

Report of: Director of Resources

To: Executive Board, Leeds City Council

Date: 9th December 2009

Subject: Design & Cost Report: Business Transformation in Leeds City Council and the Introduction of Manager and Employee Self Service

Electoral Wards Affected:	Specific Implications For: Equality and Diversity <input type="checkbox"/> Community Cohesion <input type="checkbox"/> Narrowing the Gap <input type="checkbox"/>
Eligible for Call In <input checked="" type="checkbox"/>	Not Eligible for Call In (Details contained in the report) <input type="checkbox"/>

Executive Summary

Executive Board members will be aware of two earlier reports submitted by the Assistant Chief Executive (Planning, Policy and Improvement) and the Director of Resources to the Board. These reports were:

- Business Transformation in Leeds City Council – Report 1 (3rd December 2008)
- Business Transformation in Leeds City Council – Report 2 – Design and Cost Report for Key Enabling Projects (3rd December 2008)

The reports were approved, and stated that in order for the Council to deliver its Strategic and Business Plan outcomes (within challenging financial constraints), the delivery of a Transformation Program was imperative in order to bring about both significant change and facilitate a number of benefits (both cashable and non-cashable).

As part of the program, an element considered “critical” to support the delivery of Business Transformation is the introduction of Manager and Employee Self Service.

The introduction of manager and employee self service will change how the Council operates in a number of areas. It will be critical in shaping how managers work, providing them with the essential tools to manage. Detailed consultation would suggest that there is widespread support for its introduction from both managers and staff.

“Changing the Workplace” is a key initiative, considered an integral part of Transformation. As part of this initiative, consideration will be given to different ways of working. This may

mean working in a different place, home working, working at remote locations and “hot-desking”; ways of working that are greener, more efficient and providing greater “worklife balance” for our workforce. Self Service is fundamental to supporting this initiative.

Self Service also directly supports the wider proposal to deliver a Business Intelligence solution to managers across the Council. The success of any Business Intelligence system relies on the accuracy of the data presented. Giving managers direct access to data gives them accountability for its accuracy, provides a high degree of data validation, and will also provide them with the ability to follow through on queries and interrogate individual records. Inaccurate information would undermine the credibility of a Business Intelligence solution.

An option appraisal has been undertaken to consider the best way of introducing Manager and Employee Self Service. This has concluded that the most effective way of deploying these products and maximize existing investment, would be to develop the self service modules within the Council’s current payroll and HR administration systems provided by SAP. Much work has therefore been done preparing for its introduction and negotiations with the approved supplier (SAP) have taken place over a period of time in order that the very best terms be obtained. Officers are now satisfied that this has been achieved. A detailed Business Case proposing the introduction of SAP Manager and Employees Self Service (MSS/ESS) was submitted to the Resources and Performance Board on the 18th September 2009.

1.0 Purpose of this Report

1.1 The purpose of this report is to seek authority to spend £1.583m on the development and deployment of SAP’s Manager and Employee Self Service module as part of the Council’s wider transformation agenda.

2.0 Background Information

2.1 Manager and Employee Self Service (MSS/ESS) are not only generally regarded as key components of a modern business, but can also enable significant efficiencies, by automating and streamlining business processes.

2.2 Employee Self Service can be used in a variety of different ways:

- view and update personal details (e.g. address details, bank details, next of kin etc.)
- view absence information (e.g. sickness, special leave, annual leave)
- view current and historical payslips
- submit special leave request (with workflow to Manager for approval)
- submit variations to pay (e.g. overtime, including workflow)
- claim reimbursement of mileage and expense claims (including workflow)
- submit annual leave requests (including workflow)
- submit requests to attend training courses (including workflow)
- provide an audit trail of submissions, approvals and rejections

2.3 Manager Self Service is a sophisticated tool that can be developed in many ways, to include:

- an in-box to receive all work-flowed tasks for approval
- integration with E-mail for time-bound tasks
- the ability to approve or reject requests and claims
- recording sickness absence information
- the ability to submit integrated Adobe Forms (New Starters, Change of Hours etc) including workflow

- accessing management information (reports built via standard reporting tools)
- accessing employee information/history
- inputting training reviews and appraisal details
- viewing Organisational Structures
- maintaining work schedule information resulting in accurate absence information and statistics
- viewing team absence calendar

- 2.4 Whilst the above processes do operate within the Council, they currently involve significant amounts of paper and manual input into electronic systems. MSS/ESS is an efficient way of working providing staffing efficiencies plus other additional savings, whilst at the same time enabling greener ways of working. Requests (where necessary) are automatically “workflowed” to managers, validated and once approved the HR/Payroll system is automatically updated. A key advantage is the ability to access quality, up to date management information pertaining to individual service areas and the facility to drill down to the lowest levels.
- 2.5 Members are aware of reports previously submitted to the Executive Board by the Assistant Chief Executive (Planning, Policy and Improvement) and the Director of Resources. These reports considered in August and December 2008 were detailed reports regarding the Council’s wider transformation agenda which were approved.
- 2.6 The reports articulated that in order for the Council to deliver its Strategic and Business Plan outcomes (all within challenging financial constraints), the delivery of the Transformation Program was imperative in order to bring about both significant change and financial benefits (both cashable and non-cashable).
- 2.7 Manager and Employee Self Service supports the delivery of the Business Transformation Program, without it, transformation may not be compromised but most certainly limited.
- 2.8 Many large organisations now consider Self Service as an essential and integral part of their development; examples include KPMG, CAPITA, HMRC and the DWP. More recently an increasing number of Local Authorities have also joined the ranks of the self-servers again as part of their wider transformation/efficiencies agenda(s).
- 2.9 It is accepted that the associated benefits extend far beyond those solely related to what could be described as “cashable savings”. That said it should be noted that in addition to any “value add” the introduction of self service will provide estimated benefits of £1.086m pa following full implementation, this equates to £8.436m over 10 years. Of these annual savings of £538k will be delivered by staffing reductions in the Business Support Centre (BSC), with a further £469k related to wider Council efficiencies.
- 2.10 The Council Business Plan 2008-2011 clearly articulates our organisational “vision for the future”:

“Ultimately we want to be an organisation that ensures the delivery of improved outcomes for the city of Leeds and its people; has a strong culture of one council represented through the behaviors of our colleagues and forges effective partnerships for the good of the city and its citizens. In order to achieve this we will need to embrace new ways of working, make best use of technology, innovate and collaborate, continuously improve and deliver real customer focus.”

When considering Business Outcomes 2 and 3 of the plan, Self Service will:

- Improve our systems and processes to enable us to use our information effectively and efficiently;

- Ensure we have the right intelligence to inform our strategic planning;
- Increase choice so [internal] customers can access services in more convenient ways
- Help manage [internal] customer expectation and deliver on our promises;
- Help develop joined up and person centred services designed around the needs of our customers;
- Improve the efficiency of our services including maximising savings delivered through procurement, ICT and asset management;
- Embed value for money at all levels;
- Ensure strategic business transformation/improvement activity is prioritised and coordinated;
- Enhance service improvement capacity to support business change at directorate/service level;
- Improve the quality and efficiency of support services

3.0 Main Issues

- 3.1 The efficiency agenda is a significant economic driver. All public bodies are being pressured to make year-on-year efficiency savings in back-office and support service functions in order to maximise investment in front-line services.
- 3.2 Leeds City Council has made great strides in this regard in recent years, however, it is recognised that much more can be achieved utilising the benefit of technology and changing the way that we work. The Business Transformation Program provides the basis for making significant efficiencies for the redirection of resources to front-line services which would otherwise not be achieved by the traditional incremental change approach.
- 3.3 Self Service is a critical tool, an enabler, it is an essential component when considering the Council's vision and provides the mechanism for change and much more cost effective processes. Advantages include:
- Reduction in costs through staff savings
 - Savings in time spent by managers on staffing administration
 - The development of self-sufficiency and accountability for employees and managers
 - Reducing the dependency on Support Services
 - Reducing bureaucracy and waiting times
 - Minimising paper based processes through exploiting technology
 - Provision of better business experience for employees and managers
 - Enabling Managers to easily access management information in relation to staffing data
 - An increase in the accuracy of data as a result of increased validation.
 - Provides a scalable platform for growth – both in PC access, and additional functionality which could be rolled out at a later date if required. This could include Finance, Procurement, even the full ERP suite which would provide further opportunities for savings
 - Enables the realisation of HR plans to introduce Talent Management and Succession Planning activities
 - A “Greener” solution
 - The use of 21st Century Technology
- 3.4 Two main options have been explored in order to introduce MSS/ESS within the Council, namely an internally developed module and SAP. Major investment has already been made in SAP as the Council's HR/Payroll solution and Self Service utilities are embedded in its core functionality. Configuring and deploying this functionality to extend the use of this software ensures we achieve better value for money on the original investment, and it is recommended that the SAP MSS/ESS

solution is adopted. A full option appraisal and business case has been produced which supports these conclusions.

- 3.5 Self Service also helps achieve HR's strategic vision to deliver a high-value HR practice, introduce procedures and systems that provide support to Managers across the Council and reduce reliance on local HR resources. As Self Service was included in the scope of the Support Services Review, the Chief Officer HR has already made staffing reductions based on the anticipated introduction of Self Service. However, due to the lack of Self Service, Managers are still placing significant demands on reduced HR resources. A Self Service portal would also provide a greater degree of sign-posting for the policies and procedures associated with the self service transactions.
- 3.6 Self Service has the widespread potential to improve the efficiency of key business processes and improve the experience of those Staff and Managers involved (extensive consultation supports this view). The need for subsequent third party input will be eliminated, and the detailed process analysis has identified realisable BSC staffing reductions of 23 FTE ranging from B1 – SO2, currently equating to £537,883 year on year. Through detailed process analysis it has been determined that overall, Employees and Managers (who have ready access to PC's) will save time, effort and resources by using Self Service functions. This equates to a £326,000 efficiency saving year on year.

4.0 Consultation

- 4.1 Self Service has been demonstrated to over 500 Managers from across the organization thus far, 95% of which have agreed they would benefit from having access to Managers Self Service. Further demonstrations are planned to approximately 500 more Managers upto February 2010.
- 4.2 Between 2007 and 2009 two limited self service prototypes have been piloted within Leeds Revenues Service and ICT Services. Formal evaluations of the pilots were undertaken and overall the feedback was receptive and positive which provide a high degree of confidence around achieving full business benefits.
- 4.3 Since 2006, Managers Desktop (the predecessor of MSS) has been available in over 200 Schools. Staff in 76 of these schools use Managers Desktop to directly input sickness and special leave information – this has proved very successful with high levels of satisfaction from the end-users, staffing savings within the BSC have been made as a result.
- 4.4 Over 470 Managers within Leeds City Council have been provided with access to Managers Desktop to view staff related information. The majority of users have expressed a desire to directly input information.

5.0 Programme

- 5.1 Whilst the perception of the SAP software is that it can be simply switched on, there is significant work required in configuring the software and rolling out training for users. A 24 month program is planned with full roll out completed by March 2012. This would bring the benefits of ESS to 10,000 employees and the benefits of MSS to 2,500 Managers and School Bursars.

The following plan outlines the high-level programme of work:

Date(s)	Milestone
December 2009	Purchase Self Service licenses
January 2010	Tender for implementation partner
Jan 10 – Apr 10	Installation and configuration of hardware
April 2010	Purchase Adobe Licenses and Lifecycle Manager
April 2010	Commence design workshops (phased)
May 2010	Commence development (phased)
October 2010	Commence roll-out (phased)
December 2011	Complete development
March 2012	Complete roll-out

6.0 Implications for Council Policy and Governance

- 6.1 The Resources and Performance Board, chaired by the Director of Resources will provide the governance to ensure that the benefits noted in this paper are tracked and delivered.
- 6.2 Given the Council's existing investment in SAP software and the proposed solution is to continue to deploy SAP software the Negotiated Procedure without Prior Public Contract Notification was selected as the procurement route. Legal advice has been sought from the Procurement Team, and has confirmed this approach.
- 6.3 Most of the work of implementation will be undertaken by the Council's own staff within ICT and the BSC, however, it will be necessary to obtain some external specialist support, although all efforts will be made to minimize this. LCC does not have a current framework agreement that it can leverage for the implementation of this project. The ICT Strategic Sourcing team have carried out a 'Request for Information' utilising Catalist (OGC Buying Solutions) which has achieved a satisfactory response. A full second day competition will be completed using Catalist following business case approval.

7.0 Legal and Resource Implications

- 7.1 There are no legal implications.

8.0 Capital Funding and Cash Flow

- 8.1 The capital cost of the proposal is £1.465m (plus additional future investment for storage beyond the current capital programme), and provides for the purchase of licenses, configuration and implementation and associated hardware. Additional revenue costs are also factored into the project and include one off costs of training (£79k pa for two years) and additional recurring costs for system and software maintenance of £137k pa. Savings within the BSC are forecast to rise to £538k pa upon full implementation by 2013/14, and efficiency gains in the wider Council are forecast at £469pa upon full implementation
- 8.2 The capital and revenue implications of these proposals are summarised in **Appendix A**. As can be seen, the proposal generates net revenue savings of £402k upon full implementation, based purely upon savings within the BSC, and net savings over a 10 year investment period are forecast at £3.2m. This level of projected net savings over a 10 year period within BSC are more than sufficient to fund the £1.465m capital cost of the project (plus the additional investment in storage of £117.5k forecast to be required in years 2014/20). However, in the earlier years, there is a net cost of the investment, and it is proposed that the project is funded from existing provisions within the capital programme for ICT capital (£0.8m, including commitment in years 5 -10) and the Transformation Capital Programme (£0.7m). In the case of the

Transformation Programme, this will require £0.475m to be brought forward to 2009/10.

- 8.3 Many elements of the Transformation Program continue to be developed and costed. Whilst it is evident that there are very strong links between MSS/ESS and the Council's Transformation Program, it is possible that funding for MSS/ESS will put pressure upon other elements to be funded in the future. Recognising this, it is proposed to return the investment from the Business Transformation programme (£740.5k) commencing in year 3, funded by the net savings within BSC resulting from the MSS/ESS implementation

9.0 Risk Assessments

- 9.1 The project for the delivery and implementation of MSS/ESS will be undertaken in accordance with the Council's approved project management methodology, Delivering Successful Change, but as with any project there are a number of risks associated with the delivery and implementation of a project such as this. The significant ones include:

- Cost and time overruns - a 10% contingency of the capital allocation in Year 1 and 2 has been included. In addition, rigorous programme and project management governance will be undertaken.
- Non delivery of benefits - the Resources and Performance Board will be accountable for the tracking of the benefits identified.

10.0 Conclusions

- 10.1 The Council has already accepted that there is a need for widespread Transformation. Similarly the requirement for Self Service has been acknowledged as fundamental tool to supplement the change. For many organisations the introduction of ESS/MSS is part of the natural evolution of the SAP product but it is noteworthy that significant savings can also be achieved. The return on investment (cashable and non-cashable) is achievable and is significant.

11.0 Recommendations

- 11.1 Members of Executive Board are recommended to:

- a) give authority to spend of £1,465.5K over the next 2 year period, (plus an additional £117.5K in year 5), to be funded from the Business Transformation allocation and the ICT Development and equipment funds to enable the implementation of Manager and Employee Self Service to contribute to the delivery of Business Transformation within Leeds City Council.

Background Papers

- Business Transformation in Leeds City Council – Report 1 (3rd December 2008)
- Business Transformation in Leeds City Council – Report 2 – Design and Cost Report for Key Enabling Projects (3rd December 2008)
- Full Business Case (Resources & Performance Board 18th September 2009)

Appendix A

Capital Funding and Cash Flow

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2010 £000's	FORECAST				
			2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/20 £000's
HARDWARE/STORAGE	285.0	167.5					117.5
SOFTWARE/LICENSES/CONSULTANTS	791.4	582.4	209.0				
ICT DEVELOPMENT COSTS	451.6	24.8	213.4	213.4			
TECHNICAL CONFIG TRAINING	55.0	55.0					
TOTALS	1583.0	829.7	422.4	213.4	0.0	0.0	117.5

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2010 £000's	FORECAST				
			2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/20 £000's
LCC Funding (ICT Capital/Equipment)	630.9	325.0	188.4				117.5
LCC Funding (ICT Capital/Resources)	211.6	24.8	93.4	93.4			
Unsupported Borrowing (BT)	740.5	479.9	140.6	120.0			
Total Funding	1583.0	829.7	422.4	213.4	0.0	0.0	117.5
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(Scheme No: 14201 ESS 000)

Revenue Effects

The following table illustrates the additional revenue costs which will be accommodated in the service budget:

REVENUE EFFECTS	2009/10 £000's	2010/11 £000'S	2011/12 £000'S	2012/13 £000'S	2013/14 £000'S	2014/20 £000'S
EMPLOYEES		79.1	79.1			
PREMISES COSTS						
ICT SUPPORT/MAINTENANCE		136.6	136.6	159.1	136.6	820.1
EXTERNAL INCOME GENERATED						

Details of the funding arrangements for the additional revenue costs and savings attributed to the implementation of self service are detailed below:

Additional Revenue Costs and Savings

	Year 0 2009/10	Year 1	Year 2	Year 3	Year 4	Years 5-10	Total
	£	£	£	£	£	£	£
Additional Revenue Cost							
- One off		79,146	79,146				158,292
- Recurring		136,685	136,685	159,185	136,685	820,110	1,389,350
Total Revenue Cost		215,831	215,831	159,185	136,685	820,110	1,547,642
Savings							
- BSC Only		93,181	231,401	447,804	537,883	3,227,298	4,537,567
- Capitalisation		120,000	120,000				240,000
Total Savings BSC		213,181	351,401	447,804	537,883	3,227,298	4,777,567
Net Position		2,650	-135,570	-288,619	-401,198	-2,407,188	-3,229,925
Memo – City Wide Savings		-90,250	-175,560	-350,000	-469,000	-2,814,000	-3,898,810