

Cheshire East Council

Cabinet

Date of Meeting:	11 th July 2017
Report of:	Peter Bates – Chief Operating Officer
Subject/Title:	Human Resources and Finance System Replacement
Portfolio Holder:	Councillor Peter Groves, Cabinet Member for Democratic and Public Engagement, Assurance and ICT

1. Report Summary

- 1.1. The report details the results of the evaluation of the final submission for the provision of a replacement Human Resources (HR) and Finance system (also known as an Enterprise Resource Planning system or ERP system) for the Council, procured in partnership with Cheshire West and Chester Council, and recommends the appointment of a Preferred Bidder.
- 1.2. The report also includes an update to the business case to support the case for change.

2. Recommendations

- 2.1. Agilisys Ltd be appointed as Preferred Bidder and conditionally awarded the HR & Finance System framework contract (para 5.21);
- 2.2. Note the updated business case at para 5.42;
- 2.3. Note that the HR & Finance System Replacement capital budget is included within the Council's Capital Programme with an overall provision of £5.380m, of which this proposals requires £4.890m (para 7.4);
- 2.4. Approve one off revenue expenditure of £1.01m, to be funded in 2017-18 and 2018-19 from underspends against the Council's existing revenue budgets and a specific earmarked reserve (para 7.6);
- 2.5. Note the Council's share of the business case savings, being £0.5m corporate service savings, plus the Council's share of £0.4m Transactional Service Centre savings, plus the Council's share of £1.1m ICT Delivery savings, which will be used to repay the cost of investment (para 5.58);
- 2.6. Approve the principles underpinning the Inter Authority Agreement as set out at para 5.39;

- 2.7. Approve the principle of a contractual framework agreement, operated by Cheshire East Council, allowing Cheshire West and Chester Council and the other named Councils (Stockport MBC, Trafford Council, Warrington MBC, Wirral BC) the ability to call off from the framework during the first four years of the contract (para 5.25);
- 2.8. Delegate authority to the Chief Operating Officer and the Director of Legal and Monitoring Officer to award the HR & Finance System framework contract to Agilisys unconditionally, subject to the satisfactory resolution of all outstanding matters;
- 2.9. Delegate authority to the Chief Operating Officer and the Director of Legal and Monitoring Officer to finalise outstanding contractual issues and the Inter Authority Agreement with Cheshire West and Council; and
- 2.10. The Director of Legal Services and Monitoring Officer be authorised to enter into all necessary contractual documentation with the chosen supplier and with Cheshire West and Chester Council.

3. Other Options Considered

- 3.1. Agilisys have submitted a legally compliant bid and as the only bidder has obviously achieved the highest evaluation score. The procurement regulations require that the Councils either appoint them as the preferred bidder (subject to any conditions) or that the Council decides not to award the contract.
- 3.2. Failure to appoint would require the Council to either undertake a new procurement process or to remain on the existing Oracle system. A further procurement process would incur additional costs and result in a delay in achieving savings.
- 3.3. Before starting the current procurement process, the Council undertook a significant level of market research and soft market testing. It is therefore unlikely that a new procurement process would deliver a better outcome than that set out in this report.
- 3.4. As set out Appendix 7, retaining the existing Oracle system is estimated to cost an additional £5.2m by March 2025 compared to the new HR & Finance solution, once provision for a major system upgrade has been included. In addition many of the non-financial benefits set out at para 5.32 would not be delivered. Therefore this approach is not recommended.

4. Reasons for Recommendations

- 4.1. The Council's current HR & Finance ICT system is 15 years old. Technology, and its ability to streamline the way the Council does business, has moved on considerably in that time.

- 4.2. Following a robust competitive dialogue procurement process, evaluation of Agilisys' tender has demonstrated that the offer meets the Council's required capabilities for a replacement HR and Finance system.
- 4.3. The business case demonstrates the financial case for changing the Council's HR and Finance system.

5. Background/Chronology

Executive Summary

- 5.1. This section summarises the key points from the report. The Councils have undertaken a robust procurement process in accordance with the Council's Finance & Contract Procedure Rules for a replacement HR & Finance system. Following a competitive dialogue process this resulted in one final tender being submitted. Following an evaluation of the tender response and a value for money assessment it is recommended that Agilisys is appointed as the preferred bidder.
- 5.2. Overall, the solution will deliver a modern intuitive, state of the art HR and Finance system that will support the Council's vision of simple, standard, shared and self-serve business processes, and give staff and customers a much better user experience. This has recently been developed into a project and programme approach utilising a common name of "Best4Business" to support both Councils' journey of implementation and transformation. It will also transfer a significant level of operational risk from the Councils to Agilisys due to the solution being hosted externally.
- 5.3. The new contract will be more flexible than the existing contract arrangements as the licensing and support charges will be largely consumption based, meaning that if the Council's user numbers reduce, the annual licencing costs will also reduce.
- 5.4. The business case for change has been updated following the procurement process. The business case demonstrates better value for money than the "do nothing" option and demonstrates net annual savings across the Councils of £2.3m. The one-off implementation costs for both Councils are £11.8m (£5.9m each), resulting in a budgeted payback on the investment of 7.75 years (although the comparative payback including known future costs, which are outside the Council's current budget planning cycle, are closer to 5 years). The capital costs of the system (£4.9m for this Council) are currently included in the capital programme. The revenue costs of the implementation to be funded in 2017-18 and 2018-18 from underspends against the Council's existing revenue budgets and a specific earmarked reserve.
- 5.5. The proposed go live date for the new system is 1 September 2018. This will result in a significant change in business processes across the Councils. A business transformation team will be established to take responsibility for delivering this change.

- 5.6. The delivery of the business process change savings is critical to the success of this project. Governance arrangements have been created to oversee this project, with the Shared Services Joint Committee being the primary formal reporting route for Members, supported by the Best4Business Programme Board.
- 5.7. The new solution will require the two Councils to continue to work closely together. This working arrangement will be set out in an Inter Authority Agreement (IAA) which will cover contract and performance management, cost sharing arrangements, decision making and governance arrangements.
- 5.8. Specific areas for Members to note are set out below:

The procurement

- 5.8.1. Although 14 companies showed an interest in the opportunity at the outset of the procurement process, and four companies were shortlisted, only one final tender was received (from Agilisys).
- 5.8.2. Following rigorous dialogue and evaluation, the tender from Agilisys is legally compliant and commercially meets the Council requirements and can therefore be accepted.

The Contract

- 5.8.3. The implementation phase will be delivered as one project through the Cheshire East contract with a single contract manager. Implementation costs will be shared 50/50.
- 5.8.4. Licencing and support charges will be largely consumption based. There is however a non-refundable up-front payment of £1.4 million for licences and support and hosting during the implementation period.
- 5.8.5. Supplier implementation costs are fixed. These include high risk areas including system build, data migration and interfaces.
- 5.8.6. The Council may incur additional costs if it does not meet its contractual obligations.
- 5.8.7. Contracts will be separately managed once users have gone live.
- 5.8.8. An Inter Authority Agreement (IAA) between the two Councils will govern the implementation phase and will set out ongoing arrangements and mutual responsibilities.

The Solution

- 5.8.9. The new solution supports the Council's vision of a simple, standard, shared and self-service driven system and processes.

5.8.10. Councils will adopt standard "template" business processes wherever possible. Existing processes will be changed to fit the standard template.

5.8.11. All users go live for the new system and new business processes in September 2018.

5.8.12. Legacy system must be decommissioned by March 2019 otherwise significant additional costs will be incurred.

Value for money

5.8.13. New solution is better value for money in respect of solutions available in the marketplace, contribution to Council savings over the life of the contract (including the benefits of the supporting transformation programme), and the relative cost of the "do nothing" option.

5.8.14. Budgeted payback on investment projected at 7.75 years.
Payback if unbudgeted future costs are taken into account is 5.2 years.

Business change

5.8.15. Change will impact on a large number of staff.

5.8.16. Delivering savings of £2.3m (across Cheshire East Council and Cheshire West and Chester Council) per annum critical to the overall business case.

Financial Impact on the Council

5.8.17. One-off investment of £4.9m capital will be needed plus £1.0m revenue investment is needed to generate annual savings within Cheshire East Council of £1.2m.

Background

5.9. Both Cheshire East Council (CE) and Cheshire West and Chester Council (CWaC) use the "Oracle e-Business Suite" for their core Finance and HR / Payroll business processes. This system was implemented by the former County Council in 2002 and has been successfully supporting both Councils business processes since then. The system has been upgraded and modified over the last 15 years, with the last major upgrade in 2012. The base business processes rely in the main on the design put in place in 2002.

5.10. Since the original implementation of Oracle 15 years ago, there have been major improvements in technology and its ability to streamline the way the Council does business.

- 5.11. This is the first procurement exercise for a new HR & Finance solution undertaken by the Councils or the former County Council, and therefore the value for money offered by the Oracle system has not been formally tested since its implementation in 2002.
- 5.12. In June 2016, the Cabinet of both Councils approved a joint procurement. Following consideration, it was determined that the needs of the two Councils would be met by using the competitive dialogue process for a replacement HR and Finance system. This approval was based on a set of key assumptions which are set out in Appendix 1.

The Procurement

Management of the process

- 5.13. The procurement process has been managed by a project team and overseen by a Programme Board consisting of representatives from procurement, finance, legal, HR, and contract management drawn from both Councils, including the HR & Finance transactional shared service – Transactional Services Centre (TSC); and the ICT delivery shared service – ICT Delivery.
- 5.14. A joint Member Steering Group was established following the June 2016 Cabinet decision to receive updates and review progress. Progress reports have also been made to the Shared Service Joint Committee (SSJC).

The Procurement Process

- 5.15. The procurement was conducted in accordance with the Public Contract Regulations 2015 and the Council's Finance & Contract Procedure Rules.
- 5.16. The Councils evaluation framework is designed to ensure that the project team could evaluate the bidder submissions in an objective and consistent way - 60% of the marks related to quality and 40% related to price.
- 5.17. Following extensive soft market testing, 14 companies expressed an interest in the opportunity. Following a shortlisting process, the Councils invited four bidders to start the competitive dialogue process. However, three of these bidders dropped out during the competitive dialogue process and before submission of the final tenders – see Appendix 2 for more details. Therefore the Councils have only received one final tender, from Agilisys.
- 5.18. Specific legal advice from the Councils' external and internal advisors was obtained regarding the receipt of one final tender; the advice received being that the Public Contracts Regulations 2015 do not require that a procurement be halted or abandoned where a sole bidder situation arises. In addition guidance issued by HM Treasury on market failure and single bidder situations, provided that a definitive set of rules cannot be set in such situations and that each case had to be considered on its merits. When deciding whether to proceed with the procurement consideration was given to

the submissions received and evaluated at an earlier stage of the competitive dialogue process, the remaining bidder was the 1st ranked in the evaluation both on quality and price at that earlier stage. As such it was decided that the procurement should continue, as there was still an opportunity through rigorous dialogue that the remaining bidder could submit a legally compliant bid meeting all the Councils requirements.

- 5.19. In the quality evaluation, Agilisys were given a good score (see Appendix 2). The quality evaluation also included a number of pass/fail tests to ensure that a minimum level of performance would be achieved in all key areas. All these tests were passed.
- 5.20. The price evaluation is based on the percentage difference between the costs of the different bidders' solutions. Because they are the only bidder, Agilisys received all 40 marks awarded for the price elements. However, the Councils still need to be satisfied that the tendered price offers value for money. The review of value for money is set out at para 7.11 below.
- 5.21. Based on the evaluation of the Agilisys tender response and the value for money assessment, the recommendation is to appoint Agilisys as the preferred bidder.

The bidder

- 5.22. Agilisys was established in 1998, has annual sales of £85m per year, and employs over 1,500 staff from a network of offices through the UK. Agilisys is part of the Blenheim Chalcot group which has sales of over £300m and more than 3,000 employees.
- 5.23. Agilisys will implement the Unit 4 Business World system (formerly known as Aggresso) that is being implemented, or is in use, across a number of local Councils, including Scottish Borders, City of Edinburgh, Renfrewshire, Wolverhampton, West Berkshire, North Somerset, Tower Hamlets, Cumbria, Bedford, Bracknell Forest, Halton & Sefton, Redcar & Cleveland, Stockton & Darlington, the Local Government Shared Services operation (Cambridgeshire, Northamptonshire, and Milton Keynes Councils), and the "Tri-Borough" partnership of Westminster, Kensington and Hammersmith & Fulham. Agilisys will utilise their proven Local Government templated solution, which they have developed and implemented with many of these organisations.
- 5.24. Agilisys have also worked with a number of other neighbouring local authorities in relation to other technology developments, including Rochdale, Oldham, Wigan, and Wrexham.

The contract

- 5.25. The procurement has been structured so as to enable the Councils to establish a framework which governs the pricing and terms of the individual contracts of each Council. The procurement also opened up the framework

to the following named Councils: Stockport MBC; Trafford Council; Warrington BC; and Wirral MBC ('the Named Councils').

- 5.26. The competitive dialogue process has established the terms of the framework agreement and the call off contract. The framework agreement will be between Cheshire East Council and the Supplier; each Council will then enter into a call off contract to procure the system. It is envisaged that the Named Councils will need to enter into an access agreement with Cheshire East Council to enable them to call off a contract under the framework. The Named Councils will have up to 4 years from establishment of the framework to call off a contract under the framework.
- 5.27. The contracts called off by CE and CWaC with Agilisys will be the same in all respects, except that CE's contract will cover the implementation aspects of the project. The implementation of the new solution will be delivered as a single project for the Councils, as this is a more cost effective route than running parallel implementations. The effect of this is that CE will be responsible for paying all invoices related to implementation costs and with CWaC being recharged for the appropriate share. The arrangements for managing this process will be set out in the Inter Authority Agreement (IAA). Details for the scope of the IAA set out at para 5.39 below.
- 5.28. Once the solution system goes live, the ongoing 'steady state will be governed by each Council's contract, with Agilisys. The primary contract term is seven years. The Councils will each have the option to extend the term of the contract for up to five years, making a maximum contract term of 12 years.
- 5.29. The contract includes the following:
- The organisations that benefit from the contracts. These include the two Councils, and related organisations including the Cheshire Pension Fund, Council-owned companies, and schools and academies within the areas served by the Councils;
 - The services and functionality to be provided by the solution, including the Councils' key HR and financial processes such as payroll, supplier payments, income collection and general ledger;
 - The charges payable to the Supplier for the solution, including an upfront licence, support and hosting during implementation, and ongoing hosting and support costs, the latter charges based on user numbers; and
 - The Councils' responsibilities are set out in detail in the contracts, and includes a number of dependencies which may incur additional costs should the Councils fail to comply with their responsibilities.
- 5.30. A summary of other key aspects of the contract is set out in more detail in Appendix 3.
- 5.31. Subject to approval and clarifications, the intention is for the contracts to be signed on 1st September 2017.

The Solution

- 5.32. Agilisys will provide a managed solution based on the Business World software product from Unit 4, with additional functionality in areas such as online recruitment and integration to other business systems provided using other 3rd party products and services. The software will be externally hosted in data centres based in Ireland and the Netherlands. Agilisys will provide a service which will be deployed in an externally hosted Microsoft environment, which they describe as one of the best and most secure hosting platforms available, accredited with internationally recognised security management standards. The Councils will benefit from Microsoft's scale and experience of running highly secure and compliant online services around the globe.
- 5.33. The Business World product is a modern integrated Finance and HR solution. It features an intuitive user interface which is expected to offer a significantly improved experience to users of the system compared to the Council's existing solution. It is designed in a way which will support the Council's strategies in relation to flexible and mobile working, allowing users to access the system from any location using a range of devices. This will give staff a better experience and encourage compliance with standard business processes.
- 5.34. The new solution is externally hosted and, as such, will transfer significant operational risk for system availability, performance and upgrades from the Council to Agilisys, compared to the existing Oracle solution which is hosted and managed internally.
- 5.35. The Agilisys plan is to go live on 1st September 2018, 5 months later than originally assumed in the June cabinet report. This delay is primarily due to the extended procurement timescale as set out and endorsed in the SSJC November 2016 report.
- 5.36. The legacy Oracle solution must be decommissioned by March 2019. If the Council is still relying on the Oracle solution for any aspect of its Finance and HR processes at this stage, a further 12 months of support and maintenance charges, payable to the supplier ORACLE, will be incurred. Internal costs for the continuation of the legacy solution will also be incurred, albeit at a lower rate than currently being expended. This outcome would have a significant negative impact on the overall business case.
- 5.37. The Councils expect to need to purchase around 5,400 licences for the new solution, this compares to the 8,000 licences currently owned for the Oracle product.
- 5.38. Further information on the solution is set out in Appendix 4.

The Inter Authority Agreement (IAA)

- 5.39. The new solution will require the two Councils to continue to work closely together, in particular during the implementation phase. These working

arrangements will be set out in an IAA which will need to be entered into by the Councils, prior to entering into the contracts with Agilisys. The IAA will cover the following areas:

- Contract management and performance management
- Cost sharing arrangements and cross indemnification
- Decision making processes
- Governance arrangements
- Effect of termination of the contract(s) with the Supplier.

5.40. Arrangements for the Councils ongoing support to the new solution will be covered as part of the TSC and ICT Delivery Shared Service Agreements, and therefore will not be included as part of the IAA. These updates will require the agreement of the SSJC.

5.41. Key principles of the IAA are set out in Appendix 5.

Business change

Background

5.42. A significant cross-Council software implementation means change. Some of the Council's related processes have not changed for more than 15 years. The new solution will change the way individuals work, sometimes radically.

5.43. As set out at para 5.58, the business case is critically dependant on delivering savings from business change and being able to demonstrate that the benefits have been realised.

Business transformation programme

5.44. This programme will succeed only if the change in technology solution is accompanied by a business transformation programme, to drive out changes in processes, cultures and behaviours, and to maximise the benefits which the new solution will offer.

5.45. A key part of any successful business software implementation is to manage the change, so that affected individuals can transition as smoothly as possible from the current way of operating to a new operating model and delivering the outcomes required of the programme.

5.46. Change management is not easy and it cannot be left to chance. It has to be proactively managed, just as it is essential to manage the technology side of a new system implementation. Change management is one of the most difficult parts of implementing large scale software applications. It is not technically difficult, but it involves changing people's attitudes and ensuring 'buy-in' to new ways of working.

5.47. The Council has determined that the business change aspect of the implementation programme will be retained as an Authority responsibility,

supported appropriately by the supplier. A Business Transformation team has been established, which will take responsibility for delivery of this activity throughout the life of the programme. The team will also provide support to related transformational change programmes, including the ongoing redesign of the Transactional Service Centre hosted by CWaC, which relies predominantly on the existing Oracle system to deliver its core business processes and services.

5.48. The Business Transformation team will address a number of related themes alongside the technology implementation programme, including:

- Culture change;
- Process and technology;
- Training; and
- Communications and engagement.

5.49. A broad range of stakeholders must be appropriately engaged in the transformation programme associated with this investment. These stakeholders include:

- The Council's Members and senior leadership team;
- Corporate (eg Finance, HR, Procurement) and transactional services staff;
- Managers and staff in front line service areas;
- Maintained schools;
- Academies currently using the Council's systems;
- Council companies and alternative service delivery vehicles;
- Pensioners; and
- External customers and suppliers.

5.50. A comprehensive communications plan is in development to ensure each stakeholder group is identified and appropriately engaged. A critical element of successful engagement involves identifying how the change in solution which this programme will deliver will impact on each stakeholder group, and what the positive elements of that impact will be. Equally, we must be honest about any aspects of the solution which may be perceived by stakeholders as a negative (for example, a move away from processes based on long-standing Council practices to best practice standardised processes).

5.51. As part of the business change programme, the processes which are currently supported by the Oracle product have been comprehensively mapped out. Once the design of the new solution has been finalised, an exercise to identify the changes from old to new processes, and how these impact on specific service areas and stakeholder groups, will be undertaken.

5.52. It must also be recognised that any significant change of this nature has the potential to be viewed negatively by stakeholders, as part of the natural human reaction to change. Those impacted must be given appropriate

support, including communication, training, and assistance once the new solution has gone live.

Benefits realisation

- 5.53. The Councils will be tracking delivery of the realisation of the benefits set out in the business case to ensure that these are delivered. Specific resources have been included in the business case for this task.

The Business Case

- 5.54. The main elements of the financial business case are the annual savings in running costs, annual business process savings, and the one-off costs of implementation. These are set out in the paragraphs below.

Annual cost of the existing systems (both Councils)

- 5.55. The cost of the Oracle solution in 2016/17 was £2.0m per annum. In addition, the current recruitment system (Taleo) and financial forecasting system (CP) will no longer be required, as their functionality will be delivered as part of the new solution. These two systems cost £0.2m per annum, making total operational running costs of existing systems of £2.2m per annum.
- 5.56. These annual costs do not include the significant one-off costs that would be required to upgrade the current Oracle system if this was retained (see Appendix 7)
- 5.57. Since April 2016, the cost of operating Oracle has reduced from around £3.0m per annum to the current level of £2.0m per annum. This reduction reflects the major transformation programme that ICT Delivery has been going through since the ending of the CoSocius arrangement, and also the reduction in ongoing development activities in relation to Oracle, in anticipation of the solution being replaced. The latter reductions are not reflective of the level of investment which has been required over the life of the Oracle product to develop and enhance the solution to meet the Council's evolving requirements.

Annual savings (both Councils)

- 5.58. The new solution is projected to deliver total net annual savings of £2.3m pa from a combination of decommissioning legacy systems, business process change savings and after allowing for the running costs of the new solution as set out below.

	£m
Annual savings	
Savings on legacy systems (ICT Delivery – shared 50/50)	2.2
Business process change savings:	
CE – corporate services	0.5
CWaC – corporate services	0.3
TSC – shared service part - shared 50/50	0.4
	1.2
Less: running costs of new solution	-1.1
Total net annual saving	2.3

- 5.59. Savings in the Oracle staffing costs and Taleo and CP systems are expected to be delivered around September 2018 as the new solution goes live. Savings in the Oracle support costs will not be achieved until 2019/20.
- 5.60. The planned business process change savings only relate to the corporate support functions in CE and CWaC, including the TSC shared service, as noted above.
- 5.61. Delivery of these savings will be closely monitored to ensure that the full benefits are realised.
- 5.62. It is very likely that further business process change savings will be generated across the other Council service areas, but these have not been included in the business case. There will be a future decision for both Councils about how they manage the delivery of these savings and whether to include them in budget.

One-off implementation costs (both Councils)

- 5.63. There will of course be costs to implement the new system and deliver the programme of business change needed to generate the £2.3m of efficiencies. These one-off cost are set out in the table below and in more detail in Appendix 6.

	£m
Licencing and implementation	11.1
Business change	0.7
Total implementation costs	11.8

- 5.64. These costs have been refined following the dialogue sessions with Agilisys. The Councils will continue to work with Agilisys and ICT Delivery to identify further opportunities to reduce costs throughout this programme.

Overall total cost of the new solution (both Councils)

- 5.65. Over the 7 year primary contract period the total gross cost of the new system (including business change) is estimated at £20.9m. This comprises the pre-implementation costs of £1.4m, total implementation costs of £11.8m

and average running costs of £1.1m pa for 7 years. The financial impact on CE is set out at para 7.3.

5.66. The ongoing costs of the new solution comprise three main elements. These are:

- Support charges payable to Agilisys. These charges will depend on the number of active users. However, based on current estimates, the charges are forecast to average around £0.84m per annum over the primary contract period.
- Council in-house support team. The Councils retain responsibility for a range of support functions (see Appendix 3 for details). The estimated cost of this support is forecast at £0.25m per annum.
- Contract management. This will be a major contract that will affect business processes across both Councils. Therefore an effective, dynamic and proactive contract management function will be important to ensure that both Councils maximise the potential benefits from the new solution. The contract manager role is projected to cost approximately £0.04m per annum more than the current arrangements.

5.67. The £1.4m pre-implementation costs include the procurement process, business process documentation, and data cleansing. Approval to increase the original procurement budget of £0.8m to £1.4m was granted by SSJC in November 2016.

Payback

5.68. The budgeted payback period is 7.75 years. This is calculated on the basis of total one-off project costs of £13.2m (£1.4m of pre-implementation costs and £11.8m of implementation costs) and annual savings of £2.3m per year. The payback calculation takes account of the upfront nature of the investment costs compared to the delivery of savings across the primary contract period, and also takes account of the interest costs payable on the upfront investment.

5.69. In addition, by moving to the new Agilisys solution, the Councils will avoid a number of costs that are not currently included within their budget setting process. The main avoided cost is the potential major upgrade of the Oracle system. If these avoided costs are included, the payback period is around 5.2 years.

Next steps

5.70. Following appointment of the Preferred Bidder, the project team will enter into a clarifications period with Agilisys. This period does not allow significant changes to the nature or the price of the contract.

5.71. Subject to any outstanding issues being satisfactorily clarified, approval will be sought from the Chief Operating Officer and Director of Legal Services and Monitoring Officer, in conjunction with equivalent officers in Cheshire

West and Chester Council, to award the contract to Agilisys. Award of contract is expected to take place by 1 September 2017.

5.72. The IAA between the two Councils will be finalised and signed, subject to the approval from the Chief Operating Officer and the Director of Legal Services and Monitoring Officer, prior to the signing of the contract with Agilisys.

5.73. Once all the legal agreements are in place, the key stages are:

- Mobilisation of Council and contractor staff – August 2017
- Detailed Solution design – September and October 2017
- System build – December 2017 and January 2018
- System testing – February to April 2018
- User acceptance testing – May to July 2018
- Cut over – August 2018
- New system go-live – September 2018
- End of “hypercare” post go live support – December 2018
- Support contract with Oracle terminated – March 2019

5.74. The Best4Business Transformation team will be communicating and engaging with all stakeholders across the two Councils, customers and partners throughout the implementation programme.

6. Wards Affected and Local Ward Members

6.1. This decision affects the whole Council and therefore all wards.

7. Implications of Recommendation

7.1. Policy Implications

7.1.1. The revised business case demonstrates the financial case for change, and the decision will support the Council's objective to be a responsible, efficient and effective organisation.

7.1.2. The framework provides an opportunity for four neighbouring Councils to access a modern solution in a compliance and efficient manner without needing to undertake a separate procurement process.

7.1.3. The more flexible licencing model will make it cheaper and easier to establish joint arrangements with other public sectors bodies in the CE/CWaC geographical area.

7.2. Legal Implications

7.2.1. The terms of the contract agreed during the dialogue process are based on the Model Services Contract from the Government Legal Service which is commonly used for large scale ICT projects. Prior to the commencement of the procurement the terms of the contract were

amended to reflect the Councils' standard position in terms of risk transfer.

7.2.2. The competitive dialogue process has been conducted in accordance with the Public Contract Regulations 2015. The Councils internal legal teams and external legal advisers have participated in and been consulted throughout the competitive dialogue process with relevant matters being escalated where relevant to the programme board or elsewhere as necessary. Compliance of the procurement has been reviewed by Internal Audit.

7.2.3. Further legal input will be sought to conclude all legal documents.

7.2.4. Refer also to Appendix 3 for other legal aspects.

7.3. Financial Implications

7.3.1. Para 5.65 above sets out the combined financial impact on both Councils. This section sets out the specific financial impact on CE.

7.3.2. As set out in para 5.63, the total cost of implementing the new system is projected to total £11.8m. The two Councils have agreed to share these cost equally, and therefore the CE share is £5.9m.

7.3.3. Based on the current expenditure profile of the programme, the Council expects to be able to fund £4.9m of the total cost from capital, and therefore the remaining £1.0m will need to be funded from revenue. The main elements that need to be funded from revenue are:

- Business change
- User training
- Data cleansing
- Decommissioning of legacy solutions
- Redundancy costs

Capital Investment

7.4. The capital cost to Cheshire East Council is £4.890m, which will be funded from the Capital Programme allocation of £5.387m. The scheme is currently included in the capital programme.

7.5. As set out at para 5.68 the budgeted payback period for the project is projected to be 7.75 years. However, the scheme would still pay for itself, although over a longer period than our current policy recommends.

Revenue Implementation Costs

7.6. The Council's share of the revenue implementation costs will be £1.014m in total of which £0.215m are expected to be incurred in 2017-18 and the balance of £0.799m in 2018-19.

- 7.7. The one off revenue expenditure will be funded in 2017-18 and 2018-18 from underspends against the Council's existing revenue budgets and a specific earmarked reserve.

Ongoing costs

- 7.8. The on-going costs of the new system will comprise the cost of a small in-house support team and support charges from Agilisys. As set out above, these costs will be funded from switching off legacy systems and business process change savings. Delivery of these savings is critically dependant on being able to end the Oracle support arrangements by March 2019.
- 7.9. Oracle and related systems are currently managed by ICT Delivery and the costs shared equally between the two Councils. Therefore as these systems are decommissioned, shared charges from ICT Delivery will reduce for both Councils.
- 7.10. The actual support charges payable to Agilisys will be driven mainly by the actual number of active users using the system. Based on current projections of user numbers, the Council's support payments to Agilisys are projected to fall from around £0.48m pa to £0.45m pa towards to end of the primary contract period. In addition, the Council will have to pay for a share of the in-house support team, which will be approximately £0.13m pa.

Value for money

- 7.11. Value for money has been considered in 3 separate parts. These are summarised in the table below:

Nos	Value for money test	Evidence / findings
1	Does the Agilisys final submission represent value for money compared to what is on offer in the market.	<ul style="list-style-type: none">• Best value solution by a clear margin at outline solution stage• Strong contract provisions to ensure contract will remain value for money• Agilisys continued to improve their offer even after they became the single bidder• Significantly better value than purchasing via a public procurement framework
2	Does the Agilisys submission represent value for money on an "invest to save" basis.	<ul style="list-style-type: none">• Original business case based on 5 year payback (June 2016 Cabinet)• Budgeted payback period now around 7.75 years.• Payback period including unbudgeted savings around 5.2 years

3	How does the cost of the proposed solution compare to the “do nothing” option.	<ul style="list-style-type: none"> Over the primary contract period, the “do nothing” option is projected to cost an additional £5.2m compared to the net cost of the new solution and related business change savings.
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7.12. More detail on the value for money reviews is set out in Appendix 7.

Conclusion of value for money review

7.13. The Councils have put significant effort into demonstrating that overall the proposed new solution represents value for money. Although the budgeted payback period is longer than originally anticipated, it is still a better financial option than “do nothing” and provides additional benefits that would not be available with the current Oracle e-business Suite.

7.14. Equality Implications

7.14.1. There are no equality implications from this proposal.

7.15. Rural Community Implications

7.15.1. There are no specific implications for the rural communities of Cheshire East Council

7.16. Human Resources Implications

7.16.1. This proposal will allow the transformation of Human Resource (HR) processes, both those that are operated on behalf of the Council by the Transactional Service Centre and also via the HR teams within the Council.

7.17. Public Health Implications

7.17.1. There are no direct public health implications from this proposal.

7.18. Implications for Children and Young People

7.18.1. There are no direct implications for the children and young people of Cheshire East.

8. Risk Management

8.1. There are no significant concerns about the deliverability of the new HR & Finance solution.

- 8.2. Delays in implementing the solution could prevent the Councils ending the Oracle support contracts at March 2019. Renewing these support contracts could cost an additional £0.7m.
- 8.3. The new contract transfers a significant proportion of operational risk, from the Council to Agilisys, due to the externally hosted and managed nature of the solution being implemented.
- 8.4. The implementation of a new ICT system always involves some risk of short term service disruption, particularly in the case of a new solution which covers two Councils, multiple service areas, and links to other service critical line of business systems. To mitigate this risk, Agilisys will develop, with the Councils, a detailed testing strategy and cutover plan, which will provide assurance that the risks inherent at the time of the implementation date will be managed appropriately.
- 8.5. A risk register will be maintained and reported the Programme Board on a regular basis, The Board will escalate any significant issues to the Steering Group, and to the Shared Service Joint Committee, as appropriate during the course of the programme
- 8.6. There is a risk of cost escalation for council in-house resources and non-delivery of savings. These issues will be closely monitored though the governance arrangements set out above. There will be a strong emphasis on control of costs.
- 8.7. Refer also to Appendix 3 for other risk management aspects.

9. Access to Information/Bibliography

- 9.1. *Documents are available for inspection at: Westfields, Middlewich Road, Sandbach, CW11 1HZ.*

10. Contact Information

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