1. Assumptions underpinning approval to proceed with procurement

1.1. In June 2016, the Cabinets of both Councils approved a joint procurement process for a replacement HR and Finance system. This approval was based on the following key assumptions:

- The current Release 12 of the Oracle e-Business suite would fall out of support in December 2019. In addition, the current hardware would require an upgrade during this timeframe.
- On-going cost of Oracle of around £3.0m (excluding overheads) per year (both revenue and capital funding)
- An investment in a modern HR and Finance solution would pay for itself within a five year period
- The replacement solution to have a lifespan in excess of 10 years.
- A minimum target of 10% for business process savings based on both Councils adopting a common vision of simple, standard, shared and self-service business processes.
- The system would be paid for based on the number of users on the system (a consumption model).
- Go-live date for the new system would be April 2018.
- Total procurement costs of approximately £0.8m (£0.4m per Council).

1.2. Since the Cabinet report in June 2016, Oracle have postponed the date at which support for our current "R12 e-Business Suite" will be withdrawn, from 2019 to 2021. This has delayed the deadline to either move to a new version of Oracle or migrate to a different HR & Finance solution.

2. Summary of Quality score

2.1. The table below summarises the actual Agilisys quality score for each area compared to the maximum score for each of the areas.

	Score	
	Maximum	**Actual**
1. Delivering the Councils Requirements	**33%**	**18.60%**
Meetings our requirements - Finance	4%	4.00%
Meetings our requirements - Payments and Income	4%	2.40%
Meetings our requirements - Human Resources	4%	1.60%
Meetings our requirements - Payroll	4%	2.40%
Meetings our Overarching Requirements	7%	4.20%
Meetings our Non-functional requirements	10%	4.00%
2. Delivering the Programme Services and Timeline	**15%**	**10.60%**
Responses to question on Programme Timeline	5%	4.00%
Responses to question on Programme Management and Governance	3%	2.40%
Responses to questions on Technical Delivery Services	4%	2.40%
Responses to question on Implementation Services	3%	1.80%
3. Delivering Future Change	**5%**	**3.00%**
Responses to question on how future change is delivered	**5%**	3.00%
Legal / Commercial	**7%**	**4.20%**
Legal / Commercial Question	7%	4.20%
TOTAL SCORE	**60%**	**36.40%**

2.2. Overall, this score equates to a bid which provided the Council with a good standard of response supported by a good level of comprehensive evidence showing full understanding of the requirements and gives the Councils a reasonable level of confidence the Councils' requirements will be met. Evaluation scores are based entirely on the written final tender submission, in accordance with the evaluation criteria established at the outset of the procurement. Information obtained through verbal dialogue and supplier system demonstrations cannot feature in or influence the final evaluation of the written bid.

2.3. Through soft market testing, discussions with other Councils, and dialogue with Agilisys, the procurement team have gained sufficient assurance that the solution on offer is capable of meeting our needs, and that the quality score shown above is sufficient to support the recommendations in this report. Considerable work will be done through the Business Change

programme to ensure that the Council optimises the final solution it implements in terms of efficiency and user experience.

2.4.   Unit 4 Business Software and CapGemini withdrew in the early stages of the dialogue process and therefore did not submit an Outline Solution. Hitachi withdrew after submission of their outline solution in February 2017.

3. Key Aspects of the Contract

Organisations included in the contract scope

3.1. The contract with Agilisys would include rolling out the new system solution to the following organisations:

- CWaC and CE (including maintained schools)
- The Cheshire Pension Fund (including pensioner payroll)
- CE Alternative Service Delivery Vehicles
- A small number of trust funds and other external organisations (eg Charter Trustees for Ellesmere Port)
- Academies payrolls

Scope of Agilisys solution included in the contract

3.2. The solution includes the following modules

- General ledger (including forecasting)
- HR/Payroll (including online recruitment)
- Procurement (excluding. supplier portal)
- Procure to Pay (P2P) including accounts payable (excluding supplier portal)
- Income to Cash (I2C) including accounts receivable
- Flexible and intuitive reporting / dashboard facility

3.3. The solution includes the following services

- Training for go-live users
- Extracting data from legacy systems needed for the new solution and migration of this data into the new system and extraction of data required for retention purposes
- Interfaces with existing systems
- Installation and management of software updates
- Service desk support for issues escalated from internal teams
- System performance to the edge of the Councils network
- Hosting and disaster recovery

3.4. The Council will have responsibility for:

- Business change
- Contract management and performance monitoring
- First and second level Service Desk support including local solution support
- Workflow management / changes

- On-going user training
- Performance of the system over its own network

3.5. The Agilisys tender also includes a range of Optional Requirements (set out below). These are not included in the scope of the initial installation (or the business case), but could be added at a later date, subject to business case:

- Fixed assets
- Cash receipting
- Supplier portal
- Performance appraisals
- Flexi time recording
- Non-project time recording and flexible working hours
- Learning and development
- Archiving of data not required for the new system, but may still be needed for reference
- Self-service user licences (for staff that do not have full user licences)
- 40 hours per month of enhanced support on an ongoing basis

Licencing

3.6. The Agilisys licencing model comprises a one-off payment of £1.4m to purchase 5,400 licences, and an ongoing support payment based on the number of active users of the system. Therefore the licence will not be fully consumption based as originally anticipated in the June 2016 Cabinet report. However, through dialogue with Agilisys it was determined that to adopt a licencing model with a minimised upfront payment and a greater "consumption" element would cost an additional £1.5m over the life of the primary contract period.

3.7. The licencing model offers significant flexibility to reuse or recycle any licences which are owned but not being actively used, across a number of different scenarios. These include:

- Changes to the Authority's statutory functions (for example if new functions such as public health are added);
- Transferring licences between the Councils and other organisations within the wider "family "of each Council;
- Setting up new Council Companies or partnership arrangements with other public sector bodies operating in the CWaC/CE geographical area (provided those users are not existing Unit4 customers).

3.8. In general the Councils will not be able to recycle any spare licences to provide services to users delivering services outside the Councils combined geographical areas. This will usually require additional licencing.

3.9. A user will only require one licence, even if they are working on multiple organisations within the wider CE/CWaC family. A licence will give the user the right to use all the system functionality. However, the Councils will wish to restrict the access of all users to ensure effective segregation of duties and proper financial management.

Payment to the supplier

3.10. On contract signature: A payment of £1.4m to purchase user licences for the core Business World software and support and hosting during the implementation phase.

3.11. Implementation phase: This phase includes setup, data migration from the current system, and user training. Payment will be linked to the delivery of ten milestones. The supplier will not be paid until the Council sign off that each milestone has been delivered.

3.12. Ongoing support charges: this covers product support, hosting and disaster recovery. Charges will be based on the number of active users of the solution, and will vary in accordance with changes in user numbers (subject to a maximum annual reduction in charges of 10%). The unit charges will be banded and based on the total number of users on the Framework. Therefore the actions of one Council to changes the numbers of its users will potentially impact on the unit price paid by the other Council. This issue will be addressed as part of the Inter Authority Agreement (see Appendix 5 below). It also means that if additional Councils join the framework, the unit price paid by the Councils for the licences is likely to fall.

Performance management

3.13. Implementation phase: as set out above, payment to the supplier will only be made once the Council is satisfied that key milestones have been delivered. In addition, the supplier is subject to delay paments if it is late in delivering milestones at two key stages during this phase

3.14. Ongoing: the Council has agreed a suite of KPIs which will be reported on a monthly basis. Failure to meet these KPIs will result in financial penalties and could ultimately lead to contract termination.

Council responsibilities

3.15. During the competitive dialogue process, the Councils have agreed responsibility for a range of activities. Failure to meet these responsibilities could result in financial penalties and/or delays in the implementation timetable. The key responsibilities are during the implementation phase and include:

- Providing the resource and skills highlighted in the proposal
- Provide connectivity from user devices to the hosted environment
- Timely & robust decisions during design phase
- Provision of information about the Authority's Organisational hierarchies, roles, grades, chart of accounts and other core information during the design phase
- Build of Authority specific processes, policies and procedures into the design
- Development of Authority specific policies and guidance
- Development and running of User Acceptance Testing scripts and logging test results in relation to Council specific/non template processes.
- Cutover management for Authority environment
- Testing of loaded data against extracted data and performing data quality assurance checks to ensure integrity of data

Other legal aspects

3.16. The contract with Agilisys is based on the standard Government Legal Services Model Services Contract. Throughout the dialogue process, the Councils have negotiated the terms, and have achieved terms which significantly improve the Councils' position in comparison to the Model Services Contract.

3.17. Agilisys have submitted their tender on the assumption that TUPE does not apply. In the unlikely event that employee(s) of the Council are able to demonstrate that TUPE applies, the relevant Council would indemnify Agilisys for applicable redundancy costs.

Other risk management aspects

3.18. High risk areas associated with the bidders' solution, primarily around payroll, were addressed through the dialogue process prior to submission of the final tender.

3.19. 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. If the delays are due to contractor fault, these costs could be recovered from Agilisys. If the delays are due to Council fault, these would be an additional unbudgeted cost.

3.20. The Councils have identified 3 specific areas of risk during the implementation phase. Agilisys have assumed responsibility for delivering each of these areas. These are:

- Data extraction and migration
- Building and hosting interfaces
- Managing the build of the new system

4. Overview of the Solution

4.1. Agilisys will provide a managed solution based on Business World software produced by Unit 4.

4.2. The solution offered will support the Council's vision of a simple, standard, shared and self-serve system and process, that will future proof the arrangements over a number of years, supporting not only the Councils corporate teams, but also provide a solution that will facilitate change across our organisations as described below.

4.3. The new solution will transfer significant operational risk for system availability, performance and upgrades from the Council to Agilisys and give staff a modern, more intuitive HR & Finance system which should give a much better experience and encourage compliance with standard business processes.

Timescales

4.4. The Agilisys plan is to go live with all functionality in scope on 1st September 2018, 5 months later than originally assumed in the June 2016 cabinet report. This is delay is primarily due to the extended procurement timescale as set out in the SSJC November 2016 report.

4.5. Arrangements will be needed to transfer data mid-year so that the 2018/19 accounts of both Councils and related organisations can be closed using the new system and the support contracts with Oracle terminated at March 2019.

User numbers

4.6. As part of the detailed preparation for the procurement process, the Councils have undertaken a fundamental review of their current business processes. One outcome of this review is that the two Councils have identified that they have around 8,000 Oracle licences, which largely reflects their historic size and number of employees. The Councils pay for all these licences whether they are used or not. This compares to approximately 6,100 current active Oracle users (at May 2017) performing a range of tasks.

4.7. In the contract for the new system, the Councils initial licence requirements will be based on the estimated number of users at 1st September 2018. The estimated number of licences required at go live of 5,400 is based on the existing number of active users of 6,100, reduced by around 700 users to reflect: 2 Council Companies that it is assumed will not be migrating to the new system, and a projected reduction in Council and school based user numbers.

4.8. Over the life of the contract the number of licences required will change as both Councils go through significant change. There are likely to be fewer system users as staff numbers fall; maintained schools could convert to academy status, and may move off the new HR & Finance solution. There could also be growth in user numbers through partnership arrangements with other public sector organisations (eg the Health Service) within the Councils area. The Councils are also likely to revise their target operating models, which may shift responsibility for business functions and activities between back office and front line teams. It is therefore difficult to forecast exactly what licencing will be required over the next 7 years. However, a base of 5,400 licences should provide some future-proofing for most likely scenarios.

4.9. Once users have gone live (expected September 2018), the annual support costs will reflect the actual number of users on the system, subject to a maximum reduction of 10% in one year.

Standardised business processes

4.10. In order to maximise the benefits of standardised business processes, both Councils have committed to implementing a range of "template" business processes which Agilisys have developed and implemented in other local authorities. Where the existing processes do not fit these standard templates, the Councils will change process to fit the templates wherever possible.

4.11. There will be some processes that cannot be changed to fit the standard template. These potential exceptions will be firmly challenged and subject to appropriate governance. These exceptions are likely to increase the cost of future upgrades and ongoing system maintenance.

Mobile working

4.12. Both Councils are committed to increasing flexible and mobile working. The new HR & Finance solution will contribute towards this strategy through the implementation of the "Unit4Me" facility, which is an intuitive mobile application that will allow users to deal with transactions such as personal details maintenance and expense claims in a flexible and mobile way.

Post implementation change

4.13. Inevitably over what is potentially a 12 year contract, both Councils will want to make significant changes to the initial implementation of the system. Examples would include: major restructuring, new partnership arrangements and setting up new Council Companies.

4.14. The new solution will facilitate this type of ongoing change in a number of ways, including: more flexible licencing arrangements than our current provider (see Appendix 3); use of a flexible and intuitive organisation structure design tool within the system; setup of new "clients" within the system is a business-led routine support activity rather than a significant commissioned piece of work.

4.15. The use of a solution which provides a local government template provides assurance that the core product will be adaptable to meet the Councils requirements for the future.

5. Inter Authority Agreement Principles

Contract Management

5.1. During the implementation phase there will be a single contract manager covering both Councils. This is a direct consequence of all contractual issues relating to the implementation phase only being included in the CE contract. The implementation of the new solution is being delivered as a single project, so as to secure economies of scale when compared with separate implementations.

5.2. Once the implementation phase has been completed, each Council will be responsible for managing its own contract with Agilisys, but doing so in consultation, and in a coordinated manner where this is useful and appropriate.

Cost sharing arrangements and cross indemnification

5.3. CE will be responsible for paying all implementation invoices from Agilisys, and then recovering the appropriate share from CWaC. As the implementation will be a single project, all implementation costs will be shared on a 50/50 basis, unless there is a specific agreement to the contrary.

5.4. The nature of the contract also means that there will be examples where an action or decision of one council could have an adverse financial impact on the other Council and result in additional charges being payable to Agilisys. To mitigate the impact of this situation the Councils will agree to indemnify each other for any such additional charges caused to the other Council, subject to:

- The additional charges must exceed £50,000 for each relevant action (normally considered in isolation, but with a reqiurement to review the cumulative impact of multiple actions, both during implementation and live operations); and
- Compensation will only be paid for a maximum of 3 years, or until the end of the primary or secondary contract term – whichever is sooner.

5.5. Actions or decisions in relation to the solution may also have impacts for service delivery and sharing of costs relating to the Councils' Shared Services (Transactional and ICT). Such impacts will need to be jointly assessed and managed through the shared service governance and change control provisions, alongside any changes to the contracts with Agilisys.

Decision making processes

5.6. As set out above, once the implementation phase has been completed, each Council will be responsible for managing its own contract with Agilisys. The contracts will give each Council a range of rights it can exercise, in particular if supplier performance is not meeting the required standard. The IAA will set out where the Councils want these decisions to be taken jointly, in consultation with each other. Key examples are set out below:

5.7. Decisions to be taken jointly:

- Operation of internal support function, to be operated on a shared basis
- Operation of supporting governance mechanisms
- Maintaining shared system design
- Provision of contractually committed resources
- Carrying out user acceptance testing to approve system changes

5.8. Decisions taken as individual Councils, following consultation through appropriate governance mechanisms with the other:

- Termination of contract
- Operational decisions having significant impact on user numbers
- Appointment of contract manager / authority representative
- Business changes required to deliver business case savings

Governance arrangements

Governance arrangements with Agilisys

5.9. The draft contract with Agilisys includes provisions to establish a number of joint forums to deal with the implementation, change control and ongoing contract management. The exact membership and role of these forums will be refined before final contract signature.

Governance arrangements between the Councils

5.10. It is anticipated that the existing joint reporting and governance structures will be used for overseeing this project as far as possible. On this basis the Shared Services Joint Committee will remain the primary formal reporting route to Members, supported by the Best4Business Programme Board.

5.11. It is anticipated that a Best4Business Design Authority will be established, to support the Programme Board and to ensure rapid decision making with respect to the design of the new system and any post-contract changes which may be required, both during the implementation phase and post go-live.

6. Details of implementation costs

6.1. This Appendix sets out in more details the implementation costs set out at para 5.63 in the main report.

6.2. The table below sets out the total implementation cost for both Councils. This will be incurred between September 2017 and November 2018.

	£m
Agilisys costs	
Purchase of licences in Business World	1.4
Other setup costs (including system design, build, testing, interface development, data extraction and migration) – capital	6.1
Other setup costs (user training) – revenue	0.4
	7.9
Council costs	
Council staffing – capital	2.3
Council staffing – revenue	0.6
Redundancy provision – revenue	0.6
Business change – revenue	0.3
	3.9
Total implementation costs	**11.8**
Total capital costs	9.8
Total revenue costs	2.0

7. Value For Money review

Background

7.1. The new HR & Finance solution represents a significant investment for both Councils and therefore it is important that value for money can be demonstrated. There are three separate elements to the value for money considerations. These are:

1. Does the Agilisys final submission represent value for money compared to what is on offer in the market. This is a particularly important consideration when there is only a single bidder;
2. Does the Agilisys submission represent value for money from an "invest to save" perspective; and
3. How does the cost of the proposed HR & Finance solution compare to the "do nothing" option.

7.2. All three objectives need to be satisfied in order for the Councils to demonstrate value for money. Each of these objectives is considered below.

Value for money – market comparison

7.3. Normally this would be demonstrated by comparing the final tenders from a number of bidders. This is not possible for this bid and therefore alternative supporting evidence is needed to demonstrate value for money. This includes:

- The Agilisys solution represented significantly better value that the proposal received from a competing bidder, based on submissions received at the Outline Solution stage of the procurement in February 2017.
- As the Councils do not have to make a contract award, Agilisys continued to add value to their proposition during the final dialogue phase. Agilisys' costs reduced overall by £0.4m in their final tender compared to their outline submissions.
- A rigorous selection questionnaire process to reduce number of bidders from 14 to a short list of four at the start of the dialogue stage has ensured only credible suppliers were taken forward.
- Outline business case based on soft market testing to act as a comparator.
- Agilisys need to produce a competitive deal to attract the other four Councils on the framework (Stockport MBC, Trafford Council, Warrington MBC, Wirral BC).
- Councils can request independent benchmarking report every 12 months to demonstrate value for money. Agilisys required to change price/quality if service deemed not to be top quartile value for money.

- If the Councils can obtain on a like-for-like basis better commercial terms then they may:
  - Require the Supplier to adopt the more favourable commercial terms; or
  - Enter into a direct agreement with the third party in respect for the relevant item.

7.4. The core of the Agilisys solution – the Unit 4 Business World software - is available through the Government Digital Marketplace (also known as G-Cloud). The closest comparator to the Councils solution is the purely consumption based model (which has no up-front licence purchases). This would cost £40.8m purely for supplier charges. This excludes any Council resources required either to implement the solution or to provide ongoing local support.

7.5. Overall, there is evidence to support the view that the Agilisys submission represents value for money compared to the market and that there are strong contractual provisions which will enable the Council to ensure that this value for money is maintained over the life of the contract.

Value for money - invest to save

7.6. The updated business case is in two parts:

- Reductions in ongoing and future budgeted spend – described as "cashable" costs and savings; and
- Other benefits which, while not having a direct impact on existing budgets, reflect real benefits to the Councils – described as "non-cashable" impacts.

7.7. It is helpful to provide examples of what is meant by cashable and non-cashable benefits. The annual support fee currently paid to ORACLE (the supplier) is an example of an existing budgeted commitment that will be directly affected by the project and one that has been included within the assessment of cashable savings. An example of a benefit which does not impact directly on existing budgets is the cost of future change, which is expected to be lower than that currently incurred when modifying the existing Oracle system to support business changes such as restructures, creation of new Council companies, setup of new academies, etc. Such costs are not part of the existing "business as usual" budgeted costs for supporting the existing system, and therefore are not classed as benefits which impact on existing budgets.

7.8. In March 2017, an updated assessment of the business case was reported to the Shared Services Joint Committee. This updated and more refined assessment had an overall cashable and non-cashable payback period of around 4.5 years, whilst the cashable alone payback was assessed at 7 years.

7.9. The final tender from Agilisys now provides certainty over most costs and much more detail about what the company will deliver as part of their fixed implementation price. Based on this information, the overall cashable and non-cashable payback period of around 5.2 years, whilst the cashable alone payback is assessed at 7.75 years.

7.10. The business case only includes business change savings from the corporate services of both Councils. Therefore, no potential savings from front line service areas have been included. It should be possible to deliver some business process savings from front line service areas, but there has not been sufficient detailed work to establish the potential scale of these savings and to include them in the business case.

7.11. Examples of areas where the new HR & Finance solution could contribute to savings in front line areas include:

- Significant improvements in reporting capabilities available to managers, allowing greater insight into expenditure and income
- Improved transparency over actual cost of employees compared to approved establishment, allowing more straightforward monitoring and control
- More streamlined and intuitive processes in relation to staff recruitment, absence management and reporting, claiming and approving expenses, management of personal details
- Easier access to the system from a range of locations including away from Council offices, reducing the need to travel to specific locations in order to interact with the system

7.12. As set out in Appendix 3 above, the new solution would also provide a range of optional capabilities which are outside the scope of this business case.

7.13. Given the long term nature of the investment in a new HR & Finance solution, a 7.75 year payback period is regarded as acceptable.

"Do Nothing" option

7.14. The Councils do not have to award a contract to Agilisys, and could therefore remain with the existing Oracle technology and the related Taleo (recruitment) and CP (financial forecasting) systems.

7.15. Over the eight financial years relevant to the primary contract period, this approach (based primarily on actual 16/17 costs) is projected to cost an additional £5.2m compared to the net cost of the new solution and related business change savings:

	£m
"Do Nothing" costs	
Procurement costs (sunk costs)	1.4
Current solution:	
Staffing (actual)	6.4
Third party spend – Oracle (actual)	5.0
Third party spend – Taleo and CP (actual)	1.4
Hosting charges (see para 17.16)	1.5
Total revenue	**14.3**
Ongoing capital costs (actual)	3.2
Major upgrade (see para 17.17)	3.0
Total capital	**6.2**
Total spend on current solution	**20.5**
Total "do nothing" spend	**21.9**
New solution:	
Procurement costs	1.4
Purchase of licences	1.4
Supplier setup costs	6.6
Council setup costs	3.2
Supplier ongoing costs	5.7
Council ongoing costs	1.9
Cost of implementation and ongoing charges	**20.2**
Business case savings	-6.5
Transitional legacy solution costs	3.0
Total cost of proposal	**16.7**
Difference between proposal and "do nothing"	**5.2**

7.16. At present the Oracle system resides on hardware which the Councils previously leased, and which therefore represented a revenue cost. The hardware was purchased at the end of the leasehold period. There is therefore no ongoing revenue cost for this hardware. The hardware is reaching the end of its life, and would require replacement if the "do nothing" option was adopted. The £1.5m hosting charges represent the expected cost of entering into an arrangement to replacement the current hardware provision over the relevant period.

7.17. During the primary contract term, the Council's current version of Oracle is due to fall out of support. At this point, to continue operation of an Oracle-based solution, the Councils would be required to undertake a major implementation project, similar to that proposed in this report, in order to move to the "Oracle Cloud" product. Market intelligence indicates that the cost of such an implementation would be significantly greater than £3m at the current time. Therefore an estimate of £3m for the implementation of an entirely new system for two Councils in four years' time is felt to be very prudent.

7.18. These costs are not included in the budgeted capital programme of either Council, but represents unavoidable capital expenditure which would take place during the primary contract term of the proposed Agilisys contract. These costs are reflected in the estimated payback period including non-budgeted costs of 5.2 years.

7.19. As well as the negative financial impact of the "do nothing" option, a decision not to implement the modern HR and Finance system proposed in this report would result in wider disbenefits to the Councils, such as the loss of the transformational benefits of the culture change programme and process redesign activity which will accompany the implementation, and the failure to implement a modern solution which will support the Councils' ambitious change agenda for the future.

7.20. Therefore, the "do nothing" option is not recommended as a valid alternative to proceeding with the Agilisys product and proposal

Conclusion of value for money review

7.21. The Councils have put significant effort into demonstrating that overall the proposed new solution represents value for money. Although the payback period is longer than originally anticipated in respect of current budgeted expenditure, it is still a significantly better financial option than "do nothing", which would incur higher annual costs as well as requiring a costly major upgrade within the proposed contract term, and provides additional benefits that would not be available with the current Oracle e-business suite.