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To: Corporate Policy Overview and Scrutiny Committee
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Subject: **East Kent HR Partnership Shared Working update**

Classification: **Unrestricted**

SUMMARY: This paper updates the Policy Overview and Scrutiny Committee on the current progress on the work to create the East Kent HR Partnership, and the possibility of expanded and ongoing shared work that this project creates.

1 Introduction

- 1.1 Since July 2008, Employee Services (Personnel & Development) has been working with the East Kent HR Partnership Project Group (formerly Project SHREK) on the business case and governance arrangements for the creation of a shared service centre in which KCC would play a part.
- 1.2 The project is a result of the collaborative working of the East Kent Forum (EKF) and the East Kent Joint Arrangements Committee (EK JAC) and includes as its members representatives of the District Councils of Dover, Shepway, Thanet, and Canterbury City Council.
- 1.3 Following thorough planning and ensuring proper governance, the project is now part way through the phase of implementation – the Shared Service has already been nominally created (under a new Head of Service) as of 1st October 2009, with a current time line that the Shared Service will come into full formation in two locations in January 2010, with phase 1 implementation of integrated systems and processes to be delivered between Jan and April 2010.
- 1.4 Kent County Council P&D Employee Services Centre is a key delivery partner in this project, supplying the system and payroll service directly, but also with an advisory and contributory presence on all streams of the project.
- 1.5 As well as being an example of effective two tier shared working, the project gives all members, and Kent County Council in particular, an opportunity to expand and continue to exploit shared service opportunities in an effective manner.

2. Background and Drivers

2.1 The key driving factors in the development of the East Kent HR partnership were outlined in the business case submitted to EK JAC and EKF. In summary, they were:

- Cost savings to be achieved by process efficiency and reduction in head count.
- Sharing of Best Practice and shared development/procedure.
- Creation of a shared service in line with Gershon report recommendations (ideally two tier, combining both Borough and County level authorities).
- The upcoming expiry/obsolescence of the systems used to deliver the existing service meant that timing was appropriate and the greater buying power which a shared procurement could bring was also a consideration.

2.2 The Business Case considered three options:

- A total in house solution between the four districts/boroughs.
- Outsourcing of the entire service to a third party.
- A shared arrangement with another authority delivering part of the service.

This business case highlighted a potential £2 million saving some of which will be from payroll.

2.3 Kent County Council and Medway Council were asked to provide illustrative proposals in support of the third option above. KCC initially offered an integrated HR and Payroll Service, although the authorities only opted to explore the payroll option. We consider the integrated team to offer further efficiencies and quality and we will continue to offer this for future consideration. In light of the information provided, the business case recommended that this option be taken up with KCC Employee Services as the partner, delivering a system and supporting the payroll service.

2.3 It was concluded that the Oracle HR platform for KCC was not the first choice for the delivery of this service for the following reasons:

- The East Kent team wishes this project to be used as a model for how services of this type can be brought together, and to complete that model, a procurement process was considered appropriate.
- The costs of expanding the Oracle HR platform to support the East Kent authorities (in terms of licences, infrastructure and development) were considered prohibitive based upon the estimates received.
- In the same timeline as the critical path for the East Kent project, Oracle 11i at KCC is being upgraded to Oracle 12, creating a significant resource and delivery concern.
- The acquisition of a new platform would leave both the partnership and KCC in particular able to continue to explore shared service opportunities with reference to the above limiting factors.

- 2.4 In order to ensure proper co-ordination of the project from a KCC perspective, a steering group with representatives from Finance, Legal and Democratic, ISG and Employee Services was formed, with Amanda Beer as chair.

3. Current Progress

3.1 Legal and Procurement

- 3.1.1 The Business Case, including a proposed Business Structure and Service Levels, was passed by EK JAC, EK F and Joint Scrutiny.
- 3.1.2 The Cabinets of the four District and Borough authorities have ratified the decision to delegate their HR functions to EK JAC and their payroll functions to KCC under Section 101 of the Local Government Act.
- 3.1.3 The KCC Cabinet ratified a decision (via Cabinet Member approval) to allow Amanda Beer, Director of P&D, to award the software contract and also accept the delegation on behalf of KCC.
- 3.1.4 Dover District Council is considered to be the 'Host' of the Service (and also where it is located) and the delivery of the HR service is tasked to them by EK JAC.
- 3.1.5 The Collaborative Agreements between the four District and Borough authorities (for HR and cost sharing), and the five partner authorities (for Payroll and charges), including their SLAs, were agreed in principle on 14th October 2009. The payroll agreement has been sealed by all parties and the HR is in progress.
- 3.1.6 It was agreed that procurement would take place via Kent County Council as the system supplier. The procurement process took place via the Buying Solutions Framework (formerly OGC), and resulted in a shortlist of Northgate Arinso with their Resourcelink Product and Insight with Midland's iTrent product. Following extensive and detailed assessment, the Midland iTrent product was awarded the Bid.
- 3.1.7 A further, Back to Back, agreement, binding the 4 district and Borough authorities to the terms and costs of any software agreement and agreeing the SLA for KCC's support service, was also agreed on 14th October 2009 and is now also progressing to be signed under seal.
- 3.1.8 It has been agreed that KCC will purchase the server to host the system (passing the costs onto the partnership), but that it will be housed at Dover District Council due to current capacity shortages at KCC. An agreement to cover this arrangement is being drawn up and the specification of the server has been issued to suppliers in the KCC ISG framework.
- 3.1.9 Once the Collaborative Agreements and Software Back to Back are signed and the commercial negotiations with Insight/Midland are finalised, the contract for the software will be signed.

3.2 People

- 3.2.1 The existing roles at the four District and Borough authorities were assessed using the service design to establish whether they fell under the definition of HR or Payroll.
- 3.2.2 Those staff considered to be HR were consulted with and transferred to Dover District Council under TUPE regulations on 1st October 2009
- 3.2.3 Those staff considered to be Payroll are being consulted on a possible TUPE to KCC to deliver the service. Currently information is being gathered, including a statement of measures and job descriptions to inform this process. It is considered that due to the comparative salaries and travel distances which will be applied to affected individuals that none will transfer and, due to these factors, will therefore be considered redundant. In the event this is formally confirmed, Employee Services will recruit as appropriate to deliver the service and the four partners have indemnified KCC against any redundancy/termination costs arising.
- 3.2.4 The HR service employees will begin to be co-located at the new offices at Dover DC from January 2010 (although, as a pilot, many of the Learning & Development officers are operating from that location informally). At this time, a review of the roles and structure necessary to deliver the service will also be completed by the Head of Service and this may lead to a further restructure within that function.

3.3 Project Budget/Costs

- 3.3.1 Much of the original work supplied by KCC ESC to the project was undertaken on a collaborative basis, and was not charged for.
- 3.3.2 The cost for Legal and Procurement support has been part funded by KCC and also will be part funded by the Partnership.
- 3.3.3 Once legal agreements are signed, the Implementation work undertaken by KCC will be cross charged to the Partnership.
- 3.3.4 The Collaborative and Back to Back agreements have adopted the principle of 'up front' cost recoup. On incurring of costs, KCC ESC will invoice the partnership for the amount immediately, with payment terms of 30 days. Ongoing services will be charged and reviewed as agreed in those agreements.
- 3.3.5 The prices supplied to the Partnership contain a contingency margin which is to be used in the case of unexpected cost. It has been agreed that any contingency not used will not be reclaimed and therefore represents a marginal income for the service (please see Future Options for further information on income).

3.4 System Implementation and Project Planning

- 3.4.1 A Project Plan for the Implementation of the system has been developed and shared within the partnership and with the software supplier.

- 3.4.2 While the legal considerations are resolved, the Project Team at KCC ESC have begun work with the Partnership to draw in the information necessary to develop the business requirements for the system on an authority-by-authority, overall, and procedural basis. This work has been facilitated by workshops, data table gather and 1-2-1 working with the authorities.
- 3.4.3 The Project Team within KCC is drawn from existing resources, supplying additional support as part of their ongoing development, and drawn from people identified through Talent Management and Personal Development Plans. Additionally, some funding towards the time being committed by an ESC Project Officer, the ESC Development and Control Manager, and the ES Manager, Jackie Turner, has been supplied.
- 3.4.4 The Project Initiation Meeting with the software supplier took place on 28th September 2009, on good faith, subject to contract signature.

4. Next Steps

- 4.1 The new Head of East Kent HR Partnership, Juli Oliver-Smith, started in post on 1st September 2009. She has taken over as Project Lead from the outgoing Corporate Director – Communities, of Shepway DC, Wendy Head.
- 4.2 Juli is now reviewing the service design and the role and service definitions will be finalised whilst the centre is drawn together.
- 4.3 KCC is leading on the implementation of the system, which will take place in two phases.
- Phase 1 involves the implementation of Core HR, Payroll, Absence Management, Expenses and Business Intelligence.
 - It is designed to be implemented on a per authority basis, with current indicative timelines as below:
 - Thanet DC – January/February 2010
 - Dover DC – February/March 2010
 - Shepway DC and Canterbury CC – April/May 2010
 - Phase 2, comprising Training and Development, Appraisal, Grievance, Case Management and Recruitment, will be implemented between May and November 2010.

5. Benefits and Future Options

- 5.1 As a result of this project, KCC has proven that it can work with partners on various levels to deliver a shared working approach to a key function on a partnership basis.
- 5.2 A marginal income stream is derived from this project, contributing to the targets laid down for income for P&D.
- 5.3 Additionally, P&D ESC will become the owners of a platform which can easily (in terms of both contractual and practical arrangements) be expanded to deliver shared service working with other local authorities and other sector employers.
- 5.4 They also have an opportunity to share and expand on the model used for the East Kent platform.
- 5.5 In this way, KCC P&D ESC can contribute to the targets and recommendations laid down in the Gershon report, Towards 2010 and

Backing Kent Business/Backing Kent People, contributing to the strategic objectives of those initiatives.

- 5.6 The current intention is that, in the event of further expansion of the system and service, the margin of income will be appropriately increased in order to contribute to alleviating the financial pressures which the authority currently faces.

6. Conclusion and Recommendation

- 6.1 The East Kent HR Partnership continues to be a key development in the shared working approach of KCC. Additionally, it provides opportunities for expansion of shared working across sectors.
- 6.2 The Policy Overview and Scrutiny Committee is invited to note the achievements and endorse the direction of this project.

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