

PART 1 - PUBLIC

Decision Maker: **Resources Portfolio Holder**

Date: **For Pre-Decision Scrutiny by Executive and Resources PDS Committee
18 July 2012**

Decision Type: Non-Urgent Executive Key

TITLE: OUTSOURCING OF THE PAYMENTS TEAM

Contact Officer: Lesley Moore, Deputy Finance Director
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Chief Officer: Mark Bowen, Director of Resources

Ward: N/A

1. Reason for report

1.1 As part of the 2012/13 Budget process all areas of expenditure have been scrutinised by officers with a view to delivering services in a more efficient and effective way, particularly given the significant funding gap identified in the four year financial forecast. This has included looking at the option of outsourcing services where appropriate.

2. **RECOMMENDATION(S)**

2.1 **The Resources Portfolio Holder is asked to**

- a) **Agree the transfer of the Council's payments functions to Liberata which will generate savings averaging £46,500 p.a. or £255,750 over the remaining life of the contract.**
- b) **Support the approach that the transfer of the Payments Team takes place in three phases between 1st October 2012 and 1st February 2013 as set out in the proposed timetable at Appendix 1.**

Corporate Policy

N/A

Financial

1. Estimated cost Guaranteed savings of £255,750 over 5.5 years
 2. Recurring cost
 3. Budget head Exchequer - Payments Team
 4. Total budget for this head £594k
-

Staff

1. Number of staff (current and additional) – 17.83 ftes
 2. If from existing staff resources, number of staff hours -
-

Legal

1. No statutory requirement or Government guidance
 2. Call-in is applicable
-

Customer Impact

Estimated number of users/beneficiaries (current and projected) - N/A

3. COMMENTARY

- 3.1 The Council continues to face a period of unprecedented reductions in public funding, and over the next few years will need to identify savings in the region of £40 million to balance the revenue budget.
- 3.2 As part of the budget process all areas of expenditure have been scrutinised by officers with a view to delivering services in a more efficient and effective way, which has included looking at the option of outsourcing services where appropriate.
- 3.3 One of the areas that has been reviewed and considered for outsourcing is elements of the Exchequer Team. Members already agreed in January 2012, the outsourcing to Liberata of the Central Income team and Housing Accommodation Charges team within Exchequer Services, which took effect from April 2012. Since the transfer Liberata has made improved changes to how we deliver the service without any detrimental impact to service departments or our customers.
- 3.4 The current Exchequer Team is primarily responsible for payment of invoices and collection of income across all council services. The total team comprises of 49 staff (42.43ftes) that deal with general payments, payments made through management information systems such as Confirm and Care First, Visiting Officers & Financial Assessment staff and Appointee and Deputyship.
- 3.5 Given the size of the team, and some of the complex areas of work that the team covers, mainly around social care, it has been decided that outsourcing should focus on areas which are low risk with the potential to deliver improvements in service and ongoing revenue savings. Officers considered the payment team to be the lowest risk area within the current Exchequer Team and an area that if outsourced would also free up significant senior management time to focus on maximising income rather than managing staffing issues, sickness, vacancies, complaints etc. The two senior managers within the Exchequer Team are already stretched, particularly in recent months, due to changes in how services in social care are being delivered and the introduction of the Contributions Policy, as well as the Appointee and Deputyship moving into Exchequer from April 2012.

Payments Team

- 3.9 Over the past 5 years, the Council's accounts payable functions have been centralised with staff moving from a number of different Departments and locations to Exchequer Service, allowing for greater capacity, flexibility to absorb additional work and continuous improvement in the percentage of invoices paid within 30 days (BV8).
- 3.10 The Payments Team comprises of 24 staff that are responsible for making payments in respect of all council services such as adults and children's social care (including direct payments and foster care payments), payments to Landlords for temporary accommodation, payments for utilities, and payments for scheduled and emergency works on behalf of Property and Environmental services. Within the team there are three members of staff who are also responsible for the set up and maintenance of supplier details on the Council's financial system.

- 3.11 As part of the Council's overall Improvement and Efficiency Plan a number of improvements have already been put in place within the Payments Team over the last few years, such as a reduction in staffing levels as new IT system benefits have been realised. In 2011/12 there were further reductions in staffing numbers through management rationalisation, but it is now proving difficult to make any further efficiency without impacting on the service that we provide. The only other option would be to ask members for funding to invest in technology, that will help deliver savings in future years.
- 3.12 Officers therefore decided to ask Liberata to undertake a Health Check on the payments team, to see where, if any, further efficiencies could be realised without any detrimental service impact.
- 3.13 Staff within the team were involved in the health check undertaken by Liberata and initially briefed by senior officers of the proposal around outsourcing at a meeting on the 29th May 2012.
- 3.13 As part of the Health Check, Liberata identified a number of good practises that already exist within the payments team, such as the employee value, document storage costs limited to a maximum of 1 month, good resilience in some areas of the service, pro active systems development to automate processes and centralised receipt and processing of invoices which is the recommended best practice.
- 3.14 The Health Check also identified a number of areas where improvements could be made to processes and performance that will result in an improved service, reduced risks and savings for the Council going forward. These are explained in more detail in paragraphs 3.17 to 3.21 below.

Liberata

- 3.16 Liberata already undertake accounts payable functions on behalf of other councils and is one of the UK's leading Transactional Finance service providers, having delivered substantial improvements in performance and efficiency for their clients, whilst processing over 1 million payments valued at £11bn annually. They have made considerable investment in IT to develop a performance management system which provides an accurate mechanism by which management can track performance against set targets to drive improved performance.
- 3.17 The key areas for improvement identified by Liberata were:-
- Staff productivity
 - Workload management
 - Maximising outcomes from existing technology investment
 - Increasing BACS payments
 - Knowledge management framework and additional stakeholder training.
- 3.18 The use of a performance management tool will lead to an increase in the team's overall performance levels, by processing work items quicker and in a more efficient manner. In maximising performance and creating additional capacity within the team there will also be more resilience in the payments team during periods of staff absence.
- 3.19 Liberata will also be able to build upon the investment already made in Version One Software, through implementing a "No Purchase Order No pay" policy, which will increase transactions that can be processed **first time** against an approved Purchase Order. The Version One

Module could then be used to improve initial data capture accuracy significantly, focussing payment clerks' time on dealing with variances, improving output.

- 3.20 A BACS focus campaign to move existing suppliers from cheque payments to BACS to reduce processing and postage costs as well as direct transactional banking costs. Currently 81% of payments are made by BACS against the CIPFA benchmarking best performing service of over 98%.
- 3.21 There is a significant reliance on stakeholders within service departments for the successful processing of accounts payable transactions; these include Budget Holders, Requisitioners and Care Managers/Social Workers. To deliver the optimum service Liberata would work with the LBB officers to provide ongoing stakeholder support utilising a range of appropriate tools, which may include Knowledge Hubs containing recommended best practice examples of how to raise purchase orders and receipt goods and services; user guides; training seminars; hands on courses and Procure to Pay User groups.
- 3.22 The pricing schedule from Liberata includes £9,000 p.a. (0.5 fte) to undertake the IPROC Help Desk function, which currently sits within the Financial Information Systems Team (FIS). As the help desk work is shared across the whole team comprising of five people, it is not proposed to reduce the FIS team by 0.5 of a post, as work is transferring to this team from central procurement relating to management of the Comensura contract.
- 3.23 Officers are recommending a phased transfer of the payments team as this will ensure the process is managed more effectively with minimal disruption and less risks. It is proposed that general and automated payments transfer first, with the payments to adult social care providers, adult service users and foster carers transferring in the second and third phase. This will allow officers within the Exchequer Service and Education and Care Services sufficient time to work closely with Liberata to ensure all care services AP processes are reviewed and re-engineered where necessary and the transfer is made with no disruption to the service. This phased approach will also help to ensure that the staff are provided with the full support of HR and Exchequer Management during each phase of the transfer.

4. POLICY IMPLICATIONS

- 4.1 Partnership working is key to achieving the Building a Better Bromley 2020 vision and ensuring that service continues to be provided as efficiently and effectively as possible, in light of the financial position facing the council over the next few years.

5. FINANCIAL CONSIDERATIONS

- 5.1 Liberata already provide a number of services on behalf of the council, which includes running our revenues and benefits service, payroll services, council tax collection, income recovery etc.
- 5.2 Liberata have guaranteed the council a total of £46,500 p.a. or £255,750 over the next 5.5 years which they will generate through streamlining and simplifying operational processes, increasing automation of manual processes leading to increased productivity and efficiency.
- 5.3 Liberata are able to do this due to the considerable investment they have made as an organisation in IT around performance management and dashboard reporting (this provides information on performance and workloads to facilitate management of day to day work).
- 5.4 It is proposed that the transfer takes place in three phases as set out at [Appendix 1](#).

6. PERSONNEL CONSIDERATIONS

- 6.1 There are 24 posts within the combined teams, of which 23 will TUPE across to Liberata if members agree to the proposals outlined in this report. One member of staff is on an agency workers temporary contract so TUPE does not apply to her.
- 6.2 All 23 members of the team have been consulted on about the proposals in this report in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). A copy of the document was sent to the staff concerned and staff representatives on the 1st June 2012. Staff were asked to feedback any comments or concerns that they had regarding these proposals to the Deputy Director of Finance by the 2nd July 2012 so that these could be addressed. The issues raised by staff and response by the Deputy Director of Finance are included on Appendix 2.
- 6.3 The TUPE Regulations 2006 will preserve/protect the terms and conditions of these 23 employees transferring to Liberata, which means that their contracts of employment will remain the same including continuity of service.

7. LEGAL CONSIDERATIONS

- 7.1 The procurement process which led to the appointment of Liberata enabled certain additional services to be included within the contract without the need for competition and the services to be transferred are within that range.
- 7.2 An application by Liberata UK Ltd for an admission agreement under the Local Government Pension Scheme Regulations to enable staff who transfer under TUPE arrangements to participate in the Council's Pension Scheme has previously been agreed.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	