

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES

CABINET

11TH OCTOBER, 2007

Wards Affected

County-wide

Purpose

To note progress in respect of the Herefordshire Connects programme, approve the technology platform on which further progression will be based, and approve the extension of the existing interim agreement with Deloitte.

Key Decision

This is not a Key Decision.

Recommendation(s)

- THAT (a) Cabinet notes the current position in respect of programme implementation;**
- (b) Cabinet approves the retention of SAP as the technology base; and**
- (c) Cabinet approves the extension of an interim agreement with Deloitte until such time as a decision on the master agreement can be taken.**

Reasons

To note progress with this phase of the Herefordshire Connects Programme, approve the technology platform for future programme development and approve the extension of the existing interim agreement with Deloitte.

Considerations

1. Further to the Cabinet Paper of 7 June 2007, this report provides an update to Cabinet on progress in the programme.
2. Phase 3 of the programme was Programme Definition. All objectives for this phase have now been achieved with the exception of the completion of the contractual agreements.
3. *Costs and Benefits Review*. In order to ensure that the Council can indeed deliver on savings, each benefit line was investigated and challenged to ensure that the figures are robust and 'bankable'. Over several weeks, the Herefordshire Connects Core Team and Deloitte ran a number of workshops to complete this. This work was then

Further information on the subject of this report is available from
Jane Jones, Director of Corporate & Customer Services on (01432) 260042

presented to the Head of Financial Services and the Strategic Procurement & Efficiency Review Manager, and the figures have now been accepted as valid. Independent advice throughout this process has been provided by CAPITA plc. A similar approach was adopted towards the Programme Costs.

4. The resulting financial appraisal was presented to the Leader, Cabinet Member, Corporate & Customer services and Human Resources and Cabinet Member, Resources at a meeting on 18th July, and considered in the context of the Medium Term Financial Management Strategy (MTFMS)
5. At that meeting, the Leader and two Cabinet Members agreed that the reports demonstrated that the Herefordshire Connects Programme was fundable and therefore should be continued; that an interim agreement be signed with Deloitte; and that the Programme Team continued to consider opportunities to improve benefits and reduce costs as outlined in the report. What lay behind that conclusion was that two key assumptions had been made:
 - the Social Care solution would not be provided by SAP, but for the purposes of developing the profile, the highest cost alternative had been used;
 - SAP had been costed as providing the technical platform. The potential for using existing systems such as Cedar as an alternative were to be explored. Whilst it was accepted that would produce some cost savings, the Programme Manager would also undertake an assessment of technical functionality together with an assessment of the level at which benefits would be realised if the alternative platform was to be used. It was further noted that a decision as to which option was finally adopted must be based on a technical, rather than a solely financial assessment.
6. Pending completion of the appraisal and a decision on the technology platform a decision was taken to put part of the programme in abeyance. This scaling down of the programme impacted most significantly on the integrated support service (ISS) stream of activity, but enabled the social care platform to continue to progress. The technical appraisal has now been completed and externally validated by CAPITA and is attached at Appendix 1.
7. From recent reports to Corporate Management Board it is clear that, based on the most recent budget forecasts and the impact of expenditure on flooding, the MTFMS is likely to see a deteriorating rather than improving financial picture and it is understood that there may be a preference to await the financial settlement and the revision of the Medium Term Financial Strategy before taking a decision in relation to the Programme.
8. However, whilst Deloitte have been able to accommodate the scaling down of the Programme for a limited period, this cannot be sustained without the risk of losing key staff resource allocated to the programme. There is the option of continuing under an interim agreement until a decision can be taken in light of a revised MTFMS, but work cannot be progressed whilst there is uncertainty regarding the technology platform upon which the programme is to be progressed.
9. It is recognised by officers and members alike that the overall impact of Herefordshire Connects is key to the longer term financial stability of the organisation. The technology appraisal assesses the SAP technology platform as providing longer term returns. It recognises the adoption of a Cedar platform would contribute to the closing of the gap in 2008/09 but that this would be at the expense of a significant reduction in returns in later years.

10. Deloitte have indicated that they would be prepared to work with either platform but have two principal concerns in relation to the use of the Cedar suite of applications as opposed to SAP:-
- (i) As the technology report indicates, Cedar is seen as a strong financial system in particular around budget planning and control. It can provide the majority of the functionality of SAP. Deloitte do, however, have specific concerns about the inability of Cedar to provide a local government customer that has implemented their complete ERP suite. There would appear to be an inconsistency between the Council taking the decision not to accept the risks associated with being an early adopter of the SAP social care solution and yet to take a contrary decision in relation to the main operating platform. There is a secondary concern about the inability to establish why there is a lack of take up amongst Councils of their payroll and HR modules.
 - (ii) Deloitte would be prepared to support a Cedar based platform as part of the Herefordshire Connects Programme but would want to be clear that in their view it would have a material impact on the nature of the Programme. They do believe that although untried, it should be capable of providing a platform for the Council. They do believe however that it will change the nature of the Programme and move it away from a catalyst for a programme of transformation to the installation of an effective operating platform for the Council. It will be seen from the technology appraisal that that view is also expressed by Capita. That would raise questions as to how the Council resourced the Programme.
11. Whilst the costs of the interim agreement are within the previously agreed financial envelope for the programme, it is recognised that continuing with an interim arrangement does present a risk in terms of the investment if the Council does not finally proceed.

Risk

Key Risk	Mitigation
Anticipated Cost savings are not realistic (Benefits savings are not realistic)	Each benefit line has been vigorously challenged. In addition a new 'Programme Benefits Board' will monitor and control the delivery of these savings with a direct reporting line in to the Corporate Management Board. The Audit Commission have praised this work and stated that this will increase the likelihood of achieving these savings.
Lack of Council expertise and skills and resources	A detailed set of workshops is currently underway to ensure that every role is assessed.
Funding of programme will require early delivery of savings	Carry out Cost Reduction exercise during Phase Four. This will also align with the implementation of most beneficial 'Quick wins'. Quick wins assessment has already begun.

Lack of Management Buy-in	<p>Effective change planning and managing the change curve, excellent communication to support buy-in through understanding the benefits to be delivered by service users.</p> <p>Deloitte will bring their expertise to bear in this area. There is also to be an emphasis on as much peer-to-peer contact as is needed so that staff can understand and learn from the experience of other authorities. The Change Management Team will be confirmed and will cover Communication, Change Leadership, Organisational Development and Training.</p>
Loss of key staff prior to a decision on the master contract	Negotiations with both the Programme Manager and Deloitte are ongoing to secure key team members are available to re-engage with the programme.

Alternative Options

Adoption of the alternative technology platform is likely to result in an estimated 5-15% reduction in benefits. Experience, and assessments carried out by the programme team and validated by CAPITA, had shown that those local authorities, central government or private sector organisations who had been most successful at driving out efficiencies had all done so through the use of technologies similar to those offered by SAP.

Consultees

CAPITA

Appendices

Appendix 1 Herefordshire Connects Programme: Technical Appraisal.