



Council Overview & Scrutiny Committee
17 April 2013

SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL (ESCC) SHARED SERVICE DELIVERY AGREEMENT

Purpose of the report: Scrutiny of Services and Budgets

To provide an update on the Shared Service Delivery agreement between Surrey County Council and East Sussex County Council.

Introduction:

1. On 18 December 2012 Cabinet approved the proposal to create a partnership agreement with ESCC for transactional and data hosting services and delegated responsibility for agreeing the terms of the agreement to the Leader and Cabinet Member for Change & Efficiency, in consultation with the Strategic Director for Change and Efficiency.
2. This report highlights the details of the proposed Inter Authority Administrative Collaboration Agreement

BACKGROUND: THE NEED FOR CHANGE

3. Surrey County Council's Shared Services provide integrated business support to employees, managers, vendors and residents in all service areas.
4. Since its inception, Shared Services has become an integral part of the way we manage our transactional services and delivers the following benefits:
 - A more effective way to deliver processes
 - Consistently high quality administration services
 - Improved accountability
 - Freeing-up staff to perform front-line services
 - Realising the full benefits of Enterprise Resource Planning (ERP) implementation and investment
 - Improved management information and decision making

5. Our Shared Services is multi-award winning. Most recently the Accounts Payable team has won the Accounts Payable Team of the Year Award and Shared Services has been awarded the Government's Customer Service Excellence Standard. This prestigious award places particular emphasis on delivering in the areas that are important to customers - customer insight, timeliness and quality of service, information and access, the culture of the organisation and delivery.
6. In the spirit of partnership working, SCC was approached in May 2012 to begin to scope the potential for delivering ESCC Shared Services (currently outsourced to SERCO PLC) by further developing the existing joint working arrangements in order to deliver the following high level benefits for both organisations. (The current contract with the outsourced provider is due to expire in March 2013)
7. This arrangement should bring benefits to both organisations, including:
 - a. Better utilisation of Enterprise Resource Planning System (ERP)
 - Both organisations currently use SAP as their ERP. Through sharing knowledge and building on the notion of a SAP Centre of Excellence both organisations can better benefit from a better return on investment from their ERP through better utilisation.
 - b. Transparency
 - Through the provision of services from one public sector authority to another, greater transparency and control over how the services are shaped can be attained by ESCC and SCC allowing more integrated and efficient service design
 - c. Efficiency and Public Value
 - Better use of our resources by increasing activity volumes whilst reducing fixed costs enables our services to grow strength in delivery capability and build resilience.

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| WHAT DOES THE AGREEMENT INVOLVE? |
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8. The services covered by the Agreement are:
 - Accounts Payable
 - Accounts Receivable
 - Payroll
 - Pensions Administration
 - SAP Data Hosting
9. The first four services (the transactional services) are to be delivered from 1 April 2013. To minimise service disruption and ensure a timely handover from the current provider, SAP Data Hosting will commence on 1 August 2013.

10. Subject Matter Experts from both authorities have agreed that services currently provided by Serco PLC shall be replicated from 1 April and subsequently will be redesigned to deliver the mutual benefits envisaged.
11. Transactional services will be delivered from a site in Uckfield (the location of the present Serco PLC operations) and SAP hosting will be provided at Surrey's Primary Data Centre in Redhill.
12. Under this Agreement, 36 staff have transferred from Serco employment to SCC employment at the Uckfield site.

AGREEMENT TERMS

Duration

13. The Agreement will be of unlimited duration. It can be terminated by either party by serving a one year notice period. The earliest that this notice can be served is 1 April 2015 (making it a minimum of three years' duration).
14. Governance
15. A Head of Services employed by SCC will have full operational responsibility for all aspects of the Agreement. The present Interim Head of Shared Services, Simon Pollock, will be the first person appointed to this role.
16. The Head of Services shall report to an Operational Board consisting of an Account Manager from SCC and key customer-stakeholders from ESCC. This board will have responsibility for reviewing service performance and discussing service improvements.
17. The Operational Board will report to a Joint Executive Board consisting of SCC's Cabinet Member for Change & Efficiency and Strategic Director for Change and Efficiency and their ESCC counterparts. This board will meet quarterly and approve significant service and budget changes.

Service Delivery

18. All services will be provided according to a series of Statements of Requirements agreed between the subject matter experts at both organisations.
19. The SAP Hosting Statement of Requirement is provisional at this stage and both organisations have agreed to revisit this as mobilisation work progresses ahead of 1 August 2013.
20. The Head of Service shall take responsibility for delivering a programme of continuous improvement and service re-engineering to deliver efficiencies and cost savings. Where this involves changes to the Statements of Requirements or up-front investment, this will be

negotiated at the Operational Board (and the Executive Board if there are large financial or service implications).

21. Where ESCC wish to change the Statements of Requirements, they too will have to seek approval through a formal change notification process.

Staff transfer implications

22. 36 staff are transferring from Serco PLC employment to SCC employment under TUPE regulations. The agreement ensures that ESCC will cover all extraneous costs related to their transfer either through indemnities or contingency payments.

FINANCIAL IMPLICATIONS

23. The first year costs are calculated to be £1.8m. Mobilisation costs have been estimated and accepted by ESCC as £0.7m. .
24. SCC's finance officers will be responsible for reporting spend against budget on a quarterly basis to the joint governance boards and an annual reconciliation process will be undertaken to ensure that the financial benefits of service improvements are apportioned appropriately. Mobilisation costs will be reimbursed on a monthly basis.
25. Budgetary increases will be agreed by both parties in advance. Agreement processes will depend upon the level of increased investment.:
- Under £100,000: Head of Service in conjunction with Head of Financial Programmes and Projects at ESCC
 - £100,000-200,000: agreement by the Operational Board
 - £200,000 + to be agreed by the Joint Executive Board

PROPERTY

26. The transactional services will be undertaken from premises in Uckfield. An underlease has been written to this effect.
27. SCC Estates and IMT officers have been working to ensure that the building is fit for purpose and operational from 2 April.

MOBILISATION

28. Following the provisional approval granted on 18 December 2012 a mobilisation team from SCC has been working closely with Serco PLC and ESCC to ensure a smooth transition of services. This has included HR, Estates, Procurement, Communications, IMT, Finance and Legal support.

29. As part of the mobilisation phase, significant resources have been devoted to employee engagement to ensure that the transferring staff feel like part of SCC's One Team. Feedback has been overwhelmingly positive from all parties involved, including the outgoing contractor which has thanked SCC staff for its professional handling of the transfer.

Contact Officer:

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Consulted:

Strategic Director Change and Efficiency, the Leader of the Council, the Chief Finance Officer, the Chief Executive Officer, Legal Services.

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