

HEREFORDSHIRE CONNECTS PROGRAMME

TECHNICAL APPRAISAL

REPORT BY: PROGRAMME MANAGER

REPORT TO: PROGRAMME BOARD

24TH SEPTEMBER, 2007

Purpose

This report has been written for the Programme Board on the work undertaken to consider whether the Council's existing solutions could be used to enable the Herefordshire Connects Programme. This has been considered primarily to understand whether this option could alleviate some of the cost pressures on the Programme. The remit was to provide a technical appraisal as to whether existing solutions will provide the functionality requirements **and** deliver the benefits required.

1. Introduction

As explained in the previous paper to the Members Reference Group on 18th July 2007, in order to consider ways of reducing the overall Programme cost base, this report is a technical appraisal of the Council's existing solutions Cedar (sometimes called COA), the current corporate finance system, and Selima, the current Payroll system.

Two options have been considered. Firstly, using an upgraded version of Cedar for finance & procurement and HR & Payroll and secondly using an upgraded version of Cedar for Finance & Procurement and an upgraded Selima for HR & Payroll.

2. Process

The Process adopted was as follows:

- Cedar were invited to discuss the Programme requirements with the Council and then to provide a high level presentation;
- The technical requirements that were completed by the bidders for the Programme were then completed by Cedar. Some additional questions were asked, based on discussions with HR and ICT;
- HR and Payroll requirements were also sent out to Selima who responded with their capabilities. In addition
- both HR and Payroll and ICT have provided a written appraisal of this option; and
- Capita provided advice by way of two reports on the options.

Further information on the subject of this report is available from
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3. Feedback from High level presentation from Cedar:

This presentation was given to a small team from the Council. The team included Deloitte, Capita and colleagues from ICT and the Resources directorate.

The main conclusions from this are as follows:

- a ringing endorsement of Cedar's finance functionality, in particular around budget planning and control
- sound functionality in the Cedar procurement offering, but gaps around Request for Quote and tendering and strategic sourcing (this will impact benefits delivery); and
- concern around the lack of other Councils using the full Cedar ERP suite, in particular HR & Payroll, and the lack of integration between the finance and payroll modules.

4. Response to Technical Requirements

The results of the technical comparison based upon Cedar's responses to the technical requirements are shown in Appendix A.

Cedar can cover the majority of the functionality with the exceptions of:

- User Authentication and Access Control
- Case Management
- Programme and Project Management
- Knowledge and Information Base
- SLA Management
- Diary Management/Booking Appointments
- Flexible Working

The solution also scores significantly lower than SAP on:

- Human Resources
- Recruitment
- Training and e-Learning
- Asset Management
- EDRMS/ESCR/One Client One Record

5. Benefits

The Council asked one of its advisors, Capita to verify the initial assessment of the impact of this option on both the overall benefits case and the Programme as a whole.

In their reports, Capita draw attention to the following points:

- *“Change projects require a powerful vision and a sense of urgency to deliver real benefits, implementing a **new software solution** signals a real commitment to change”*
- *“In addition, Cedar does not provide much of the functionality in the existing SAP Plant Maintenance solution deployed in ICT. It may be necessary to run both Cedar and SAP.”*
- Capita also highlight the lack of a ‘single update’ functionality will potentially compromise benefit realisation. The report states, *“Questions about the links between the approval and spend limit matrix in Cedar and the HR organisation as held in the HR module suggested that a single update across modules was not possible. **The ability to update once across the system is one of the stated aims of the project to release benefits in HR by reducing management of leavers, joiners and employee role changes. SAP offers more enterprise wide management functionality.”***
- *Capita also advise that some of the projected benefits may be affected “**Current sense is that Cedar will enable a part of the FTE savings**”.*

By using Cedar, Capita have highlighted the likelihood for some reduction in the benefits realised. This will be in the areas of procurement, HR and enterprise wide functionality as Cedar appears weaker in these areas.

Work done by the Core team has come to the same conclusions.

It is estimated that this reduction in benefits will be between 5% and 15% of those targeted. This would result in an estimated reduction in savings of between £400,000 and £1,200,000 per annum.

6. Costs

Although this report is fundamentally about a technical review and benefits assessment of an alternative technical option for Herefordshire Connects the reason for considering the option is mainly driven by cost considerations. It is therefore useful to have some indication of the scale of any potential cost saving.

Appendix B shows a set of indicative estimates for the Cedar/Selima option compared to the proposed SAP solution. It must be recognised that these are indicative estimates to give an approximate scale to enable decision making and are not as robust as the costs the Council now has for the SAP solution. The implementation effort (and therefore the cost) required for the implementation of SAP has been developed and refined over the past three months, by a combined team of Herefordshire Council, Deloitte, IBM and Epi-Use staff. This has been ratified by Capita.

This has led to a high-level of clarity regarding the scope of the solution and the resourcing levels required from both the Council and its partners. This estimation has included not only the technical configuration staff, but also effort required to design the new organisation and support the transformation of the Council.

7. Other Considerations

As well as the technical assessment and consideration of the benefits and costs outlined above there are three other factors that merit consideration:

(1) Advice from ICT:

The overall support model for the Cedar/Selima will require a number of systems being supported by individuals skilled in different technologies. Attracting skilled resource is a real challenge to ICT. It is thought the support team will be about 20 staff (3-5 per application) as opposed to the projected SAP support model which has 14 staff.

Cabinet recently approved the ICT Strategy. The ICT Strategy will need to be re-written as it was developed on the basis of a single ERP solution. A multiple-system landscape with interfaces will require a revised ICT Strategy.

There is also an increase in the Disaster Recovery costs and the time-to-recovery would be longer and more tortuous than a single system. The impact of running both SAP and Cedar is also raised as a concern.

(2) Public Services Trust:

In addition the Council may wish to consider the impact of such an approach to future PST requirements. It is likely that it will be harder to integrate into multiple systems rather than one, for example, in terms of back office functionality.

(3) Future proofing

The ambitions of the Programme, as with all transformation programmes, are high. The next phase of the Connects was planned to include delivery of, for instance, remote, real time technology to front line staff. SAP has a proven record of this in local government both here and abroad. SAP has proven to provide more opportunity for the ambitions of the Programme to be fulfilled going forward.

(4) Risks:

1. Continuing indecision on the technology choice will lead to a further delay in savings being generated. This will also lead to an increase in costs. Already a 150k discount with our hardware supplier, Dell, has been lost. By delaying this decision the Social Solution will be at greater risk if it is to be implemented by next summer. It is worth noting that the Programme started in August 2005.
2. Programme costs escalate since in effect the Programme design work will have to be delayed until a full evaluation is completed. In addition time-scales will be slipped. A full scale evaluation will require site visits, scenario demonstrations, an assessment panel to be drawn from across the Council (51 staff were used last time) and the process to be fully audited. In addition the Council will need to enter into negotiations with Cedar and Selima.
3. On this note, the Council will need to run an additional six or seven technology solution selections. This will need to be in each of the areas where Cedar cannot meet the functionality e.g. Project Management Software, in order to select a suitable alternative. Deloitte will also need to be satisfied so that they can underwrite each selection. The current Social Care selection has taken three months.

4. Cedar has not been able to provide a local government customer that has implemented their complete ERP (Smart Business) suite. The Council would therefore be one of the first to do so. The risks associated with being an early adopter of the SAP Social Care solution was cited as one of the reasons for looking for an alternative solution to meet the Social Care requirements.
5. It has also not been possible to establish why there is a lack of councils that use their Payroll and HR modules.
6. There is lack of process blue print that can be used since there are few integrated Finance/Procurement/HR/Payroll shared service centre models (such as Surrey). There is a risk therefore, that processes will be new and un-tested. In addition costs may escalate as design will have to start from scratch.
7. There is a further risk in terms of performance management since data will need to be built from multiple systems.
8. The Cedar to SAP interface, required for CRM, is untested.
9. Deloitte would need to underwrite this option or the Council will end up needing to start a new procurement. Another risk is that Deloitte may pass some of the risk of Programme delivery back on to the Council since their recommendation for the technology base was not accepted by the Council. This may lead to a change in the terms of the yet to be signed master agreement.
10. There is also a risk that during a full assessment the evaluation scores are less for Cedar than the scores achieved by SAP. In addition customer site visits may not be favourable, given the lack of comparable local government sites.

8. Conclusions and Recommendations

There is little doubt that by changing the technology base from SAP to Cedar the Council will save at least 400k over five years. This is equivalent to £80k per annum over 5 years. This may alleviate some of the cost pressures on the Programme. It is important to note that it is over the next two financial years that the Council faces cost pressures in relation to the Programme. Beyond that, the Programme will become self-financing. So it is the 80k per annum over the first two years which is of most benefit to the Council.

It is clear that this cost saving needs to be considered in terms of a reduction in benefits and the increased risk of failure.

As Capita have stated in their conclusion, **“Change projects require a powerful vision and a sense of urgency to deliver real benefits, implementing a new software solution signals a real commitment to change. The evaluation of proposals driven by initial price rather than long term value for money (benefits realisation) is highlighted by the IDEA as a reason for projects failing to deliver the promised benefits”**

As highlighted above, the initial work by both the Core Team and Capita has suggested that some benefits may be adversely affected. This has suggested the loss could be between £400k to £1200k per year. This loss of benefits significantly outweighs the reduction in costs.

Even if this level is acceptable to the Council, it would end up with a more complex systems landscape with multiple systems. This is what it has at the moment and is trying to move away from. This has been a fundamental axiom of the Connects Programme.

Programme momentum would be lost and the broader transformation agenda is less likely to be achieved. There is increased risk of failure in the Authority deciding to be the one of the first major transformation programmes in local government to select Cedar and Selima as the enabling technologies.

It would also require postponing large parts of the current programme as they move to build stage and in effect the re-running of the technology aspects of the Herefordshire Connects procurement in order for the Council to satisfy itself fully that indeed Cedar [and Selima] can meet our transformational requirements. This in itself will divert Programme resource and inevitably impact costs and target time-scales.

Once again, it is important to ensure that in any option, the ambition remains to transform the Council, not simply upgrade existing software.

Referring back to the original remit for this report, Cedar can not provide the same level of functionality and there is going to be a reduction in the level of benefit savings.

It is recommended, therefore, that the Herefordshire Connects Programme retains SAP as the technology base.

Appendix A: High Level Technical Comparison

<u>Doc ref</u>	<u>Heading</u>	<u>CEDAR</u>	<u>SAP</u>
2.1	Customer Access Channels	Y	Y
2.2	External Access	Y	Y
2.3	Usability	Y	Y
2.4	System Administration	Y	Y
2.5	User Authentication and Access control	N	Y
2.6	Case Management	N	Y
2.7	Programme and Project Management	N	Y
2.8	Workflow capabilities	Y	Y
2.9	Knowledge and Information Base	N	Y
2.10	Management Information and Reporting Capabilities	Y	Y
2.11	Service Level Agreements Management (internal)	N	Y
2.12	Production of Documents	Y	Y
2.13	Audit trail	Y	Y
2.14	Authentication Protocols	N	N
2.15	Diary Management / Booking Appointments	N	Y
2.16	Route Planning	N	N
	AREA SPECIFIC		
3.1	Performance Management	Y	Y
3.2	Human Resources	70%	95%
3.3	Recruitment	50%	95%
3.4	Integrated Training and E-Learning	75%	90%
3.5	Integrated Financial Management	Y	Y
3.5.1	General ledger	Y	Y
3.6	Payroll	Y	Y
3.7	Procurement	Y	Y
3.8	Asset Management	40%	90%
3.9	EDRMS / ESCR / One Client, One Record	66%	100%
3.10	Schools Management	N	N
3.11	Flexible Working, Home Working & Smarter Working	N	Y
4	Compliance Requirements	Y	Y
4.2	E-Government Requirements	Y	Y
5	Technical Vendor Criteria		
5.1	Solution Architecture Requirements	Y	Y
5.2	Scalability and Disaster Recovery	Y	Y
5.3	Security	Y	Y
5.4	Technical – Platforms	Y	Y
6	Integration Issues	Y	Y
6.2	Methods of Integration / Interfacing	Y	Y
6.3	Integration to future systems	Y	Y