

Corporate Overview and Scrutiny Committee

Scrutiny Review of the Oracle Replacement Programme – Best4Business
Update Report



As Chairman of the Cheshire East Council's Corporate Overview and Scrutiny Committee, I have pleasure in presenting the Joint Scrutiny Working Group's update report on the Council's Scrutiny Review of the Oracle Replacement Programme – Best4Business.

The Best4Business programme is a joint implementation exercise between Cheshire East and Cheshire West and Chester Councils. As such, 3 Members from Cheshire West and Chester's Overview and Scrutiny Committee have agreed to form a Joint Scrutiny Working Group with 3 Members from Cheshire East's Corporate Overview and Scrutiny Committee, which will meet to scrutinise:

- The governance process supporting the approval of the solution design;
- The approach to business change and training; and
- The outcome of the processes which support the recommendation to go live with the new solution.

The Joint Scrutiny Review Working Group previously met for the first time on 27 June 2017 to undertake the scrutiny review ahead of the pending Cabinet decision. The Cabinet meeting on 12 July approved that:

- 1) Agilisys Ltd be appointed as Preferred Bidder and conditionally awarded the HR & Finance System framework contract;
- 2) the updated business case be noted;

- 3) a capital budget increase to the HR & Finance System Replacement capital allocation of £0.525m in 2017-18 and £0.116m in 2018-19, to a total of £4.891m, fully funded on an Invest to Save basis be approved;
- 4) an appropriation from the HR & Finance System Replacement Revenue Reserve to fund the revenue implementation costs in 2018-19, currently estimated at £0.8m, contributing to total revenue costs of £1.014m be approved;
- 5) an alternative funding strategy for this programme will be considered as part of the Councils First Quarter Review of Performance Report be noted;
- 6) the Council's share of the business case savings, being £0.3m corporate service savings, plus the Council's share of £0.4m Transactional Service Centre savings, plus the Council's share of £1.1m ICT Delivery savings, which will be used to repay the cost of investment be noted;
- 7) the principles underpinning the Inter Authority Agreement be noted;
- 8) the principle of a contractual framework agreement, operated by Cheshire East Council, allowing Cheshire West and Chester Council and the other named Councils (Stockport MBC, Trafford Council, Warrington MBC, Wirral BC) the ability to call off from the framework during the first four years of the contract be approved;
- 9) the Director of Corporate Services and the Director of Governance be given delegated authority to award the HR & Finance System framework contract to Agilisys unconditionally, subject to the satisfactory resolution of all outstanding matters;
- 10) the Director of Corporate Services and the Director of Governance be given delegated authority to finalise outstanding contractual issues and the Inter Authority Agreement with Cheshire East Council; and
- 11) The Director of Governance be authorised to enter into all necessary contractual documentation with chosen supplier and with Cheshire East Council.

At the first Joint Scrutiny Working Group meeting in June, the Group agreed that it would like to continue the joint scrutiny review, and scrutinise the ongoing implementation stage, under the terms of reference described above.

The Joint Scrutiny Working Group met on the 9 October at Winsford. At the end of the meeting, the Working Group confirmed that they were comfortable with implementation stage of the project to replace the Oracle HR and Finance system. The Working Group also agreed that it had a greater understanding of the process which led to the Cabinet decisions in July and the progress made on the programme since then Members reiterated the importance for the Working Group to be involved at key milestones going forward and the need for members to be made aware of key decisions and sign offs in between Working Group meetings.

Finally, on behalf of Working Group Members and the wider committee, I would like to thank the officers involved in the review and look forward to continuing working closely together on this important project.

Councillor Margaret Simon

1. JOINT SCRUTINY WORKING GROUP DETAILS

2.1 Cheshire West and Chester Council Members:

Councillor Martin Barker
Councillor Sam Naylor
Councillor Nigel Jones

Cheshire East Council Members:

Councillor Margaret Simon (Chair)
Councillor Sam Corcoran
Councillor Lesley Smetham

2.2 Cheshire West and Chester Officers:

Aaron Thomas – Programme Governance Lead
Apologies: Mark Wynn – Director of Corporate Services / Programme Sponsor

Cheshire East Officers:
Peter Bates – Chief Operating Officer
Dominic Oakeshott – Programme Senior Responsible Owner

2.3 Cheshire West and Chester Scrutiny officer support:

Andrea Thwaite – Democracy Programme Manager (Scrutiny)
Email: andrea.thwaite@cheshirewestandchester.gov.uk
Laura Bootland – Democracy and Elections Officer

Cheshire East Scrutiny officer support:
Mark Nedderman – Senior Scrutiny Officer

2.4 For further details about this report or additional copies please contact:

Scrutiny Team
Cheshire West and Chester Council
2nd Floor
Nicholas Street
Chester

Tel: 01244 972283

Email: Scrutiny@cheshirewestandchester.gov.uk
www.cheshirewestandchester.gov.uk/scrutiny

2. OUR APPROACH

3.1 What we referred to:

Oracle is the current shared HR and Finance system used by Cheshire West and 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.

The Cabinets of both Councils approved a recommendation in July 2017 to replace the Oracle solution with the Unit 4 Business World product, and to award a contract to Agilisys for the implementation of, and ongoing support to, this product.

The updated Terms of Reference for the Joint Scrutiny Working Group's meeting, agreed during the meeting, are attached at Appendix One.

3.2 What we did:

The Joint Scrutiny Working Group met on 9 October 2017 to scrutinise the progress to date with the implementation stage of the replacement of the financial and HR system. This is the first time that the Working Group has met since the Cabinet made its decision on 12 July 2017 to replace the Oracle system with Unit 4 Business World.

During the meeting the Working Group received presentations from Officers and scrutinised progress to date with the implementation phase of the project.

The Joint Scrutiny exercise was broken down into the following elements:

1. Business Case review
2. Quality Assurance and Internal Audit
3. Programme Timeline
4. Risks and Issues
5. Summary conclusions

3. FINDINGS

4.1 **Business Case Review:**

The Working Group were provided with an update of the Business Case for the replacement of the Oracle HR and Finance system, based on the information presented to the two Cabinets in July 2017. The business case presentation included information on the existing costs associated with the current system, proposed savings, and details of the Business World implementation costs. Details of the payback period were also outlined to the group.

The Working Group were also reminded that the Best4Business Programme's vision was to deliver an HR and Finance solution for the Councils and our subsidiaries and partners, which supports our vision for how we want to work in future.

The Working Group was advised about the non-financial benefits which also support the business case, such as:

- More flexible licencing model – ability to share licences amongst partners (eg Council owned companies, other public sector bodies)
- Industry standard processes designed for local government
- Externally hosted and managed solution – significant transfer of risk including availability, performance, upgrades and security
- Flexible & mobile working – accessible via a range of devices via the Internet including home and mobile

Following discussions regarding the transfer of data, the Working Group was assured that all statutory data retention requirements would be met and are being considered as part of the programme's data migration and archiving strategy.

The Working Group scrutinised whether any future capital investment would be required. Officers confirmed that the solution will be externally managed and hosted, which means that the two Councils would not need to invest in physical hardware; also, future upgrade costs are included in the ongoing revenue costs.

Members confirmed they were happy with the business case information presented by officers. The Working Group was reassured that required data flows from the Councils' social care ICT system Liquid Logic to the new Business World solution would be preserved.

4.2 Quality Assurance and Internal Audit

Officers gave an overview of the sources of external assurance which the programme have drawn upon during the work undertaken so far. These include:

- A procurement “readiness assessment” carried out by Ernst & Young
- External advice and support to the procurement process provided by Ameo
- External legal advisors to the procurement exercise were Sharpe Pritchard
- Implementation support is being provided by Ameo

The Working Group was advised that a Joint Internal Audit Assessment had been undertaken with the following terms of reference:

“To provide assurance that the governance, programme management and procurement arrangements through to contract award are robust and effective in enabling the selection of an appropriate replacement ERP system that meets the needs of both Cheshire West and Cheshire East Councils and their subsidiaries.”

The Working Group was assured that the Internal Audit had confirmed that the procurement has not followed the path that was expected, resulting in one final tender being received. However, there is confidence that the Programme Board has followed a legitimate and justified process to arrive at this position. There is confidence amongst those who have contributed to the programme that they have met the objectives outlined in the contract specification. The overall “score” provided by the internal audit review in respect of the internal control environment for this programme was 3, on a scale of 1 – 4, where 4 is best.

The Working Group queried whether the cost of external support and assurance was in addition to the programme costs already outlined. It was confirmed that these costs were already included in figures previously shared. The Working Group were pleased to note that there were no ongoing concerns, and that further joint internal audit reviews would be carried out to support key programme milestones.

4.3 Timeline

The Working Group scrutinised progress to date with the timeline and the forthcoming milestones for the Implementation stage. The table below summarises the key programme milestones with associated dates and supplier payments:

No	Milestone	Value	Planned Date
1	Sign-off programme initiation document	£0.66m	25/09/2017
2	Sign-off of solution detailed design	£0.66m	20/11/2017
3	Sign-off of integration approach	£0.66m	16/10/2017
4	Sign-off of testing strategy	£0.66m	21/09/2017
5	Build complete	£0.66m	26/02/2018
6	Sign-off of training approach	£0.33m	24/01/2018
7	Sign-off of user acceptance testing	£0.66m	12/07/2018
8	Go live	£1.65m	03/09/2018
9	Exit from three-month intensive support	£0.33m	26/11/2018
10	Decommissioning of legacy Oracle platform	£0.33m	26/11/2018

The Working Group considered the following key milestones at which further scrutiny sessions could be held:

- **February 2018:** The supplier to translate the Councils' requirements into a solution design and solution build process. The supplier to provide a training strategy and plan which supports the Councils' business change approach.
- **July 2018:** The solution which has been built is tested to confirm that it is fit for purpose.
- **September 2018:** The supplier to transfer all required data from the old system to the new. The Councils to ensure that the system is working correctly and that people are being paid correctly. The Councils to begin using the new system.

The Working Group raised concerns relating to whether there were any financial penalties if milestones were not met. Penalties were associated with milestone 5 (build complete) and 8 (go live). Penalties could apply to Agilisys and to the Councils. The Working Group queried the design and whether it was suitable for the Council's needs. The Working Group's concerns would be discussed with the external advisors regarding the design.

In relation to the solution design signoff in November, the Working Group queried how they could be assured that the design being approved was giving both Cheshire East and Cheshire West and Chester Councils what they needed. Officers agreed to consider how this assurance could be communicated to the Working Group without the need for an extra Working Group meeting.

4.4 Key risks

The Working Group scrutinised an update on the risks and issues associated with the project and officers provided them with reassurance that appropriate mitigating actions are in place. Key risks and mitigating actions are shown in the table below:

Risk	Mitigation
End Users (managers or staff) are reluctant to accept changes to processes and adhere to new approach, leading to business case savings not being achieved.	Solution design process – change impact of decisions on solution design and process will be identified and mapped against stakeholders to identify change effort needed. Ongoing engagement with stakeholders to identify concerns
Insufficient programme resources, or inefficient use of available resources and skills available, to deliver project workload, leading to programme milestones being missed and delay to implementation.	Detailed activity plans per workstream leading to solution design signoff. Regular review of deliverables, commitments to design workshops, and other activities, to identify any resource gaps.
Failure to appropriately engage senior stakeholders including Programme Board members as the Solution Design deliverable is developed, leading to a failure to achieve signoff of this key deliverable and a delay in the programme timeline.	Development of clear process which ensures design decisions are captured, reviewed, approved at an appropriate level, business change impact identified, shared with stakeholders, and communicated to Programme Board ahead of signoff.
Failure to develop effective partnership with Agilisys, both during the 12 month implementation programme, but also in support of the remainder of the 7 year contract, leading to suboptimal outcomes.	Regular and open dialogue with Agilisys about process and outcomes. Design decisions hold to the programme vision (the “four Ss”) and consider long term impacts as well as shorter term programme timeline.

4.5 Conclusions

- Members were comfortable with the process which has led to the Cabinet decisions in July and the progress since then.
- The next meeting of the Working Group will be set for March 2018, to avoid the busy Budget period for both Councils.
- Tony Entwistle, the programme Transformation Lead, to be invited to the next meeting in relation to the approach to business change approach and training strategy, including how the impact on end users is being assessed.

4. SUPPORTING DOCUMENTS:

Appendix One: Joint Scrutiny Working 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>

Links to the Cabinet reports in July 2017 providing recommendations following the completion of the procurement process:

CWaC Cabinet:

<http://cmttpublic.cheshirewestandchester.gov.uk/documents/s53950/HR%20Finance%20System%20Replacement%20-%20v1.0%20final.pdf>

CE Cabinet:

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s56849/HR%20Finance%20System%20Replacement%20-%20report%20final.pdf>

