

**Oracle Replacement Programme -Best4Business Joint Working Group 27 June 2017**

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## **1. EXECUTIVE SUMMARY**

This report presents the Joint Task Group's Scrutiny report on the Council's Scrutiny Review of the Oracle Replacement Programme – Best4Business.

As the proposed replacement programme was a joint procurement exercise between Cheshire East and Cheshire West and Chester Council, 3 Members from Cheshire West and Chester Overview and Scrutiny Committee meet with 3 Members from the Cheshire East's Corporate Scrutiny Committee met jointly to scrutinise:

1. the rationale and business case for investment / change
2. the procurement process and final contract and proposal
3. the transformation programme required to deliver the change

The Joint Scrutiny Review Task Group met on 27 June 2017 to undertake the scrutiny review ahead of the pending Cabinet decision. We were advised that the Joint Shared Services Committee has had oversight as the commissioning body of the procurement process to date. Members had the opportunity to challenge the process to date through various questions possessed to Officers. The Cheshire West Councillors welcomed the opportunity to review the Oracle Replacement Programme – Best4Business. Following presentations by the Officers at the task group meeting, Members were re-assured by the rationale and business case for investment/change and all Members agreed that the option to do nothing was not appropriate. Members were also satisfied that the correct procurement process had been followed despite their only being one bidder. During discussions relating to the transformation programme, Members requested that they have further opportunity to scrutinise the implementation process of the new system.

## **2. RECOMMENDATIONS TO THE CABINET MEMBER:**

The Scrutiny Task Group were supportive of the rational and business case for the replacement of the HR and Finance System and the proposed investment.

The Scrutiny Task Group agreed that "to do nothing" and not replace and upgrade the current HR and Finance system was not an option.

The Scrutiny Task group were reassured that the approved Council' procurement process had been adhered to and also reassured by the final proposal (or bid/bidder) received.

The Scrutiny Task Group recommended that they have the opportunity to scrutinise the implementation, at agreed milestones, of the new HR and Finance System once the contract had been awarded (subject to Cabinet's approval). The scrutiny exercise of the implementation be undertaken Jointly between the two Authorities' scrutiny committees, via a Scrutiny Task Group.

The Scrutiny Task Group going forward would provide feedback and challenge to the Portfolio Holder from their respectful Authorities relating to the implementation programme.

## **3. TASK GROUP DETAILS:**

### **3.1 Members:**

Councillor Margaret Simon(Chairman)  
Councillor Mo Grant  
Councillor Lesley Smetham

#### **Cheshire West & Chester Members:**

Councillor Martin Barker  
Councillor Sam Naylor  
Councillor Nigel Jones

### **3.2 Officers:**

Peter Bates – Chief Operating Officer  
Dominic Oakeshott – Programme Director

#### **Cheshire West & Chester Officers:**

Mark Wynn – Director of Corporate Services  
Aaron Thomas – Programme Manager

### **3.3 Scrutiny officer support:**

Mark Nedderman – Senior Scrutiny Officer

#### **4. BACKGROUND**

Oracle is the current shared HR and Finance system used by Cheshire West & Chester Council and Cheshire East Council. It supports processes such as: recruitment, payroll, purchasing, payments to suppliers, billing and debt collection, financial accounting and reporting.

Oracle was implemented in 2002 by the former County Council. It has been upgraded and customised many times since then. Many processes which it supports are based on the 2002 foundations. The system was adopted following Local Government Reorganisation by the two new Councils.

The system is aging and requires replacement. The user experience is not strong. ORACLE the supplier intends to withdraw support for the product in 2021. The product is hosted and supported internally, currently costing £2.0m annually, this having reduced from £4.5m in recent years.

The Terms of Reference for the Joint Task Group's meeting are attached at Appendix One.

The Joint Task Group met on 27 June 2017 to address the key lines of enquiry. Presentations were delivered by relevant officers to set out the key aspects of the vision, business case, procurement process, and approach to business change and transformation.

The review was constructive and all Members from both Councils had the opportunity to share and debate their views.

#### **1. AIMS AND OBJECTIVES**

The specific aims and objectives of this review were to consider the business case and the recommendation to Cabinet to award a contract for the implementation of a replacement HR and Finance system. Key lines of enquiry included:

- Is the vision for the Project clear (and the case well made)?
- Are we comfortable with the Procurement Process to date?
- Is the solution robust and fit for the future
- Does one bidder provide Value for Money?

- Is the Business Case robust?
- How will we deliver the savings?
- How will we ensure culture change and transformation?
- How will we ensure the 'standard' solution works for both Councils?
- How will Members be involved in the process?

## 2. FINDINGS

Following presentations by the Officers at the task group meeting, Members were re-assured by the rationale and business case for investment / change and all Members agreed that the option to “do nothing” was not appropriate. Members were also satisfied that the correct procurement process had been followed despite their only being one bidder. During discussions relating to the transformation programme, Members requested that they have further opportunity to scrutinise the implementation process of the new system.

Further detail for each of the key lines of enquiry is provided below.

### 1. Is the vision for the Project clear (and the case well made)?

The programme vision was described to the Task Group. This is based around what the programme team have termed the “four Ss” – Simple, Standard, Shared, and Self-Service:

- Our chosen solution will be **simple**, easy to use, intuitive, and unobtrusive;
- We will actively adopt **standard** best practice processes and solutions, and will not customise those processes without good reason;
- We will **share** common processes and working practices across the two Councils; and
- And, we will roll out processes based on a **self-service** driven approach, delivering ways of working which are modern and efficient.

The Task Group asked what the driver was behind initiating this programme in the first instance. It was noted that the HR & Finance system formed a significant element in the scope of a wider series of service reviews, looking at key business systems across the two Councils. The outcome of that service review was an

outline business case which supported a recommendation to the Cabinets in June 2016 to proceed with a procurement process.

Officers noted that the programme intends to develop the “four Ss” and apply them to specific stakeholder groups, to bring the vision to life for those impacted by this programme.

In respect of the “self-service” element of the vision, the Task Group noted that security issues in relation to officers accessing the new solution via mobile devices (whether Council-owned or their own) need to be comprehensively addressed.

The Task Group asked about the future of the shared Council data centre Kelly House, if the HR & Finance system is to be hosted and managed externally. Officers noted that the future of Kelly House will be reviewed as business systems are updated and decisions taken as to whether they should be hosted locally or externally.

## **2. Are we comfortable with the Procurement Process to date?**

A procurement process using the Competitive Dialogue approach has been undertaken, with permission from Cabinet given in June 2016. 14 expressions of interest were received, of which 4 shortlisted bidders were invited to participate. 3 bidders withdrew during the process, leaving 1 final tender. The Councils have confirmed that it is legally compliant to proceed on this basis. The final Agilisys bid passed the defined quality thresholds required. The product on offer is Unit 4’s “Business World”, used in many local authorities, including some shared services.

A framework contract will be held by Cheshire East Council, and a service contract will be called off by Cheshire West and Chester Councils, as well as by Cheshire East Council and potentially other neighbouring authorities. During implementation, the service contract will be operated on a joint basis. However two separate contracts will exist and once the solution is live the contracts will be managed separately. An Inter Authority Agreement will be signed by both Councils prior to the contracts with Agilisys.

The Task Group asked whether Agilisys were informed that they were the only bidder once the penultimate bidder withdrew from the process. Officers confirmed that in the spirit of openness and transparency, Agilisys were informed at this point. It would be highlight likely that Agilisys could have deduced this to be the case even if we had not informed them. Officers noted that their “outline solution” bid was submitted at a point where more than one bidder remained in the process, which is important from a value for money perspective.

The Task Group asked whether the procurement could have been opened up to any of the original 14 suppliers who expressed an interest, once three of the final four bidders had withdrawn. Officers noted that in evaluating the 14 initial expressions of interest, there was a gap between the scores of the fourth and fifth place bidders, and that we would not have been fully confident in the ability of the bidders who were not shortlisted originally to meet our requirements.

The Task Group asked for confirmation that the procurement process complied with the requirements of our procurement portal, and that it would satisfy our external auditors. Officers confirmed that the process is compliant and has been scrutinised by procurement and legal specialists within both Councils, and also by a firm of external legal advisors. The value for money case, to be covered later in the session, will be used in support of the external auditors' value for money test.

The Task Group asked whether consideration had been given to the outsourcing of the functions involved in delivering the processes which the new system will support. Officers noted that this would be a significant expansion to the scope of the work which had been commissioned by the Cabinets and the Shared Services Joint Committee. It was felt that by outsourcing these functions prior to a transformation programme and system implementation, the Councils would be transferring the efficiency opportunities to an external provider.

### **3. Is the solution robust and fit for the future?**

The chosen product is Unit 4's "Business World", used in many local authorities, including some shared services. It is a system which has been developed with a service perspective and is described as "change-ready".

The solution will be externally hosted and managed. This includes the delivery of regular upgrades to the standard solution, as part of the core service contract. The system will be hosted in world class data centres, providing robust security and disaster recovery facilities.

The solution supports our flexible working agenda – it can be used on any device, anywhere (with appropriate security in place), and has functions designed specifically to work on a smartphone.

Agilisys bring a local government template to the standard Unit 4 product. Their background in the UK public sector is strong, with 50% of their total public sector business relating to the Unit 4 product coming from the UK.

The Task Group noted that ongoing costs of the new solution will be lower than that of the current Oracle system, and asked whether there was a danger that the ongoing cost of the new product would begin to grow again as it is developed and potentially expanded. Officers confirmed that any development of the system would take place on a business case basis, ie the additional costs would need to

demonstrate an appropriate payback. Also, any expansions to the system would involve buying additional standard functionality, not customising the product – this will minimise increases in ongoing support costs.

The Task Group requested that they receive a system demonstration at an appropriate point during the implementation. The Group asked for reassurances that end users would be appropriately trained in the new solution. Officers confirmed that Agilisys' proposal includes provision of training to all affected users. It was noted that the intuitive nature of the new product, compared to our current solution, will reduce the need for complex training course delivery.

The Task Group questioned whether the programme was confident that the culture change aspect of the programme could be successfully achieved. Officers noted that there is confidence in this aspect of the programme, partly because we are investing in a business change programme which will run throughout the programme, and partly because of the intuitive nature of the new solution, which it is believed users will engage with far more easily and rapidly than the current system.

The Task Group asked about the extent to which knowledge of this programme existed beyond the core team. Officers noted that the wider engagement effort is planned to launch in earnest once permission is given by both Cabinets to move into the implementation phase. The focus of the engagement approach will be to demonstrate to stakeholders what the system will mean to them as individuals. It is also essential that senior managers across both Councils are collectively bought into the vision and objectives of the programme, and that they provide visible support to the implementation.

#### **4. Does one bidder provide Value for Money?**

The Agilisys bid offered the best value solution by a clear margin at the outline solution stage (prior to the final tender being issued). At this stage more than one bidder remained in the process, meaning that some “competitive tension” remained. Even after the penultimate bidder withdrew, the robust dialogue process with the Council's commercial team resulted in Agilisys continuing to improve their offer from the outline solution bid.

Strong contract provisions exist in the proposed contract with Agilisys which will allow the Councils to ensure the service continues to offer value for money throughout the life of the contract.

The final tender received from Agilisys offers significantly better value than purchasing the equivalent service via a public procurement framework, giving confidence that the competitive dialogue process has delivered better value for money.



Officers noted that, although the option to not award a contract to Agilisys remains open to the Councils, the “do nothing” options is projected to cost an additional £5.2m compared to the net cost of the new solution, over the primary contract period.

The Task Group noted and confirmed that “do nothing” is not an acceptable option and indeed would result in the Councils going backwards rather than being able to transform their business processes.

Officers noted that a significant amount of detailed underpins the summary financial figures presented during the Task Group meeting, and that the business case has been subject to a high degree of scrutiny by both Council’s Finance teams, given the significance of the investment decision being requested.

## **5. Is the Business Case robust?**

The current solution costs £2.2m per annum (including the core Oracle system and related systems for recruitment and budgeting). The new solution will cost £1.1m per annum.

The programme also anticipates delivering savings associated with business process transformation, worth £1.2m per annum across both Councils. Therefore the total annual savings from the new solution are estimated at £2.3m.

The implementation cost for the new solution is expected to be £11.8m. The competitive dialogue procurement process will cost £1.4m to complete.

Payback has been calculated at 5.2 years (taking account of known future costs, even those not yet budgeted for) or 7.75 years (taking account only of costs already built into budgets).

The Task Group asked whether the payback can be measured on an annual basis to confirm the investment is on track. Officers noted that most of the costs will be incurred early in the life of the primary contract period, and that benefit realisation resource has been built into the business case to support the tracking of savings. Officers also noted that many ICT-related business cases are based on the need for essential replacement or service improvement, without offering a specified payback, and that this programme has offered a more prudent approach than is typical for a major systems replacement.

Officers noted that the business process transformation savings are focussed on a relatively small number of corporate and transactional services – front line services do not have any savings built into the business case. This gives confidence in delivery of those savings because they are tangible and targeted, with relevant managers having already committed to their delivery. Again this is a prudent approach to the construction of the business case.

The Task Group questioned whether officers were confident that the system would deliver the benefits expected, and would be future proofed. Officers noted that Agilisys' and Unit 4's significant experience in implementing this product at other Councils gives confidence that the product will work both now and into the future. The product is regularly upgraded by Unit 4 by the release of what are termed "product milestones", and this gives further confidence that the product will evolve appropriately.

The Task Group noted that Scrutiny members had not previously seen the financial information in the business case. Officers noted that the detailed financial information supporting the business case has been put together relatively recently following submission of the final tender from Agilisys, and that the detail can be shared with the Task Group members if required. It was also noted that regular updates have been taken to the Shared Services Joint Committee on the progress of this programme since it was commissioned in June 2016.

## **6. How will we deliver the savings?**

Around 50% of savings result from moving from an internally hosted and managed solution to a product hosted and managed externally. This generates £1.1m of savings in ICT, which will be shared by both Councils.

The other 50% of savings are generated through business process changes using the new system as a platform for change. This was assessed based on discussions with other Councils who have implemented new HR and Finance systems recently and have used them to deliver transformational change. Other organisations have determined that savings of 30% can be achieved through such a transformation. Because the Councils are already using an integrated solution with some self-service capability available, a prudent level of savings of 10% have been assumed. This level of savings would generate in £0.5m CE corporate services, £0.3m in CWaC corporate services, and £0.4m savings in the Transactional Service Centre, the latter being shared by both Councils.

As noted by officers previously, no potential front line service savings are currently assumed, although the Councils will monitor the impact of the new solution on front line services during the implementation process.

The Task Group asked whether the anticipated savings would result in an impact on staffing levels, and if so, whether appropriate consultation with staff and unions had taken place. Officers confirmed that the anticipated savings would by necessity involve losing some staff. All relevant unions, particularly in relation to ICT staff, have been engaged and consulted. The programme is also engaging actively with the teams affected. It is hoped that there is sufficient time between now and the implementation of the new solution to allow staff reductions to be managed without compulsory redundancies being necessary.

## **7. How will we ensure culture change and transformation?**

Oracle is a 15 year old product, and is based on processes which go back even further. At the time the County Council implemented Oracle, it was configured and customised in part to deliver our existing business processes, and the customisation of the product has continued to be supported over its life.

Therefore the transformation programme which is required is about more than how to use the new system. It is about how to drive out changes in processes, culture and behaviours.

The Councils have determined that they will take responsibility for the business transformation aspect of this programme (with Agilisys being responsible for the system implementation). A dedicated business transformation team has been established within the programme. A stakeholder and communications plan across both Councils has been established, including: Members, senior leaders, managers and staff, schools, academies, Council companies, pensioners, external customers and suppliers.

The Task Group asked who makes up the Business Transformation team and whether this role is on top of their existing day job. Officers confirmed that the core team, led by Tony Entwistle, is a newly formed team which is entirely dedicated to this programme. The Council are also building a significant wider programme team, larger than that requested by Agilisys, in recognition of the significance of the transformation and culture change effort required to make a success of this programme. The wider programme team will also be dedicated roles, funded as part of the business case. Finally, certain “local implementation” roles will be required throughout the two Councils and other affected stakeholders, providing local support and guidance. This role is more likely to be built into existing day jobs.

## **8. How will we ensure the ‘standard’ solution works for both Councils?**

The Agilisys / Unit 4 product is a templated solution – it is designed to work in a local government environment, and has been proven in other Councils.

The programme has established a vision based around the Four Ss – Simple, Standard, Shared, and Self-Service – and it is also noted that there is not a fifth S, we are not “Special”. We expect the solution to work for us without amendment or customisation. The outset of the implementation phase will involve a “system validation” exercise rather than a “design” phase – with Agilisys working with us to demonstrate how the core product will work for us.

We will also establish a Business Design Authority, a cross-Council function which will own and maintain the design of the solution, and which will act as the gatekeeper for any proposed changes to the solution, requiring any such

changes to be supported by a strong business case and an understanding of the impact on the core product.

Ultimately, delivering the vision of a standardised solution will require strong leadership and governance. The culture supporting this programme must be one of letting go of differences, and embracing a standard approach.

Officers noted that in asking the organisations to support a standard model, we must demonstrate to senior managers that the standard product will meet the needs of the business.

## **9. How will Members be involved in the process?**

The Best4Business Steering Group has been engaged from the outset of the programme. This Group's membership includes the two Portfolio Holders, Cllr David Armstrong (CWaC) and Cllr Peter Groves (CE).

Additionally, Shared Services Joint Committee has received regular reports, starting with the service review programme which included the review of our existing HR & Finance system, followed by reports of this programme once its work had been commissioned.

It was noted that both Cabinets had received the outline business case in June 2016 which supported the launch of this procurement process. Further, both Councils received through the budget reports in February 2017 the request to include the capital cost of this implementation in the approved capital programme, subject to the outcome of the procurement and the resulting business case.

The Task Group recommended that their report to the Scrutiny Committees would include a recommendation for the continuation of the group in order to carry out ongoing scrutiny of the implementation and transformation phase of the programme.

## **7. CONCLUSIONS:**

The Task Group felt that the review was productive and constructive. The Task Group members confirmed that they were reassured by the presentation from officers. The outcome from the procurement process, with only one final tender being received, is not what would have been hoped for at the outset, but the bid is compliant and our decision to proceed was supported by external advice at key points in the timeline. The proposal was seen by the Task Group as economically viable, and it was confirmed that "do nothing" is not a viable option. The recommendation to conditionally award a contract to Agilisys is supported by the

Task Group. A key role for the Group during the implementation phase was identified, in ensuring the programme drives out the savings which support the business case, and ensuring the transformation and culture change programme is a success.

## **8. SUPPORTING DOCUMENTS:**

Appendix One: Scrutiny Joint Task Group terms of reference

Links to the Cabinet reports in June 2016 approving the launch of the procurement process:

CWaC Cabinet:

<http://cmttpublic.cheshirewestandchester.gov.uk/documents/s48487/Cabinet%20-%20HR%20and%20Finance%20System%20Replacement%20-%208%20June%202016%20-%20final%20v1.0.docx>

CE Cabinet:

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s48048/ERP%20Replacement%20Programme%20-%20report%20final.pdf>

## APPENDIX ONE:

### CHESHIRE WEST AND CHESTER AND CHESHIRE EAST JOINT SCRUTINY TASK GROUP SCRUTINY REVIEW SCOPE

TITLE OF REVIEW:	Oracle Replacement Programme – Best4Business
OUTLINE PURPOSE OF REVIEW:	<p>To undertake a joint pre-decision scrutiny review prior to Cabinet Decisions:</p> <p>Cheshire East Cabinet – 11 July 2017. Cheshire West Cabinet – 12 July 2017.</p> <p>The Joint Scrutiny Task Group will be asked to scrutinise:</p> <ol style="list-style-type: none"> <li><i>1. the rationale and business case for investment/change</i></li> <li><i>2. the procurement process and final contract and proposal</i></li> <li><i>3. the transformation programme required to deliver the change</i></li> </ol> <p><i>Officers facilitate a discussion at the meeting to put the review into context.</i></p>
EXPECTED TIMESCALES:	<p>Draft and circular Scrutiny Review Scope</p> <p>Joint task Group meeting – 27 June 4pm – 6pm</p> <p>Cheshire East Cabinet – 11 July 2017 Cheshire West Cabinet – 12 July 2017</p> <p><u>Ratify Scrutiny Recommendations and reports:</u> Cheshire West and Chester Scrutiny Committee – 11 July 6pm Cheshire East - Corporate Overview and Scrutiny Committee – 7 September 2017</p>
TERMS OF REFERENCE:	To scrutinise Cheshire East and Cheshire West Council's replacement programme for Oracle. This procurement exercise which will be carried out jointly with Cheshire East, Cheshire West. The Joint Shared Services Committee has had oversight as the commissioning body.
KEY AREAS OF ENQUIRY:	<ol style="list-style-type: none"> <li>1. Verbal presentation at the meeting to put the report in context.</li> </ol>
HOW REVIEW COULD	n/a

BE PUBLICISED:	
EXPECTED OUTCOMES:	
POSSIBLE SOURCES OF INFORMATION:	Presentation by Officers
SCRUTINY MEMBERS	<u>Cheshire East</u> Councillors Margaret Simon, Lesley Smetham, and Mo Grant <u>Cheshire West</u> Councillors Martin Barker, Sam Naylor and Nige Jones
OFFICER:	<u>Cheshire East</u> Dominic Oakeshott Peter Bates  <u>Cheshire West:</u> Mark Wynn Aaron Thomas
SCRUTINY OFFICERS:	Mark Neddermam – Cheshire East Scrutiny Andrea Thwaite – Cheshire West Scrutiny

Date: 23 June 2017