

Scrutiny Committee



Report of Head of Partnership and Insight and Head of Corporate Services

Author: Andrew Down / Adrianna Partridge

Telephone: 01235 422300 / 01235 422485

Textphone: 18001 01235 422300 / 18001 01235 422485

E-mail: andrew.down@southandvale.gov.uk /
adrianna.partridge@southandvale.gov.uk

Cabinet member responsible: Bill Service

Tel: 01235 510810

E-mail: bill.service@southoxon.gov.uk

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Capita performance: HR, payroll and IT

Recommendation

The Scrutiny Committee members note the contents of the report and make any recommendations arising to the relevant cabinet members

Purpose of Report

1. The purpose of this report is to provide an update on the performance of the council's contractor, Capita, in the delivery of the HR, payroll and IT services. Current risks and issues are identified, as well as the steps which officers are taking.

Partnership vision

2. As stated in the overarching service delivery plan, Capita's overarching partnership vision is to support the councils by:
 - supporting the achievement of each council's corporate targets
 - improving the satisfaction of customers and service users
 - improving the productivity of the councils' staff
 - delivering improved value for money
 - achieving high levels of resilience and compliance.

3. There are no formal measures associated with the points above, as the performance indicators for each element of the contract should contribute to the overall goals. When considering the performance of the services discussed in this report, officers have considered the extent to which the above vision is achieved in practice.

Transformation and milestones

4. The contract with Capita is for the delivery of a range of services. Services were transferred to Capita on the service commencement date, which for South Oxfordshire was 1 August 2016 for all services. At that date, the services continued to be operated in the same way and by the same staff as before the transfer.
5. The contract includes for each service a series of milestone dates. These are assigned to the key points in the process of transforming the service from the model in operation at service commencement date to the new way of working put forward by Capita and agreed by the councils in the contract. The new way of working is known as the target operating model, or TOM.
6. For each service, TOM can include changes of systems, team structures, location of operating premises and methods of customer interaction. For most services, TOM includes some assumptions of a move towards greater self-service by councillors, council employees and residents, with an increased use of online interactions (“channel shift”).
7. During the period of transformation activity, the key performance indicators (KPIs) and performance indicators (PIs) which are used to monitor the contractor’s performance are not enforced. Contractual monitoring of KPIs and PIs begins on the commencement date identified by officer acceptance of TOM.

Contract management

8. In the period before formal adoption of KPIs and PIs, council officers monitor the contractor’s performance by other means during the time of transformation activity. To date, much of this monitoring has taken place within the joint client team, consisting of employees of all of the councils in the Five Councils Partnership. Recently, the five councils have taken a decision to direct Capita’s delivery and performance in line with their own delivery needs, and therefore the joint client team is now reducing in size. It was envisaged at the outset that the joint client team would reduce after the first two years of the contract.
9. A smaller joint client team will remain to maximise any opportunities through aggregation and economies of scale. Therefore, it will continue to monitor contract performance, but there is a greater ability to influence and act for our own local officers. Those of our officers who were in the joint client team have returned to work directly for South and Vale, and will be included in the restructuring process which is currently in train.
10. The strategic leadership role at South Oxfordshire for each of the services provided by Capita now resides with the relevant head of service. In the case of HR, payroll and IT, this is the head of corporate services, Adrianna Partridge.
11. The overall responsibility for managing the relationship with Capita and the partnership arrangements with other council partners and the joint client team rests with the head of partnership and insight, Andrew Down, along with approval of any contract changes.

12. Within our councils, an officer programme board meets monthly comprising the heads of service who have responsibility for services which are provided by Capita, the head of partnership and insight, and the chief executive. This board collectively has oversight of both commercial and operational matters relating to the contract. Cabinet members are briefed on a monthly basis.
13. For each of the services included in this report, information is provided below on the current state of transformation activity, progress against milestones, and current performance.

HR and payroll

MILESTONES

14. For our councils, the transformation activity is complete and the HR and payroll service has entered business as usual.
15. The milestones applicable to this council are:

Milestone	Description	Target date	Actual date
HR1	Project initiation	Jun 2016	Jun 2016
HR2	ResourceLink ready	Oct 2016	Dec 2017
HR3	Oracle cloud service ready	Oct 2016	Oct 2016
HR4	Target operating model go-live	Oct 2016	Mar 2018
HR5	Operational model proven (parallel runs of payroll)	Dec 2016	Apr 2017
HR6	N/A (Mendip)		
HR7	N/A (Havant and Hart)		
HR8	Provision of HR advisor for six months to support transformation	Dec 2016	Apr 2017
HR9	Provision of HR advisor for six months to support transformation	Jun 2017	Aug 2017

16. The table above demonstrates the delays which were experienced in achieving TOM for the HR and payroll service. During this period the HR service was delivered from a number of remote sites before being transferred to Belfast in June 2017. In practical terms we have been running with new systems since July 2017, although some issues with the quality of HR data migration from old systems to new caused us not to sign off on the migration immediately (reflected in HR4 milestone).
17. One reason for the delay in successfully implementing new systems was that the HR service was being delivered from a Capita site in Sheffield, while the payroll was being run from Carlisle. Misunderstandings and a lack of integrated systems resulted in numerous payroll errors, meaning that the council was not prepared to sign off on successful payroll testing. The switch to new systems could not be completed until we were satisfied that the new system could reliably deliver the monthly payroll and also update the general ledger correctly.
18. Another reason for delay was identified by Capita as a lack of experienced staff who knew the council environment. This resulted from Capita's own decision to make redundant the former HR team within two months of contract service commencement.

19. The lengthy period of payroll testing consumed staff resource in the joint client team and also in our internal audit function.

PERFORMANCE INDICATORS

20. There are two key performance indicators (KPIs) and 14 performance indicators (PIs) for the HR and payroll service, defined as follows:

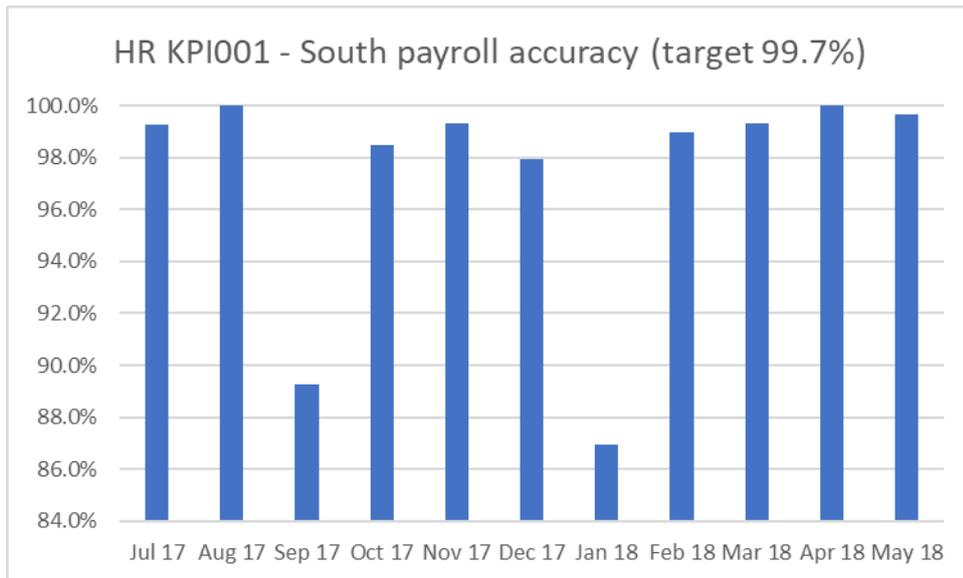
KPI001	Maintain net pay calculation accuracy above 99.7 per cent
KPI002	Maintain payroll timeliness of employee payments at 100 per cent
PI001	Maintain timely submission of RTI, FPS and EPS files at 100 per cent
PI002	Maintain contracts of employment for new starters & staff changes at 100 per cent
PI003	Maintain new starters and changes updated on payroll system prior to payroll cut-off deadline at 100 per cent
PI004	Maintain proportion of responses to generalist HR & employment law advice requests from managers or employees above 99 per cent
PI005	Maintain accuracy of interface files at 100 per cent
PI006	Maintain timeliness of interface files at 100 per cent
PI007	Maintain timely remittance payments at 100 per cent
PI008	Maintain updates of job vacancy within applicable systems within two working days at 100 per cent
PI009	Maintain shortlisting decisions & communications to applicants within two working days at 100 per cent
PI010	Maintain communication of interview outcomes to applicants within two working days of a decision at 100 per cent
PI011	Maintain request of standard employment references for new starters within three working days of acceptance notification being received at 100 per cent
PI012	Maintain timely delivery of agreed standard report packs in line with agreed processing schedule deadlines at 100 per cent
PI013	Maintain preparation and submission of year end P60 returns at 100 per cent
PI014	Maintain preparation and submission of P11D year end returns at 100 per cent

21. In 11 months of reporting from July 2017 (when the switch to new payroll system was made), KPI001 (payroll accuracy) has been achieved only three times for South Oxfordshire.

22. In September 2017, Capita’s rectification plan for the payroll summarises as the root cause that “the calculation of net pay in the event of movers, starters and leavers was configured incorrectly in the new Resourcelink system and not captured in the testing and data migration.” A number of corrective actions and control measures were applied to prevent recurrence.

23. In January 2018, the root cause identified for poor performance is double payment of holiday allowances to casual staff. Again, corrective actions have been applied and procedures changed so that there should be no repeat.

24. The payroll accuracy KPI for the period from July 2017 to May 2018 is illustrated in the chart below.



- 25. Over the same period, KPI002 (payroll timeliness) has been met in full. In other words, there have been no delays to payroll in that period.
- 26. The 14 PIs have mostly been met, with a total of eight breaches in the period since July 2017. No breaches have occurred since October 2017, showing that the service is generally bedding in.

CURRENT ISSUES AND ACTIONS

- 27. Officers have seen a positive direction of travel in our concerns being addressed as business as usual is embedded across the councils. A service improvement group (SIG) for the work stream is now well established, which includes representatives from Capita, the client team and other five councils representatives. In addition, South and Vale led the creation of a strategic HR group across the five councils representatives, to ensure performance and delivery concerns are shared and co-ordinated to maximise the efficiency of the SIG platform.
- 28. Current issues which are being addressed through SIG mainly relate to ensuring improvements to management information and data integrity. This includes My View data integrity (i.e. the ability of managers to review all the information related to their direct reports), the ability of officers to find information on the My View systems (policies and procedures) and management information requested by the strategic HR teams to ensure performance and compliance can be effectively monitored. Other areas of concern include response times to councillor and officer queries either via telephone or through the Ask HR system, and improvements are also required in system training and availability of HR advisory personnel.

Information technology

MILESTONES

- 29. For our councils, the transformation activity has been significantly delayed and has not yet been completed. Some users have not yet been issued with new hardware, and a number of our corporate database servers have not been migrated to the Capita environment and are still running from South and Vale data centres.

30. The milestones applicable to this council are:

Milestone	Description	Target date	Actual date
IT1a	Transition and design (South)	Aug 2016	Aug 2016
IT1b	Target operating model (South)	Dec 2016	Not achieved

31. Delivery of the full IT service has still not been achieved and consequently the milestone payments have not been made to Capita.

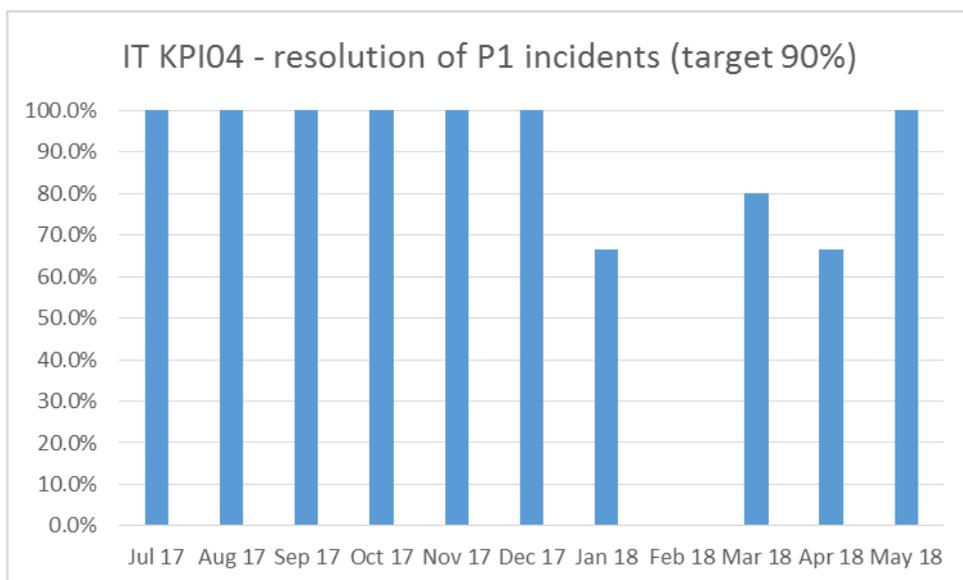
32. The delayed IT implementation caused the councils to request from Capita a rectification plan, in accordance with contractual provisions. The purpose of a rectification plan is to identify the root causes of failure, to set out any corrective actions and to implement any controls to prevent recurrence. Despite a number of attempts, Capita did not produce a satisfactory rectification plan for IT, causing the councils to invoke the next contractual step, appointment of a remedial adviser.

33. The role of the remedial adviser was to review the service provision and recommend actions to remedy the causes of failure. The remedial adviser’s IT report was rejected by the councils in April 2018 as it failed to satisfy the terms of reference agreed by the councils. Since then, in response to significant IT concerns at other partner sites, Capita has dedicated some senior IT resources to working with the councils to resolve current issues and we are seeing evidence of progress.

PERFORMANCE INDICATORS

34. Until target operating model is achieved, the IT performance indicators are not enforceable. However, there is one being measured informally, KPI04 which is “Maintain Incident Management - P1 (Severity 1 Service Incident) above 90 per cent”. This means the most severe incidents should be resolved within their four hour service level at least 90 per cent of the time.

35. This KPI has not been met four times in the last five months, as shown in the chart below, reflecting an IT service which is generally viewed by users as inadequate and failing to meet the overarching vision set out at paragraph 2.



ISSUES AND ACTIONS

36. Due to TOM not being signed off, South and Vale continue to experience significant delays in transitioning legacy infrastructure from our Redhill datacentre to Capita's datacentre (CPC – Capita private cloud). This includes systems such as Xpress (elections software), our main websites, Total Mobile (food safety and environmental protection), WIFI and InCase (fraud system). This has resulted in some officers having to utilise two devices or legacy devices in order to deliver their services. The outcome of this delay is that officers are working with ageing and inadequate systems and hardware, with limited infrastructure support. They are also experiencing connectivity problems on a daily basis.
37. Problems that officers are experiencing on the Capita network with the systems that have transitioned, are mostly related to the virtual private network (VPN) infrastructure, i.e. the ability to work remotely effectively and connection stability. Capita are currently assessing a rectification option to address the failures in this area.
38. A further area to be addressed is the quality and responsiveness of the Capita IT helpdesk. Councillors and officers have reported that either their helpdesk call is not being responded to or is poorly responded to. There also appears to be a time lag between the central helpdesk which administrates the calls, logging helpdesk queries and assigning them on-site support which enables them to respond to the officer query. We are not being provided with regular performance information on the operation of the helpdesk which could assist in challenging performance, despite repeated requests.
39. To address the ongoing IT issues, officers have engaged the support of a leading IT consultant to review the current strategy, contracts and services in place for IT services and assess those against the business direction and service needs of the councils. The IT consultant has already commenced discussions with Capita, working alongside council officers. In addition, South and Vale's IT manager participates in daily calls between Capita, the client team and representatives from the 5 councils which are currently focused on infrastructure performance issues. Once a week there is also a South and Vale specific call to discuss progress with transition from our legacy environment.
40. In addition, a senior representative of Capita has promised an intensive period of activity with the goal of resolving outstanding IT service issues by 27 July, or if that proves impossible of recommending an alternative route forward.

Conclusion

41. Provision of the HR and payroll service is still not meeting required performance standards. However, the service is slowly improving.
42. As we have not achieved TOM with the IT service, the performance indicators are not currently enforceable which is limiting the councils' ability to influence performance improvements at this time. Officers believe that Capita is now more positively engaged in attempting to resolve the current problems, and we have a structured plan to move the service forward.