

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICES JOINT COMMITTEE

Date of Meeting: 22 January 2016

Report of: Peter Bates - Chief Operating Officer, Cheshire East
Mark Wynn – Director of Finance, Cheshire West & Chester

Subject/Title: CoSocius Service Reviews

1.0 Report Summary

- 1.1 The purpose of this report is to update Members on the progress being made in the delivery of the Service Review programme which Members approved at the meeting of this Committee on 27 February 2015.

2.0 Decisions Requested

Members are asked to:

- 2.1 Note the progress to date with the series of service reviews underway, the opportunities for collaboration and sharing across both Councils identified so far, and the proposal to review the phasing of the remaining review activities alongside the CoSocius Transfer Programme;
- 2.2 Note the contents of the Outline Business Case regarding the implementation of a replacement Enterprise Resource Planning (ERP) solution;
- 2.3 Approve the recommendation to proceed with development of a Detailed Business Case regarding the ERP implementation, which will support a recommendation to proceed with a formal procurement process; and
- 2.4 Approve the resource plan and estimated costs for the development of the Detailed Business Case regarding the ERP implementation.

3.0 Reasons for Recommendations

- 3.1 To update Members on the progress to date in delivery of the Service Review programme and the direction of travel for each review subject at the time of reporting, and to secure approval to proceed with additional work beyond the scope of the Service Review in relation to the proposed ERP implementation project.

4.0 Report Background

- 4.1 This committee at its meeting on 27 February 2015 approved a programme of work to review the delivery of applications and services by CoSocius to the two Councils.

- 4.2 This report will provide an update to Members on the key themes and issues arising from the work to date, and an indication of the direction of travel for each area of review.
- 4.3 The major focus of this report is the presentation of an Outline Business Case regarding the implementation of a replacement ERP solution.

5.0 COSOCIUS TRANSFER PROGRAMME

- 5.1 The October 2015 meeting of this Committee approved a decision to transfer CoSocius operations into two shared services hosted by the Councils. Since then, a programme of work has been established to ensure the effective transfer of operations. Members will be aware through separate update reports of progress to date on this activity.
- 5.2 The Service Review Programme has been brought within the remit of the CoSocius Transfer Programme, and forms part of the “establish hosting arrangements” workstream. The service reviews have already successfully identified many opportunities to ensure the Councils work together to maximise service delivery outcomes through greater sharing of technology solutions.
- 5.3 Beyond the transfer of existing CoSocius activities into Council hosted shared services, the CoSocius Transfer Programme is also developing a revised target operating model for the ICT Delivery and Transactional Services elements of the company, to be implemented in the period beyond the immediate transfer of activities on 1 April 2016. The outcomes from the service reviews will have a significant impact on the emerging ICT Delivery target operating model.
- 5.4 A consequence of the preparation for the effective transfer of operations as of 1 April 2016, and the criticality of the work required to prepare for this transfer, has been a refocussing of effort to ensure the successful transition of activities into the Councils. Where appropriate, the CoSocius contribution to activities in relation to service reviews has been paused, to ensure that when the reviews deliver their outcomes, they are fully aligned with the wider ICT transformation programme which will be underway post-transfer.
- 5.5 However, the business-focussed aspects of the service review methodology, involving assessing what services across both Councils need from their technology solutions in order to support their future vision and strategies, continue to be taken forward.
- 5.6 An update will be brought to the next meeting of this Committee as to how the ongoing service reviews will be phased in order to maximise their potential outcomes.

6.0 SERVICE REVIEWS – PROGRESS UPDATE

- 6.1 The programme of service reviews approved by Members at the previous Committee is set out below, showing proportion of total application support costs charged by CoSocius to the Councils for each review:

Tranche 1 – April '15 to December '15	Tranche 2 – October '15 to May '16
Enterprise Business Systems (50%)	Revenues and Benefits (5%)
Health & Social Care (Adults & Children) (3%)	Cash Receipting and Income Management (2%)
End User Computing (desktop, mobile, etc) (11%)	Highways (1%)
Geographic Information Systems (3%)	Children and Young Persons (1%) – <i>now included in Health & Social Care review</i>
Business Intelligence and Reporting (2%)	Document Management (1%)
Schools Information System (0%)	Elections (1%)
Resource Planning (Homecare) (1%)	Environmental Health (1%) – <i>now included in Planning & Building Control review</i>
Customer Service (5%)	Transport (1%)
Planning and Building Control (3%)	
CoSocius cost associated with Tranche 1	CoSocius cost associated with Tranche 2
£5.1m	£0.83m

6.2 Progress against each review is outlined below.

Tranche 1 Reviews

Enterprise Business Systems

6.3 Positive progress continues to be made in relation to this significant review. Since the last report to this Committee, the following actions have been undertaken:

- “Soft market testing” sessions with potential suppliers have been completed;
- A better understanding of the cost of the current Oracle solution has been developed and documented;
- A view of potential implementation costs of a replacement solution, and the potentially ongoing running costs of a replacement, has been developed.

6.4 An Outline Business Case (OBC) has been developed to set out the current understanding of potential costs and benefits associated with implementing a replacement ERP solution, and by reference to the costs of the current solution and the potential savings to be achieved, the likely payback period for a replacement solution. The OBC is attached at Appendix A to this report for consideration by this Committee. Key messages are summarised below.

6.5 The OBC articulates an aspirational roadmap for a proposed ERP replacement project. Key proposed milestones, which would be reviewed and confirmed as the project progresses, include:

- Completion of Detailed Business Case (DBC) by May 2016
- Completion of procurement exercise by November 2016
- Council system implementations in either October 2017 or April 2018

6.6 The OBC replays current thinking around ERP principles and required system capabilities, which the Committee will be familiar with from previous reports.

6.7 A summary of suppliers who participated in the recent Soft Market Testing phase of the service review is provided, along with key messages emerging from this exercise, which include:

- The importance of a well-defined vision for the system implementation project, supported by strong governance and project sponsorship on behalf of both Councils;
- The need to review and change business processes alongside the system replacement, and the benefits of adopting suppliers' best practice blueprints for business processes; and
- The importance of ensuring appropriate resources are in place to support the implementation, and empowering officers in key project roles to drive through critical decisions around system design and associated business processes.

6.8 The objectives of an implementation project are set out, namely:

- Reduce system costs;
- Enhance customer / user engagement;
- Maintain and enhance compliance; and
- Provide a platform for transformation and further reduction of operating costs.

6.9 Two options are presented:

Option	Key factors to consider
Produce Detailed Business Case in support of a formal procurement process and implementation	<ul style="list-style-type: none">• OBC indicates opportunity to reduce ongoing cost of ERP platform from approximately £3m annually to approximately £1m annually across both Councils.• Outline implementation costs of £10m have been identified, indicating a payback of no more than 3 years for this scale of investment.• Further savings from business process redesign are likely, but have not been included in this business case.• £350k investment is required from February to May 2016 to support the production of the DBC. This is part of the overall £10m indicative implementation costs.
Do nothing	<ul style="list-style-type: none">• Lost opportunity to achieve potential savings• Current system falls out of support in January 2018 (database) and December 2019 (application). Does not result in immediate system termination / failure, but support risks begin to increase.• Existing solution uses aging hardware, with no disaster recovery provision in place. Risk of system failure is growing.• Business process savings could be achieved through better use of the current system, but are likely to be more significant if delivered as part of a technology change project.

- 6.10 The recommended option is to develop a Detailed Business Case in support of a formal procurement and implementation project.
- 6.11 High level benefits are set out which align to the objectives of the implementation project set out earlier in this report. Key benefits relate to reduction in technology costs, improved user engagement with the system and associated processes, improved compliance and security, and provision of a platform to support wider transformation, including business process review and redesign, and the ability to meet the changing needs of the Councils in a flexible and cost-effective manner.
- 6.12 Key risks are set out based on the current position. The OBC notes that a complete view of costs and benefits cannot be offered until the point at which a solution is procured following competitive dialogue and negotiation with potential suppliers. However the DBC is expected to present a more refined view of potential costs and benefits, as well as delivering the activity necessary to ensure the Councils are prepared to enter into a full procurement exercise.
- 6.13 An outline project plan and resource estimate is presented in support of the proposed DBC phase of work, setting out the deliverables which would be developed between February and May 2016, prior to a request for approval to proceed into a formal procurement exercise. Key governance roles are defined with nominated officers for each role.
- 6.14 Recommendations for approval in relation to this OBC are set out at section 2 of this report.

Health and Social Care / Children and Young Persons

- 6.15 Meetings are ongoing with key stakeholders in relation to Adults and Children's Social Care delivery in both organisations in order to ensure that the objectives of the service review continue to be pursued whilst both Councils undertake separate essential contract renewal / procurement activities to safeguard the ongoing delivery and support of the relevant products.
- 6.16 Although the Service Review has been taken into consideration, the two authorities are working to different procurement timescales driven by the renewal deadlines for existing products. These activities cannot be allowed to slip, as this would put at risk the availability of those existing solutions. Therefore opportunities to align procurement activities are limited in the short term. However any potential impact on future opportunities to align and share solutions is being reviewed.
- 6.17 The Social Care element of the Service Review is focusing partly on identifying the solutions that are required to deliver the Care Act technical components in the most collaborative way to meet the needs of both Adults Services and Children's Services across both Councils.
- 6.18 In relation to the existing Social Care core solutions, alongside the procurement activity previously described, current hosting and support models are being reviewed in order to identify opportunities to align and consolidate, initially on the

approach to procurement, software solutions, technical platforms/infrastructure, hosting and support arrangements.

- 6.19 Opportunities are also being identified with key stakeholders across both Councils in relation to agreeing a preferred delivery and support model for the core Education / CYPD solution, given that both Councils are already undertaking contract renewal activities for the existing products.
- 6.20 It is likely that the systems for Social Care delivery and for the Core Education / CYPD solution will be procured through call-off contracts using the current Crown Commercial Service Framework Agreements that include all the existing Adults and Children's solutions as well as future Care Act requirements. This will potentially enable both Councils to adopt the same solution set, albeit with separate call-off contracts.
- 6.21 The service review is therefore concentrating on ensuring that opportunities are identified to align business requirements across both Councils in order to provide a clear recommendation for developing a common solution, including adopting consistent hosting and support arrangements across both organisations.

End User Computing

- 6.22 Both Councils continue to work closely together in scoping and commissioning the ongoing Microsoft Modernisation Programme, which aims to identify and implement opportunities to replace a range of existing technology solutions, many of which are relatively "invisible" to end users, with Microsoft equivalent products, maximising the benefit from both Councils having significant licencing arrangements in place with Microsoft.
- 6.23 The objectives of this programme are to improve the end user experience through provision of tools which increase the ability of staff to work flexibly in order to maximise outcomes for customers while reducing overall infrastructure costs; and to reduce the direct cost of the products which are used to provide end user computing capabilities to staff.
- 6.24 The overall potential savings associated with this programme are being developed as part of the work required to confirm which existing products can be replaced with cheaper alternatives, based on an analysis of functionality, cost and business requirements.

Geographic Information Systems (GIS)

- 6.25 The Councils use an aging solution to deliver current GIS capabilities. The solution is not currently supported by the product supplier, and requires replacement in the short term.
- 6.26 At the time of reporting, work on a feasibility project ("proof of concept") on the potential use of a "open source" solution implemented by CoSocius to deliver the Councils' GIS requirements is drawing to a conclusion. This approach would use software which is effectively free to use, but would require the Councils to pay

our ICT Delivery service to support and maintain the solution instead of paying an external system supplier to deliver this role.

- 6.27 The outline cost of implementing this solution has been made available, with further work required to validate the suggested implementation costs. This solution would preserve cost savings achieved in previous years through avoidance of external support charges.
- 6.28 In parallel, soft market testing has been undertaken to determine what options are available in the market and the implementation and running costs associated with this approach.
- 6.29 Some third party products appear, based on market testing submissions, to offer potential cost savings compared to the current understanding of the cost of the open source product. However, these submissions require further validation to ensure they represent an appropriate and comprehensive solution to deliver the Councils' requirements.
- 6.30 At this stage the Councils propose initiating a formal procurement process, involving those suppliers who have engaged to date with the soft market testing phase of the service review. This would deliver more robust information around potential implementation costs and ongoing running costs, and if necessary would allow the Councils to proceed rapidly with the award of a contract at the end of the exercise, should this be deemed appropriate, without compelling the Councils to award a contract at the end of the process.
- 6.31 Therefore the next steps with this review are:
- Complete the "proof of concept" exercise and develop a full proposal for the implementation of the CoSocius open source GIS solution;
 - Begin a formal procurement exercise to validate the potential costs and benefits of implementing a third party solution; and
 - Work with key stakeholders in both Councils to select the most appropriate solution based on the outcome of both exercises.

Business Intelligence and Reporting

- 6.32 This Service Review is focusing on the key strategic questions to be addressed by Business Intelligence ("BI"), and on the strategic adoption of an incumbent CoSocius-hosted corporate BI tool – Microsoft Business Intelligence (MSBI), to help address these. The costs and benefits of migrating existing 'legacy' reports into MSBI are also being considered. The roles required to support a successful corporate BI tool, including any opportunities for synergies across organisations, will also be referenced (with due regard to the relationship with GIS roles, noted in the previous section).
- 6.33 The scoping of future reporting requirements to be delivered using MSBI is underway. The cost of ensuring the MSBI platform is scaled up to support increasing reporting demands, alongside the cost of developing the reporting capabilities themselves, is being developed as part of this work.

- 6.34 A migration plan for the transfer of legacy reporting from existing platforms to MSBI has been developed. Further work is planned to assess the potential cost of such a migration exercise, for comparison against the cost of maintaining legacy reporting solutions in the short to medium term.
- 6.35 Consideration is being given to the roles required to support a corporate business intelligence tool, both within the Councils and within our ICT provider. Discussions are scheduled with third party advisors to validate our thinking in this area.
- 6.36 Soft market testing has been undertaken. This has identified that there is no appetite in the market to develop specific reporting solutions to meet particular decision making needs. Suppliers are willing to consider developing and hosting a comprehensive business intelligence platform. However this would abandon the investment already made in the MSBI platform developed by CoSocius, and is not considered an appropriate option to pursue.
- 6.37 The next steps with this review are:
- Finalise a costed migration plan for the potential migration of legacy reporting, and determine whether a business case exists to support this approach;
 - Finalise future reporting requirements and ensure the cost of development of these requirements is developed and supported; and
 - Validate the roles required to deliver and support a corporate approach to business intelligence, and ensure these are developed to support the successful delivery of the underpinning technology solution.

Schools Information Management System

- 6.38 Although CoSocius provides a wide range of services to local authority schools, this review focusses on the Capita SIMS product, being the widely used system to deliver schools management and reporting capabilities to all types of school across the two Boroughs.
- 6.39 Work is ongoing to develop proposals around different options for delivering a cost effective solution to schools which also meets the Councils' reporting requirements. The ongoing role of the Councils in respect of provision of school management systems, particularly with the ongoing direction of travel in terms of conversion of schools to Academies, also requires definition and approval.
- 6.40 The next steps with this review are:
- Finalise costed proposals for delivery of school management system and associated reporting capabilities; and
 - Confirm with key Council stakeholders the role of the local authorities in the future provision of school management system capabilities.

Resource Planning - Homecare

- 6.41 The existing homecare resource planning system is hosted by CoSocius and operated on an entirely shared basis by both Councils. The system is used to

allow employees who deliver home care services to vulnerable service users to manage their schedule while on the move. The existing system has reached end of life and will no longer be supported or indeed functional from February 2016.

- 6.42 Both Councils have confirmed a decision to move forward with the procurement and implementation of the same replacement solution, being the “cloud” hosted version of the current product. This implementation is proceeding with due urgency given the support issues in relation to the current product.

Customer Services and Website

- 6.43 This review focusses on the systems being used to deliver customer services, ensuring they are the best choice of solution for delivering the “digital by design” agenda that will enhance customer service whilst allowing savings to be made through increased efficiency in how these services are delivered, eg a greater focus on self-service and online transactions rather than telephony or face-to-face interactions with the Councils.
- 6.44 The Councils’ strategies for delivery of customer services vary significantly, with CWaC having entered into an arrangement with a third party to form Qwest, while CE deliver customer services as an in-house function, working with a strategic partner for delivery of Council digital services.
- 6.45 Cheshire East are progressing with the implementation of their digital platform, in conjunction with their strategic partner. This has provided clarity around the products and services which will be delivered through the strategic partner, and those which remain the responsibility of Cheshire East to commission in partnership with CoSocius.
- 6.46 Qwest are developing a proposal, to be approved later in January 2016, for the solutions they intend to procure and implement in order to deliver their contractual commitments to Cheshire West and Chester around customer services. A joint workshop has taken place with CE, CWaC, Qwest and CoSocius to identify opportunities to share solutions and platforms where possible, so as to minimise the overall cost of delivery to citizens across Cheshire.
- 6.47 Any residual requirements for CWaC to commission products and solutions to support their digital strategy will be confirmed once the scope of Qwest’s proposal has been approved by their Board and confirmed as meeting CWaC’s requirements. Opportunities to share any such solutions with CE will be actively reviewed at this stage.
- 6.48 In relation to contact centre telephony requirements, CE and Qwest have agreed a joint approach to capturing requirements and undertaking soft market testing in order to identify the most appropriate solution to meet the needs of both organisations. The expectation is that this exercise will have been completed by March 2016, leading to a formal procurement process and implementation by the end of the calendar year.
- 6.49 The next steps with this review are:

- Confirm / approve Qwest solution decisions;
- Identify opportunities to share solutions between Qwest and Cheshire East, and across both Councils;
- Develop shared telephony requirements and undertake soft market testing ahead of a procurement exercise.

Planning and Building Control / Regulatory Services

- 6.50 A number of stakeholders across services in both Councils have been engaged to develop a shared understanding of the current suite of products which are used to support these service areas. At present a completely different set of products are used in each organisation to support similar service activities.
- 6.51 The next steps with this review are:
- Begin an exercise to formally document a shared set of business requirements across both Councils; and
 - Work with CoSocius to develop an understanding of the current cost of the systems currently in use, and the potential business case and payback period associated with the implementation of a single shared solution.

Tranche 2 reviews

Revenues and Benefits

- 6.52 Initial discussions have been held across both Councils and CoSocius to identify the current application landscape, and the baseline position in terms of system support costs for each authority.
- 6.53 Key business stakeholders have been engaged to determine the appetite for moving towards greater collaboration, both in terms of core systems and supporting business processes. With current system contractual deadlines in mind, it has been agreed that a joint requirements definition exercise will be undertaken, leading to potential market testing and formal procurement processes in due course.
- 6.54 The business case for a system replacement for either or both Councils would need to give consideration to the potentially significant cost of change associated with the replacement of this fundamental and complex system, and the associated payback which would be achieved.

Cash Receipting and Income Management

- 6.55 Both Councils use the Capita CRIM solution, albeit implemented separately and with slightly different configurations. Each Council's implementation was relatively complex, with links to numerous back office systems being developed. Both organisations have expressed a desire for a period of stability where the benefits from the current solution are embedded, prior to any significant activity around a future replacement decision.

- 6.56 The timelines for the next essential upgrade to the CRIM product are likely to align with the timing of the proposed ERP implementation project. This seems to offer a timely opportunity to review the current configuration and hosting options to determine whether proposals for greater harmonisation would deliver benefits.

Document Management

- 6.57 Initial discussions have been held across both Councils and CoSocius to identify the current application landscape and opportunities to review potential future opportunities to share solutions.
- 6.58 Cheshire East are already in the process of procuring and implementing a corporate electronic document management solution, which links to the established Sharepoint product used by both Councils, which has been driven by the requirements of the Care Act in relation to social care records, but with a view to rolling out across other significant business areas.
- 6.59 There is therefore an opportunity to consider whether this solution could be used as the basis of an approach which both Councils could adopt in order to reduce overall solution costs.

Highways

- 6.60 In advance of the service review process, CWaC undertook a soft market testing exercise to review available solutions in the marketplace to deliver the Council's requirements in respect of highways management. More recently, both Councils' Highways teams held a joint workshop with the provider of the current solution, Pitney Bowes, to understand direction of travel with the incumbent solution and the opportunities which more recent product releases could offer.
- 6.61 Discussions with key stakeholders in the business are now being scheduled, to understand the strategic direction for each authority, and to understand likely approaches for the renewal of the wider term maintenance contract for highways maintenance between each Council and their external partners, and what impact this may have on the extent to which the Councils continue to lead on the procurement and provision of the core ICT systems which are used by both Council and Contractor to deliver highways maintenance activities.

Transport

- 6.62 CWaC and the subsidiary company TSS owned by CE currently use a long established product which was originally implemented prior to local government reorganisation.
- 6.63 CWaC's Transport service has already begun an exercise to define requirements and undertake soft market testing in order to replace this product during 2016. Via the service review process, key stakeholders within TSS have been engaged in this process in order to ensure the requirements defined by CWaC, and therefore the outcomes from the procurement process, could also be utilised by TSS in due course.

- 6.64 The scope of the ongoing exercise is being reviewed and compared to the full breadth of applications supported by CoSocius in relation to transport, to ensure opportunities to decommission associated applications and reduce ongoing support activities and costs are being identified and driven through this process.

Elections

- 6.65 Initial discussions have been held with key stakeholders in both Councils. At the time of reporting, existing contract end dates for incumbent solutions do not present an urgent need to work towards a system procurement and replacement exercise in either organisation.
- 6.66 The business case for harmonisation onto a single solution, and the cost of change and associated payback period for such an exercise, need to be defined in order to determine the potential benefits for both Councils to work together in the medium term to define shared requirements and work towards a common solution.

7.0 Next Steps

- 7.1 The opportunities identified in the OBC which has been produced by the Enterprise Business Systems service review are significant. Subject to approval by this Committee, a project team will be established and the next phase of work taken forward with appropriate urgency.
- 7.2 As noted in section 5, the phasing of the remaining service reviews, and the relationship between their outcomes and the development and future delivery of a revised ICT Delivery target operating model, is under review at present. An update will be brought to the next Joint Committee to articulate how this overall programme of work will be delivered in order to maximise outcomes for both Councils.

8.0 Wards affected

- 8.1 None.

9.0 Policy implications

- 9.1 None.

10.0 Financial Implications

- 10.1 Each Council spends a significant amount of money on provision of line of business applications. The reviews currently in progress will ensure that the Councils receive value for money for their taxpayers. The service reviews underway will ensure that this situation is continually monitored in a fast changing ICT environment.
- 10.2 This committee is responsible for the oversight of management of the shared services to ensure effective delivery and to provide strategic direction. However approving the budgets for the functions discharged by the committee are

reserved to the Councils and any future investment requirement will require approval by CWaC and CE respectively.

11.0 Legal Implications

- 11.1 Where the decisions flowing from reviews requires procurement activity, this will be carried out in accordance with the Public Contracts Regulations 2015, including any pre market consultation.

12.0 Risk management

- 12.1 Programme risks are being identified and reported as necessary to the CoScoius Transfer Programme Board through normal programme management mechanisms. The Board will escalate any significant risks to the Committee as appropriate during the course of the programme.

13.0 Access to Information

- 13.1 The background papers relating to this report can be inspected by contacting the report writers:

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Background Documents:

Documents are available for inspection at:

Cheshire East Democratic Services

Westfields

Middlewich Road

Sandbach

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or:

Cheshire West & Chester Democratic Services

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