

**CABINET**  
**24 SEPTEMBER 2015****COMMISSIONING OF TRANSACTIONAL HR AND FINANCE SERVICES**

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**Relevant Cabinet Member**

Mr M L Bayliss

**Relevant Officer**

Director of Commercial and Change

**Recommendation**

- 1. The Cabinet Member with Responsibility for Transformation and Commissioning recommends that Cabinet:**
  - (a) approves the recommendation to appoint Liberata UK Limited ('Liberata') as the preferred bidder of Transactional HR and Finance Services as outlined in their bid; and**
  - (b) delegates to the Director of Commercial and Change, in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, the authorisation to agree any final details and to take all steps necessary to give effect to the decision in (a) above and for the completion of the contract with Liberata; and**
  - (c) delegates to the Cabinet Member with Responsibility for Transformation and Commissioning the authority at a later date to change the scope of related business support services within the boundaries of the relevant OJEU notice and procurement legislation and using the change control process in the contract.**

**Background**

- 2. The Council's Corporate Plan clearly states the Council's vision, ambitions and priority outcomes. The plan focuses the Council on the things that residents have told the Council matter to them around being Open for Business, Children and Families, The Environment and Health & Wellbeing.**
- 3. In order to deliver the plan, the Council is well on its way to becoming an excellent strategic commissioning authority, as it set out in its full Council report of 15 May 2014. Through robust assessments of each service, using the commissioning cycle, the Council determines the best and most cost effective way of delivering the stated outcomes. As such it has successfully commissioned a significant number of its services using a range of innovative as well as traditional methods.**
- 4. In October 2013, Cabinet endorsed the outline plans for the Commissioning of the Support Services Programme. Following this, the Council carried out customer**

consultation and engaged with the market. This included one to one meetings with suppliers, to help shape the scope of services to be commissioned.

5. This engagement showed that a mature market exists and that many organisations are successfully delivering these types of services for public sector organisations and schools. In February 2014, Cabinet therefore approved taking Transactional HR and Finance Services to the market as part of a package combining schools' and other partners' services.

6. The commissioning of Transactional HR and Finance Services, in line with the principles of the Council's Operating Model, will enable transformational change, investment and innovation in service delivery and sustain or improve service delivery levels and quality for the Council, Schools and other valued partners. In addition, the contract will remove significant financial risks from the Council relating to potential loss of future income from traded services and the reduction in headcount enabling delivery of the required savings targets. It will also further enable the Council to focus on the things that really matter to Worcestershire residents.

7. The services being considered for external provision are as follows:

- Payroll and control services for the County Council, schools and other customers' staff
- HR transactional services (Employee Recruitment and Resources Services) for County Council and schools
- Schools HR Consultancy
- Schools Finance Advice
- Payments for schools and schools systems support
- Accounts payable and accounts receivable for the County Council, schools and other customers.
- Occupational Health
- Technology solution management, maintenance, support and its future transformation
- General ledger application to enable the County Council accounting services
- Process transformation for HR and Finance business processes

8. The tender opportunity was advertised as a framework, enabling the Council, schools, academies and other public sector organisations named in the OJEU Notice (Appendix 1) to purchase services. The duration of the contract offered for the Council's own services is seven years with a possible extension at the Council's discretion for a further three years (to a maximum of 10 years in total).

9. The Council is currently committed to providing services to 167 schools and 23 academies to 31 March 2018. Liberata will be required to honour the current prices until 31 March 2018. After that date schools and academies will be able to purchase services directly from Liberata using the framework.

10. The OJEU Notice gives other public sector organisations the opportunity to buy services easily through this framework and also gives the flexibility to expand the scope of related business support services at a later date .

## **The Tender Process**

11. Prior to the formal procurement process the Council conducted a significant amount of informal commercial dialogue with a wide range of providers in the private and public sector. This approach was well received and perceived as innovative and extremely valuable to all parties, allowing the Council to refine its requirements for the services in scope. This level of engagement reconfirmed that a mature market exists for the delivery of the required services, which allowed the Council to run a robust and simplified procurement process.

12. The formal tender went live on 14 July 2015 using the open procedure and three suppliers submitted tenders by the closing date of 19 August 2015.

13. The tenders were evaluated, and moderation was completed by a separate team, against the criteria detailed in the tender document:

- Whole life service cost to the Council
- Supplier's financial model and assumptions
- Service delivery model
- Transition and transformation plan
- Technology and systems
- Social value and sustainability.

## **The preferred bid**

14. After this robust evaluation, the organisation that most successfully met the criteria was Liberata.

15. Liberata is a leading provider of business process, technology and cloud services to the UK public and private sector, operating with 2,000 staff across 20 UK business centres. Liberata has a 40 year track record of successfully serving public sector bodies. It is focused on helping central and local government customers to reinvent, simplify and run complex services, transactions and technology thereby creating value for local authorities and building better services for their customers.

16. Liberata has experience of delivering services at the desired quality relevant to this commissioning for a wide range of other local authorities and schools. Liberata are, for instance, currently working with North Somerset Council, London Borough of Croydon and London Borough of Bromley providing a similar range of services to this procurement. Formal references will be taken before contract close but first feedback in relation to services provided, impact on the local economy and relationships with staff are very positive.

17. Liberata would like to set up a Worcestershire-based service team with the opportunity to grow, which will benefit the local economy and will make use of current staff and knowledge.

18. A high level overview of the preferred bid is provided below:

- i.) Identified additional savings to those already included in the Medium Term Financial Plan, as outlined in the "Finance Case and Benefits" section underneath
- ii.) The services will be delivered locally in Worcestershire, benefitting current staff and the relationships with local partners in particular schools
- iii.) Liberata will continue to deliver the current services to the schools at their current quality (or better) and will maintain the contracted price for each school until 31 March 2018.
- iv.) Investment in both staff and systems, including the implementation of new HR and Finance technology, which is already established in the local authority sector
- v.) Liberata will deliver the services at the requested quality and will seek to improve their services and quality further over time
- vi.) Liberata will take on the existing contracts between the Council and customers that currently buy services from the Council, taking on the risk of potential future loss of income from the Council.
- vii.) Liberata will aim to use the service provision in Worcestershire to grow their business in the geographic area, potentially bringing more jobs locally.
- viii.) Liberata has included the use of 25 modern apprentices over the seven years of the initial contract, adding significant Social Value for Worcestershire. The Council will work, in its role as Corporate Parent, with Liberata to grow apprenticeships and look at opportunities to focus particularly on care leavers.

19. The contract terms will be finalised as part of the discussions following the approval of these recommendations.

### **The Finance Case and Benefits**

20. The Invitation to Tender set a whole life price cap of £6 million. Suppliers were asked to submit proposals which did not exceed this amount. This price cap was based on current budgets and future projected savings of £2.2million over the seven year contract period related to the services.

21. The above capped amount also included a contribution towards the provision for future capital investment in system change, which would be required as a minimum in a 'do-nothing' scenario.

22. Suppliers were required to submit whole life prices inclusive of costs of transition, transformation redundancy and investment costs anticipated over the contract period.

23. The contract price submitted to the Council by Liberata is currently within the affordability determined by the price cap. Exact pricing is subject to Preferred Bidder contract finalisation and the supplier's due diligence. The Council also assesses its own costs of change during this period and the anticipation is that, when added to the fixed tender price, the overall cost should remain within the cap that is outlined above. This confirms that the projected savings of £2.2 million over the contract period should be delivered in full and could be exceeded.

24. The Liberata tender also provides a limited element of price flexibility that would be expensive to achieve if the service remained to be delivered in-house and that will further benefit the Council when it becomes a smaller organisation or requires less of the in-scope services.

25. All the financial projections are at this stage subject to due diligence. However, due to the early market engagement and extensive information and data shared with suppliers during the procurement process, the Council is not expecting significant deviation from the existing proposal.

## **Effective Stakeholder Management**

26. Key stakeholders, including staff, Members, Trade Unions and customers (including schools) have been regularly briefed and consulted through the process. This has helped to inform and shape the offer that was included in the tender.

27. Staff were initially advised of the commissioning intentions on 6 January 2014 and further face to face briefings have taken place on a regular basis.

28. Schools were informed of the recommendations to Cabinet in January 2014. Head Teachers, Governors and other stakeholders have been continuously engaged with through district briefings, Worcestershire Schools Forum and partnership meetings. Expert groups were engaged with to ensure that service specifications included the requirements of schools. The majority of schools have contracts with the Council until 31 March 2018 which will be performed by Liberata on the same terms.

## **Transition and Transformation**

29. Liberata has a strong track record in the successful transition of services and staff into its own operations. The Council anticipates that the transfer of staff and services from the Council to Liberata will commence on 1 February 2016. This phase includes relocating staff from Council premises to new local offices in Worcester at a date to be determined.

30. Liberata will develop a detailed transition plan with the Council to ensure all activities are identified, planned and delivered. This will enable a smooth transition of services and people, as well as identify clear areas of responsibility and make sure appropriate governance arrangements are in place.

31. High level transition timescales are as follows:

- Pre-transfer transition activities – September 2015 to January 2016
- Contract commencement – February 2016
- Post-transfer transition activities – February 2016 to June 2016

32. Liberata will have a dedicated Transition Manager who will lead the transfer of people and services from the Council into Liberata, supported by HR, Commercial and Subject Matter Experts. This team will ensure that any disruption to service is minimised and that employees are engaged from the outset by providing the support they need to make the changes.

## Equality and Diversity

33. The Council has a legal duty to make sure that it understands how its plans and decisions could affect some groups, including older and disabled people and those from different ethnic backgrounds. It is essential that two of the services planned for transfer (Occupational Health and Transactional HR) meet the needs of the Council's and customers' staff in these groups. Equal Access for all staff and job-seekers is a service requirement and will be part of performance monitoring.

## Next Steps

34. Subject to Cabinet approval, the Director of Commercial and Change will agree any final details and take all steps to complete and let the contract in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning.

35. If approved, commencement of due diligence, contract finalisation and service transition planning will take place. Appendix 2 contains high level timescales associated with these activities, and in line with the timetable the contract will be in place and a service commencement date of 1 February 2016.

## Contact Points

### County Council Contact Points

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### Specific Contact Points for this report

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## Supporting Information

- Appendix 1 – OJEU Notice. Available electronically. A hard copy is available in reception and in the Members' area at County Hall, Worcester.
- Appendix 2 – Timeline for contract finalisation

## Background Papers

In the opinion of the proper officer (in this case the Director of Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

Agenda papers for Cabinet on 4 October 2013, 6 February 2014, and full Council 15 May 2014. All of which are available on the Council's website at:

<http://worcestershire.moderngov.co.uk/ieListMeetings.aspx?Committeeld=131>

