

Report

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Report to:	Finance and Information Technology Committee
Date of Meeting:	3 March 2009
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Human Resources/Payroll Application Shared Services - South Ayrshire Council
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide a status update in relation to ongoing discussions between South Lanarkshire Council and South Ayrshire Council regarding the potential provision to South Ayrshire Council of Human Resources/Payroll applications under a shared services agreement.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that formal authorisation be given to senior officers within Finance and IT Resources to develop a detailed business case and proposal for the provision of HR/Payroll application services within the context of the shared services agenda.
- (2) that details of the business case and proposal be reported to a future meeting of the Finance and Information Technology Resources Committee.

3. Background - Shared Services

- 3.1. In May 2006 the Scottish Executive published its consultation paper on a Shared Services Strategy for the Public Sector¹.
- 3.2. Shared Services provide an opportunity to share and, therefore, reduce costs, and this applies in the area of application provision where standard processes, generic services, predictable demand, and transactional processing are key features.
- 3.3. South Lanarkshire Council has effectively provided shared services in the form of payroll application provision to Strathclyde Fire and Rescue, Lanarkshire Joint Valuation Board and the Leisure Trust for a number of years.
- 3.4. Over several years the application running within the Council has developed into the Human Resources area and the Council continues to develop with projects such as "People Connect".

¹ A shared approach to building a better Scotland, Scottish Executive, May 2006

- 3.5. The Human Resources/Payroll applications arena is one where the Council has a good offering and could extend its shared services applications provision.
- 3.6. South Lanarkshire Council has been approached by a number of local authorities who have been open to discuss the potential of shared services.
- 3.7. A previous paper submitted to the Finance and Information Technology Resources Committee of 9 December 2008 advised of progress in relation to shared services provision within the Council's primary data centre at Caird Street in relation to hosted services. This paper summarised potential future shared services opportunities in relation to applications provision.

4. Background – South Ayrshire Council

- 4.1. In August 2007 representatives from South Ayrshire Council (SAC) contacted South Lanarkshire Council (SLC) requesting an opportunity to discuss the potential for the shared service provision of HR/Payroll applications.
- 4.2. An initial meeting was held involving the Head of IT Services, SLC, and the Assistant Chief Executive and ICT Strategy Officer, SAC, where it was confirmed that SAC wished to explore options in relation to the provision of HR/Payroll application provision by SLC.
- 4.3. In November 2007, a follow-up meeting was held between the Head of IT and Business Systems Manager, SLC, and the Assistant Chief Executive and ICT Strategy Officer, SAC. At this meeting, the outcomes of previous discussions were summarised.
- 4.4. In August 2008, following a variety of changes to their organisational structure, SAC requested a meeting with the objective being a resumption of previous discussions in this area.
- 4.2. A meeting was held on 10 October 2008 where SAC re-affirmed their commitment to shared services HR/Payroll application provision by SLC and confirmed verbally that they had political approval.
- 4.5. At the end of December 2008, SLC IT Services provided SAC with a discussion paper outlining the numerous issues that would require to be considered as part of a shared services proposal. Key aspects of this discussion paper were:
 - ◆ Shared Services Guiding Principles
 - ◆ Governance Arrangements
 - ◆ Charging Model
 - ◆ Impact on SLC Development Plan – HR and Payroll
 - ◆ Project Resourcing
 - ◆ Support Models
 - ◆ Service Level Agreements (SLA's)
 - ◆ Strategic Risks
 - ◆ Business Process Review
 - ◆ Initial Payroll Migration
 - ◆ HR Developments
 - ◆ Reporting Solution
 - ◆ Technical Interfaces
 - ◆ Software Licensing

- ◆ Hardware Architecture
- ◆ Network and Connectivity Architecture

- 4.6. It is clear that there is strong commitment from both SLC and SAC to develop this proposal further. The officer time allocated to the various discussions up to and including the above meeting has been relatively modest. However, to fully develop proposals at a business case and project planning level will require significant effort.
- 4.7. Before allocating resources to this next stage, it is felt essential to secure the formal support of the Members and Senior Management of the Council to embark on this course of action.
- 4.8. If formal support for this development is given, next steps will include:
 - ◆ Development of a Charging Model which provides an estimate of the cost of the service provision to SAC. This model may include optional services and associated costs.
 - ◆ Arrangement of a workshop (facilitated by Oracle the HR Pay package provider) for senior SLC staff from IT, HR and Finance to discuss and determine the shared services 'Guiding Principles'. This is essentially to discuss and agree the fundamental principles of the offering.
 - ◆ Pursue appropriate customer references for other local authorities who have embarked on shared services HR/Payroll application provision.

5. Employee Implications

- 5.1. There will be employee implications associated with the initiation of a shared services provision of HR/Payroll applications to SAC. The extent of the implications will be determined by the scope, budget and timescales for any shared services development.

6. Financial Implications

- 6.1. There will be financial implications associated with the initiation of a shared services provision of HR/Payroll applications to SAC. As a provider of the service SLC would look to incorporate all associated costs into an appropriate charging model and be able to generate income to the Council. The extent of the charges and income will be determined by our existing costs, the scope, resources required and timescales for any shared service development and will form part of the business case development.

7. Other Implications

- 7.1. Sections 5 and 6 indicate that there will be both employee and financial implications associated with any shared services proposal. The extent of the implications is unknown at the moment, however it should be noted that it is likely that there could be some impact on our (IT, HR and Finance Services) ability to deliver fully on SLC HR and Payroll developments **and** support a shared services development for SAC within our existing resource levels.
- 7.2. Embarking on a shared services development will also effectively 'bind' SLC and SAC together for future HR and Payroll related developments. Whilst it is reasonable to assume that two local authorities will have similar business processes there may be subtle differences that need to be considered and addressed.
- 7.3. Situations may also arise in the future when priorities or constraints in one organisation impact on the other. This is one of the reasons why it will be essential to

define our guiding principles and establish an appropriate governance model to support and steer this development.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. Although this report recommends/introduces a new policy, this policy area has been screened for equalities issues and is not relevant to the Council's equalities duties and therefore, no impact assessment is required.
- 8.2. There is no requirement to undertake any consultation in terms of the information contained in this report.

Linda Hardie
Executive Director (Finance and IT Resources)

28 January 2009

Link(s) to Council Objectives

- ◆ Value: Accountable, Effective and Efficient

Previous References

- ◆ Finance and IT Committee, 9 December 2008

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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