Service Review Programme

Service Review: Enterprise Business Systems

Cheshire East Council /
Cheshire West and Chester Council:
Outline Business Case

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Version control

Version	Date	Status
0.1	17/12/2016	First draft
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0.3	05/01/2016	Updates after initial discussion with Dominic Oakeshott
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0.5	07/01/2016	Updates after discussion with Danny Fitzgibbon / Sharon Barclay / Ian Kirby / Leona McMillan / Richard Harrison / Dominic Oakeshott
0.6	10/01/2016	Updates after discussion with Debbie Hall
1.0	14/01/2016	Final approved version

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Executive Summary

The Councils and their associated subsidiary companies operate an ERP (Enterprise Resource Planning) system provided by Oracle to support its core infrastructure around, HR, Finance and wider business systems, which was implemented for the former County Council in 2002. The system supports a range of functions including procurement and payments to suppliers, billing and income from customers, recruitment, employee contract management, payroll, financial budgeting and reporting, general ledger, and a range of statutory and business reporting capabilities.

The platform in operation is largely based on the 2002 design, and through the integrated nature of ERP solutions has supported the organisations successfully over the last 14 years. However the current version of Oracle is aging and requires replacement. Recent research and soft market testing has shown that there are other solutions which will meet the Councils' requirements.

In developing this Outline Business Case it is clear that there is a substantial opportunity to transform and improve the operation of the Councils, supporting the visions and corporate plans of the Councils and their subsidiaries, whilst being able to reduce costs. To date it has been possible to identify that there would be cost reductions in supporting the technology platform, which will be sufficient to offset implementation costs of in 5 years or less.

In addition, the potential for improvements in processes through standardisation and simplification offers opportunities to drive additional cost reductions and service improvements, beyond those set out in this business case.

The vision for change for this case is to:
- Provide a flexible, scalable business system solution
- Provide a foundation for change, removing barriers to service improvement
- Improve efficiency, simplifying the way the Councils operate their business
- Reduce costs and over time ensure investment is paid back with ongoing cost reductions
- Reducing risk

Delivery of this vision will require robust and clear governance throughout the implementation programme, ensuring design and implementation decisions are taken which support the vision across all organisations affected.

The work to date has established that a reasonable estimate of the cost of change to replace the current system is approximately £10m. Ongoing savings in the technology platform are likely to be in the region of £2m per annum. This results in a payback period of no more than five years. In addition the change in system will facilitate and enable improvements and changes to business processes and practices, which have not been fully assessed at this stage. However it is notable from talking to other Councils that business

process savings are likely to be achievable, the extent being dependent on the maturity of the operation across the two Cheshire Councils and the opportunities for improvement that a new product will offer.

At this stage there is therefore believed to exist a significant opportunity to save money and improve Council delivery through investing in a replacement ERP solution. This outline business case is therefore seen as the first stage in an extensive procurement and implementation process, which will include the following subsequent phases and milestones:

- Development of a more detailed business case for system replacement in order to secure funding
- Development of a parallel business case focussing the costs and benefits of business process transformation, using the system replacement as an enabler
- Formal initiation of a procurement process
- Solution selection and formal procurement decision
- Implementation programme and benefits realisation

This document sets out the resources believed to be required to develop a more detailed business case for system replacement, prior to a formal procurement process, and gives an indication of the cost of the resources required for this next phase of work.

1.   Introduction

1.1 Background

Oracle is the current ERP solution used across CWaC, CE and their subsidiary companies. This has been in place since 2002 and the current set up is largely based on legacy County Council requirements.

The current solution presents future support challenges, both in terms of the extent of the support provision from the vendor ORACLE and also the hardware platform which the product utilises.

We have an opportunity to review available solutions that may better meet our needs in terms of scalability to cater for subsidiary companies, flexibility to meet changes in the organisation and to provide an improved user experience.

An indicative and aspirational roadmap for achieving these changes is set out below. Note that all suggested milestones would require subsequent validation through the course of an implementation programme.
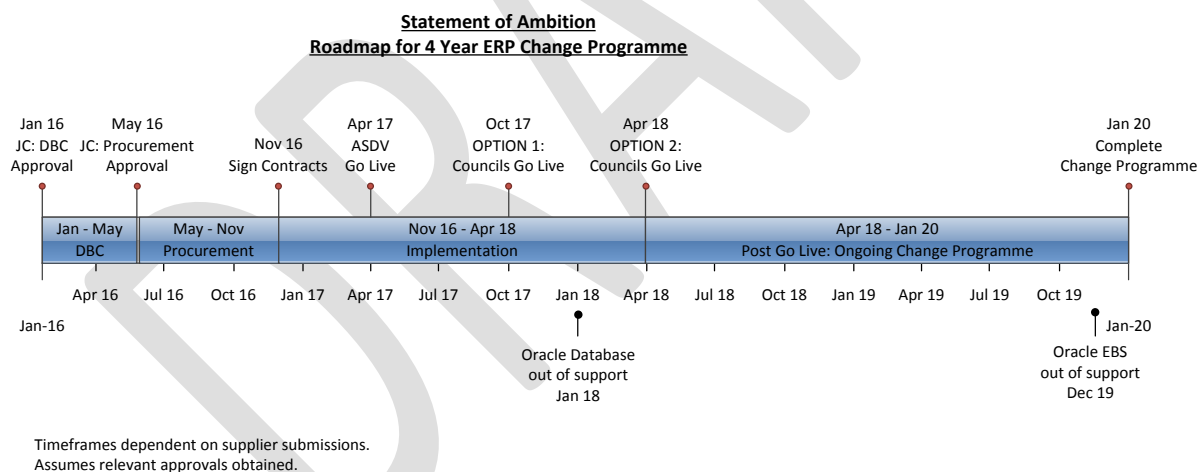

Figure 1: Statement of Ambition: Roadmap for 4 Year ERP Change Programme

The ERP Service Review has engaged stakeholders and subject matter experts from across the Councils and CoSocius in reviewing our current ERP provision, and identifying high level requirements for our future ERP capabilities. The review has produced a set of requirements; agreed a set of strategic ERP principles; reviewed the marketplace for options and undertaken soft market testing, prior to reaching the recommendations set out in this Outline Business Case.

1.2 Principles

The Councils have worked collaboratively to agree a set of principles to guide our future ERP provision. These are outlined below:-

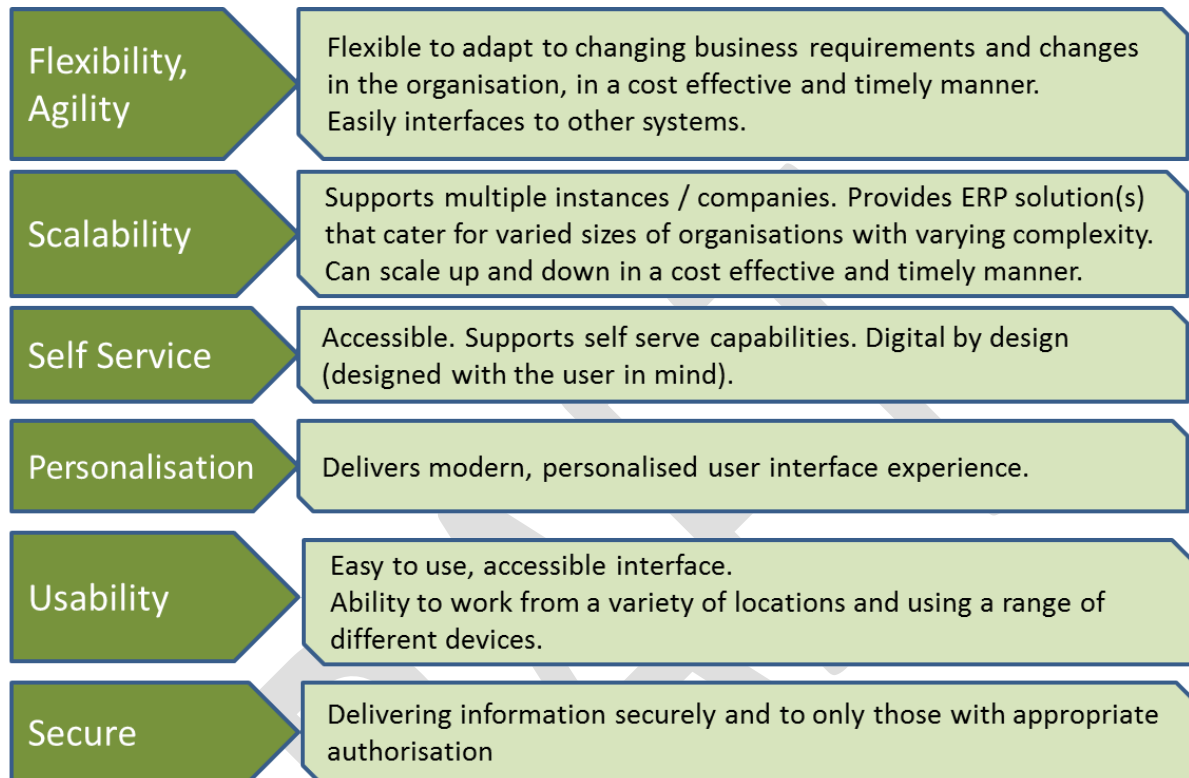|	
Flexibility, Agility	Flexible to adapt to changing business requirements and changes in the organisation, in a cost effective and timely manner. Easily interfaces to other systems.
Scalability	Supports multiple instances / companies. Provides ERP solution(s) that cater for varied sizes of organisations with varying complexity. Can scale up and down in a cost effective and timely manner.
Self Service	Accessible. Supports self serve capabilities. Digital by design (designed with the user in mind).
Personalisation	Delivers modern, personalised user interface experience.
Usability	Easy to use, accessible interface. Ability to work from a variety of locations and using a range of different devices.
Secure	Delivering information securely and to only those with appropriate authorisation

Figure 2: ERP Principles

The project team also agreed an acceptance criterion to complement these principles - that the solution must have working examples within local government. Suppliers who have worked successfully to deliver local government implementations bring experience in how to effectively set up the solution to deal with some of the known complexities we face, such as the challenges of part year workers and multiple assignments in the payroll arena, and the complex statutory and financial reporting requirements which must be delivered against challenging timetables.

Strategic technology principles of 'cloud first' and 'digital by design' were also considered when undertaking the analysis of the ERP marketplace.

1.3 Requirements

A series of requirements workshops have been held across the Councils and CoSocius, to identify the capabilities and requirements for an ERP system. These requirements helped inform the soft market testing and provided a reference point for suppliers in terms of the Councils' core and optional needs. When a formal procurement is initiated, these requirements will be refined and updated to support this process, and will form the basis of an assessment framework.

A summary of the ERP capabilities identified during the requirements gathering can be found below. This shows that there are numerous capabilities considered to be outside a "core" ERP provision, such as debt management, forecasting, recruitment and performance management – some of which are part of our existing ERP solution. These could be encompassed within the scope of a formal procurement process for an ERP solution, if appropriate, but may not necessarily rule out suppliers who cannot deliver these capabilities. A Detailed Business Case will consider the costs and benefits of delivering these capabilities through an ERP replacement or through supporting systems and processes.
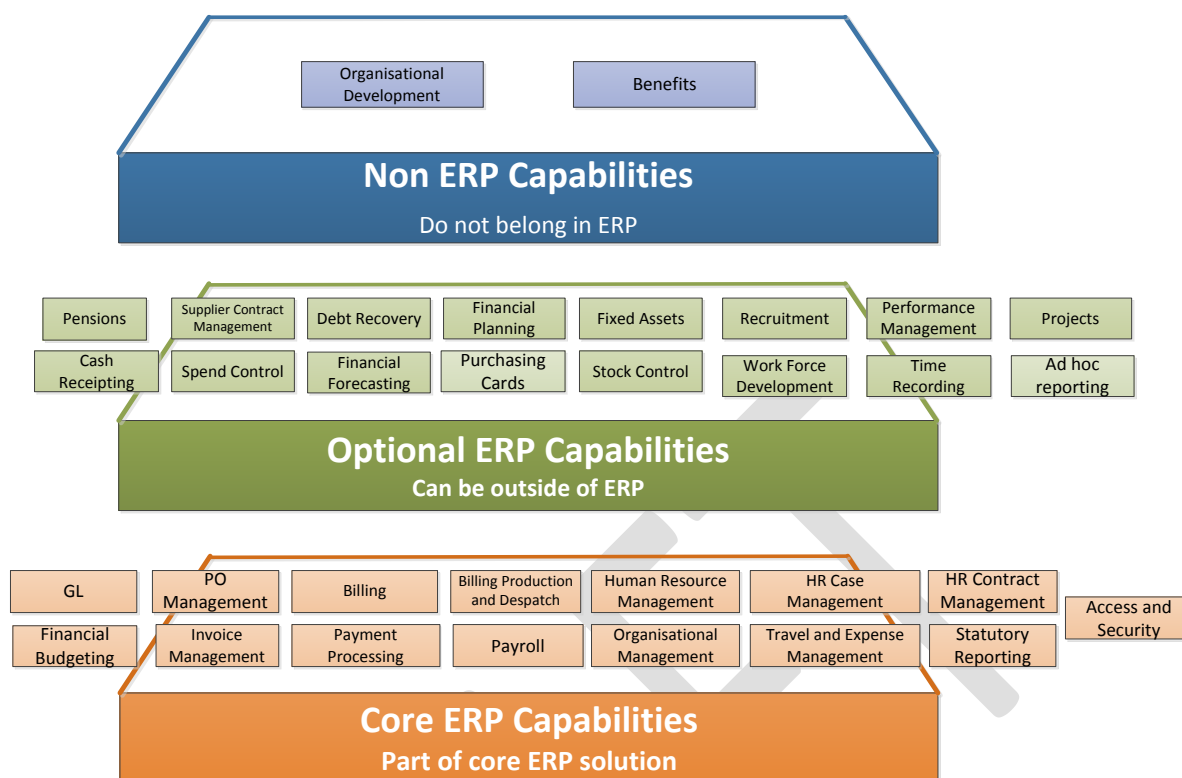
Figure 3: Categorisation and Scoping of 'ERP' Capabilities

1.4 Soft Market Testing

A soft market testing exercise, which engaged appropriate leads from across the Councils and CoSocius, has been undertaken. The purpose of this exercise was to investigate the current marketplace and to learn about the current options in relation to our principles and requirements. This included consideration of ERP providers, alongside 'best of breed' solution providers, where typically an HR&P specialist will partner with Finance provider to cover the whole scope of ERP.

The Council's ERP principles and high level requirements were posted on The Chest, and a cross section of the suppliers who responded were invited in to provide further information. This approach was ratified by external advisors as an appropriate means of refining our ERP strategy and shaping our needs for a formal procurement exercise. This also helped inform the typical costs and savings achievable, for use in this Outline Business Case.

The table below lists the suppliers / implementation partners who we have engaged with through the soft market testing exercise.

Systems Integrator / Solution Provider	Solution	Scope of Solution	Partner (Best of breed only)
PWC	Oracle Fusion	ERP	N/A
KPMG	Microsoft Dynamics AX	ERP	N/A
Agilisys	Agresso	ERP	N/A
Northgate	NGA ResourceLink	HR&P	ABS
Midland iTrent	Midland iTrent	HR&P	ABS
ABS	E5 Financials	Finance	Midland iTrent
Civica	Civica Finance	Finance	Midland iTrent

The market analysis and soft market testing found evidence of a trend in the public sector away from larger, more traditional ERP suppliers. The soft market testing also identified a trend towards the use of 'cloud' hosted solutions, where the technical infrastructure resides externally, and where in many cases the ongoing support for the solution, including patching and upgrading, is delivered by an external provider.

A number of common messages emerged from discussions with suppliers during the soft market testing. These were:

- The importance of having a clear Vision for the implementation and what it is expected to deliver in terms of technology change and business transformation.
- Using the implementation as an opportunity to review business processes is recommended.
- Some suppliers offer a public sector "blueprint" for setting up the solution and associated processes. This can reduce system built and implementation effort, but potentially increases change management effort, depending on how different the blueprint processes are from our current processes.
- Resource availability is a key success factor (particularly when managing a system launch at financial year end).
- Empowerment to make timely decisions is critical, e.g. around configuration, adoption of standard business processes, etc.
- Strong governance and sponsorship for the implementation is absolutely vital.

When defining the vision within the Councils and CoSocius, the options of adopting blueprint processes and of ensuring consistency of processes across the Councils should be considered and appropriately supported and championed if this implementation approach is taken. Note: the Councils already use many common processes both in terms of end user processes and in terms of the transactional processes which both Councils use with the support of CoSocius. This is important context for the potential scale of cultural change required.

1.5 Objectives

The objectives of the project to implement a replacement ERP solution are outlined below. The measures and targets for these objectives will be refined in the Detailed Business Case.

Objective
1. Reduce costs
• Reduce the cost of the delivering the technology solution
2. Customer / user engagement
• Improve the user experience and flexibility of deployment to increase product and process adoption
• Improved solution outputs such as management information and reporting to support decision making
3. Compliance
• Ensure appropriate access security, segregation of duties and protection of sensitive data
• Ensure a solution which is delivered using technology which ensures an appropriate level of availability and protection against significant technology incidents
4. Platform for Transformation
• Provide a platform to deliver transformational change which will reduce the cost of operating business processes supported by the system
• Create and maintain synergies and economies of scale across the Councils
• Support strategic business transformation and deliver an agile service which supports alternative service delivery models at an acceptable cost

1.6 Scope

1.6.1 Scope of OBC

In Scope
• High level cost benefit analysis and payback projection – based on stated assumptions.
• Recommendation regarding next phase of work.
• Outline Resource Plan – high level resource estimates for delivery the proposed Detailed Business Case phase (subject to stated assumptions).
Out of Scope
• Recommendations about the type of solution ('best of breed' versus ERP).
• Selecting, recommending or discounting any particular solution.
• Detailed Resource Plan – to follow in Project Management Plan (PMP) at the start of the proposed Detailed Business Case phase.

1.6.2 Proposed Scope of Detailed Business Case

In Scope
- Define the Vision for the programme.   - Analysis of 'As is' processes and opportunities, including consideration of existing processes could be improved regardless of the chosen solution. This will inform further thinking around the scope and scale of the business process redesign activity required alongside the system implementation.   - Analysis of which 'optional' ERP capabilities (see figure 3) should be included in the formal procurement process. These capabilities include functionality currently part of our current ERP provision, e.g. performance management, and capabilities that are currently outside of our existing ERP solution, e.g. budget forecasting.   - Further investigation of costs of 'on premise' hosting model as compared to the cloud hosting model.   - Refining requirements in advance of a formal procurement process.   - Agreeing procurement approach.
Out of Scope
Documenting detailed 'To be' processes is outside of scope – these will be defined once a solution has been selected and during the implementation project.
To Be Determined
Requirements of schools.

1.6.3 Scope of Implementation Project

In Scope
- Formal procurement process.   - Full Business Case in support of a procurement decision.   - Implementation of system replacement, including: - System design and build   - User engagement and change management / training   - Testing, parallel running and pre-implementation signoff   - Associated business process redesign activity   - Post implementation benefits realisation monitoring and ongoing change management / rollout of available functionality.   - Subsidiaries and related organisations, eg Cheshire Pension Fund.   - Functional scope:-   - All ERP capabilities identified as 'core' to ERP during the requirements gathering, plus 'optional' ERP capabilities identified as part of the procurement process, as an outcome of the Detailed Business Case phase.
Out of Scope
- Functional scope:-   - Capabilities identified as not belonging in 'ERP' during the requirements gathering, including any 'optional' ERP capabilities identified as being outside of the replacement ERP solution.

2. OPTIONS ANALYSIS

2.1 Options

No.	Description	Analysis	Shortlist? Y/N
1	Produce Detailed Business Case in support of a formal procurement exercise.	Moving to a replacement ERP solution, hosted in the 'cloud'*, could reduce the total annual product cost to approximately one-third of that of our existing solution, with existing annual ERP costs totalling approximately £3m, as opposed to approximately £1m from a cloud based alternative. *The case for an on-premise and locally-supported model has not been discounted and will be investigated during the Detailed Business Case phase.* This delivers a payback of no more than 5 years based on technology savings alone, based on an anticipated implementation cost of £10m. (The contribution to these costs from subsidiaries and other customers through capital investment or revenue charges would need to be determined.) It is expected that further savings could also be achieved on transactional service costs to the Councils. However, the costs of the change management associated with these changes in transactional services have not been included in this OBC, and neither have the associated savings. Furthermore, with the current focus on the structural changes taking place, further investigation and discussion around these estimates will take place during the Detailed Business Case phase. Note – the impact on the wider business (beyond transactional processing teams) requires further investigation. For example, potential benefits of improved user interface and experience and associated process improvements; potential dis-benefits of adhering to a less customised /	Y

No.	Description	Analysis	Shortlist? Y/N
		blueprint solution; potential impact of greater rollout of self-service capabilities. Production of a Detailed Business Case would require an investment of £350K for the resources required to deliver this over a 4 month period from the start of February 2016. It is proposed that this is funded via 'invest to save', as part of the overall implementation cost - as based on the outline financial case to date, it is expected that the overall implementation would be on an 'invest to save' basis.	
2	Do nothing	Continue to pay product cost of £3m per annum, being 3 times higher than the potential cost for a replacement solution. Database will fall out of support in January 2018 and E-Business Suite application falls out of support December 2019. However, Oracle may revise these dates and we will still have access to all the currently available patches and fixes. Existing solution uses aging technology which will become increasingly difficult to maintain at an acceptable cost and without significant investment. Current solution has no Disaster Recovery provision. Business process savings could be achieved through better use of the existing platform. Indeed there may be opportunities to deliver short term savings using the current platform. However, feedback from market engagement and soft market testing suggests that a system replacement will provide a more robust platform for delivery of business process transformation and more significant associated savings.	N

2.2 Recommendation

Based on the indicative payback period of no more than 5 years for a replacement ERP solution, it is recommended that a Detailed Business Case is produced, with a view to embarking on a formal procurement exercise for ERP, (pending on Detailed Business Case approval). Proceeding to the Detailed Business Case phase and on to a formal procurement and implementation programme thereafter, would mean we would be on course to replace the current product before known support deadlines are reached.

The Detailed Business Case will require the mobilisation of a project team, who will review opportunities for process improvement and refine the potential costs and savings that could be achieved by changing our ERP Provision. This requires an investment of c.£350k for the resources needed to deliver this, and it is proposed that this forms part of the overall implementation cost, which would be funded as an 'invest to save' proposal.

If approved, the Detailed Business Case would form the first stage of a follow-on procurement project, which would be likely to comprise the following streams.
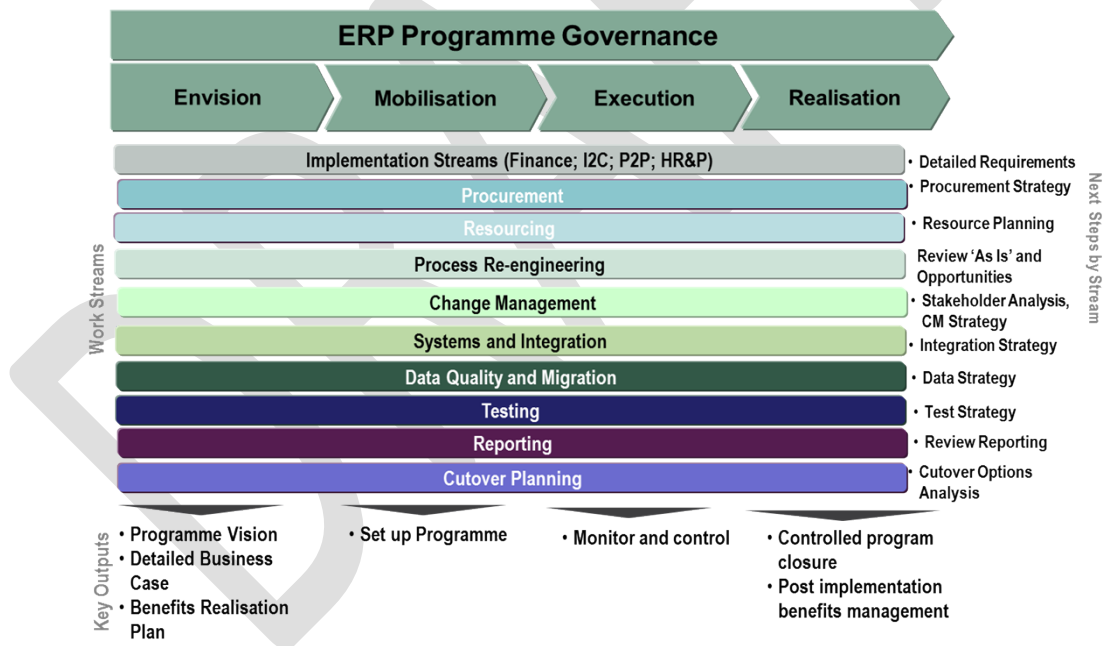

Figure 4: Streams for overall project, including next steps by stream

2.3 High Level Benefits

Benefit 1 – reduced costs
Total annual product cost approximately one-third that of our existing solution, with existing annual Oracle costs totalling approximately £3m, as opposed to approximately £1m from a cloud based alternative ERP solution. This provides a payback period of no more than 5 years. The overall Return on Investment depends on the lifespan of the product, which is yet to be determined, but could reasonably be expected to be 10 years. This takes into account current hosting, staffing, hardware and maintenance, and third party maintenance costs, for Oracle and related third party products.
Benefit 2 – customer / user engagement
Improve the user experience, with associated benefits of reducing 'failure demand' (e.g. helpdesk calls because of issues using the system), decreasing training overheads (by enhancing ease of use), and more widespread adoption and use of / satisfaction with the system, e.g. increased use of self-service functionality such as expenses, contract changes, procurement approvals, etc.
Benefit 3 - compliance
Deliver a solution which is technologically robust and appropriately manages the risk of significant disaster scenarios and/or system outages. Ensure the management of system accesses, separation of duties, implementation of schemes of delegation / approval hierarchies, and management of starters / leavers / organisational restructures, is delivered using an efficient and flexible system.
Benefit 4 – platform for transformation
Deliver savings associated with business process redesign and transformation in associated with the technology change. Engagement with suppliers and the wider market confirms the opportunities in this area are potentially significant. However these savings are not being taken into account in the current payback projection, and the associated change management costs are also excluded. Further investigation is required during the Detailed Business Case phase. Reducing the time and cost expended on-boarding and off-boarding, by providing a solution that is flexible to be scaled up and down in a timely and cost effective manner. In turn, this will help retain subsidiary companies as a customer for Council services once their contractual tie-in ("incubation period") to the Councils expires and they have the option to go elsewhere.

Note - Benefits are based on a Cloud based ERP solution, with indicative costs sourced from G-Cloud and a comparable reference site implementation.

2.4 Risk Analysis

The main risks associated identified for the Detailed Business Case are identified below.

Risk	Impact	Likelihood
1. The full costs and savings cannot be identified without knowing the solution which will be selected and the functionality that will be available. *Mitigating actions* Continue to benchmark the typical costs incurred and savings achievable across a cross section of recent public sector implementations, using a range of different technologies, to provide a reference point for the costs and savings for the Detailed Business Case. Note that even at the DBC stage, a complete view of costs and benefits cannot be confidently offered – this will only become possible once a procurement process has been entered into and a solution has been selected following competitive dialogue and negotiation.	M	M
2. Business process savings cannot be calculated without additional effort associated with process redesign work. *Mitigating actions* Clearly state assumptions where savings are dependent on process changes. Such savings are currently excluded from this OBC.	L	M
3. Resources are unavailable for the activities required to deliver the Outline Business Case on schedule, e.g. analysis of 'as is' processes, identification of potential process improvement opportunities, refinement of requirements ahead of a procurement process. This is a particular issue as the Detailed Business Case would be compiled in the run up to financial year-end. Also, it requires input from CoSocius resources, who are currently engaged in	H	M

	activities surrounding the current structural changes. *Mitigating actions* Create detailed resource plan and obtain approval from relevant stakeholders. Secure seconded resources where appropriate and ensure Detailed Resource Plan (part of Detailed Business Case phase) includes a cost for backfill. Ensure funding is available to cover backfill costs and any external support.		
4.	Subsidiaries reach the end of their "incubation periods" and are unwilling or unable to wait for the outcome of the Detailed Business Case and, if approved, the procurement process that follows. They source separate systems / go to alternative solution providers, which impacts this future income stream and reduces the potential economies of scale and the consolidated view available from having a shared platform with the Councils. *Mitigating actions* Engage subsidiaries in the Detailed Business Case activities to help engage the relevant stakeholders in the potential changes in what the Councils will be able to offer. Ensure there is a robust communications plan in place to engage the subsidiaries, so we can understand their key milestones for decision.	L	H
5.	The current Oracle product is embedded in the culture and structure of some teams. There are significant process and change management implications associated with changing this core system / platform. *Mitigating actions* Change Programme activities to be scoped to ensure sufficient effort to address this challenge.	M	H

3.   FINANCIAL ANALYSIS

3.1 Capital & Revenue Costs

The capital and revenue costs for a replacement cloud-based ERP solution are summarised below.

Capital & Revenue Costs	Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Capital							
Implementation Cost	10,000,000	-	-	-	-	-	10,000,000
Sub Total	10,000,000	-	-	-	-	-	10,000,000
Revenue							
Annual Support		700,000	700,000	700,000	700,000	700,000	3,500,000
Annual Hosting		300,000	300,000	300,000	300,000	300,000	1,500,000
Sub Total		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Grand Total	10,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	15,000,000

Figure 5: High Level Capital and Revenue Costs for an alternative, cloud based ERP system.

Key assumptions:-
- These financial figures are based on high level information obtained from early market engagement with other local authorities and using publically available pricing information (via G:Cloud) for a comparable ERP cloud-hosted implementation. This information requires further validation and is intended to provide a high level demonstration of the scale of the potential opportunities, rather than being a financially binding statement of costs and savings at this stage.
- Assumes externally hosted and supported ERP solution for the purpose of this Outline Business Case. On-premise implementation / solution not yet ruled out.
- Current solution costs are based on currently available information which is currently under review as part of the programme of work to transfer CoSocius activities into Council shared services.
- Assumes adoption of industry standard solutions without significant local modification, across both Councils .
- Annual support and maintenance starts to be incurred in Year 1, once system live.
- Assumes implementation costs spent primarily prior to go live (although some change management may continue post-implementation).

A cost comparison with the current solution is outlined below.

Figure 5: Cost Comparison with breakeven highlighted

3.2 Funding

It is proposed that the Detailed Business Case phase forms part of the overall 'invest to save' case for an ERP replacement programme. Assuming approval to proceed with the

DBC, funding for the next phase of work will be secured in advance of the full invest to save case being submitted and approved.

4.   PROJECT MANAGEMENT

1.7 Outline Plan

Milestone / Stage	Target Date
1. Outline Business Case Approval	Jan '16
2. Mobilise team for Detailed Business Case	1st Feb '16
3. Project Management Plan for Detailed Business Case To include:- • Detailed Plan for DBC phase • Communications Plan • Updated Governance Structure and Process • Roles and Responsibilities • Stakeholder Analysis	15th Feb '16
4. Complete process workshops and one-to-one process analysis with SMEs: • Refine requirements ahead of formal procurement • Review and document as-is processes • Identify opportunities for process improvements based on current practice	15th April
5. Refine estimates of implementation costs and future savings by reference to external parties (reference sites, cross section of recent public sector implementations).	15th April
6. Conclude scoping of capabilities that would be included in the formal procurement (for optional ERP capabilities such as recruitment, forecasting, performance management), and the costs and benefits of doing so.	15th April
7. Deliver Detailed Business Case	30th April
8. Finalise and sign off requirements in support of procurement process	15th May
9. JC Approval sought for DBC and formal procurement	27th May

1.8 Summary of Resource Requirements

Resource	No. of days		When?	Source (Internal or External)
	Total	Per wk		
Project Delivery				
Project Management	75	5	Feb '16	External / Internal
Business Analysts	150	2 x 5	Feb '16	External
Subject Matter Experts (SMEs)				
Technical SME	45	3	Feb '16	Internal
Finance SME	45	3	Feb '16	Internal
HR SME	45	3	Feb '16	Internal
Payroll SME	45	3	Feb '16	Internal
Income SME	45	3	Feb '16	Internal
Procurement SME	45	3	Feb '16	Internal
Supporting Resources				
Additional IT / Technical	45	3	Feb '16	Internal
Procurement	45	3	Feb '16	Internal
Finance and Audit	30	2	Feb '16	Internal
Human Resources	15	1	Feb '16	Internal
Legal & Commercial	6	n/a	Feb '16	Internal

*Planned to transfer to CE or CWaC during the Detailed Business Case phase.

Assumes engagement of end users, including schools, subsidiaries and Cheshire Pension Fund is via the Business Analysts, although nominated points of contact will be required.

1.9 Governance

The following roles are typically established as part of best practice project management practices when launching any significant project. Suggested individuals to fulfil these roles for the ERP replacement project are included.

Role	Name	Title
Project Executive / SRO	Dominic Oakeshott	Head of Service, Business Management & Performance, CE
Senior Supplier	Gareth Pawlett	Corporate Manager, ICT, CE
Senior User	Ian Kirby	Senior Manager, Performance and Programmes, CWaC

It is proposed that the governance arrangements for this project make maximum use of existing governance structures. It is suggested that the ERP Project Board reports to the existing Joint Officer Board, which in turn is then accountable to the Shared Services Joint Committee. These proposals will be developed and appropriate approval obtained early during the proposed DBC phase of the project.

5. PROCURMENT APPROACH

1.10 Procurement Strategy

The procurement approach will be determined during the Detailed Business Case phase.