offered. Due to this complexity, it is recognised that a single model is likely to be better placed to drive out economies of scale, standardise and improve processes and deliver cultural and behaviour change much quicker and therefore deliver more sustainable business benefits.

The comparison reflects that Option 1, a HR service Managed by Buckinghamshire County council will provide the greatest opportunity for savings, and is better placed to drive change and realise the benefits for both councils. Option 2, a jointly managed HR Service has the potential to achieve similar results, but is likely to take longer to realise the outcomes.

NB: Recommendation from Joint Programme Board on 3rd December 2015 was to recommend implementing option 1, a shared HR service managed by Buckinghamshire County Council