

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY & FINANCE

CABINET

DATE: 12 APRIL 2007

Wards Affected

County-wide

Purpose

To advise Cabinet of the results from the evaluation process for the three short-listed suppliers for the Herefordshire Connects Programme. This is the second round of the process and the object is to select a preferred supplier.

Key Decision

This is a not a Key Decision.

Recommendation(s)

- THAT (a) Cabinet endorse the recommendation of Corporate Management Board that Deloitte be confirmed as the preferred supplier, with SERCO as reserve;**
- (b) Cabinet agrees that the Director of Corporate and Customer Services conducts negotiations with the preferred supplier, supported by the Director of Resources and the Head of Legal and Democratic Services, bringing back a further report to Cabinet on the outcome of those negotiations; and**
- (c) Cabinet notes the recommendations made by the Audit Commission in its report 'Herefordshire Connects', and agrees the actions proposed in response.**

Reasons

To note progress with the procurement phase of the Herefordshire Connects programme and endorse the recommendation of a preferred supplier.

Considerations

Background

1. On 12th September 2005 Corporate Management Board, following a presentation from the Head of Information, Technology and Customer Services, concluded that further development work on ICT programmes should cease, to allow for a proper assessment of the council's requirements into the future.
2. It was recognised that the existing ICT environment within the council was impeding the delivery of service improvement programmes. This, together with the financial

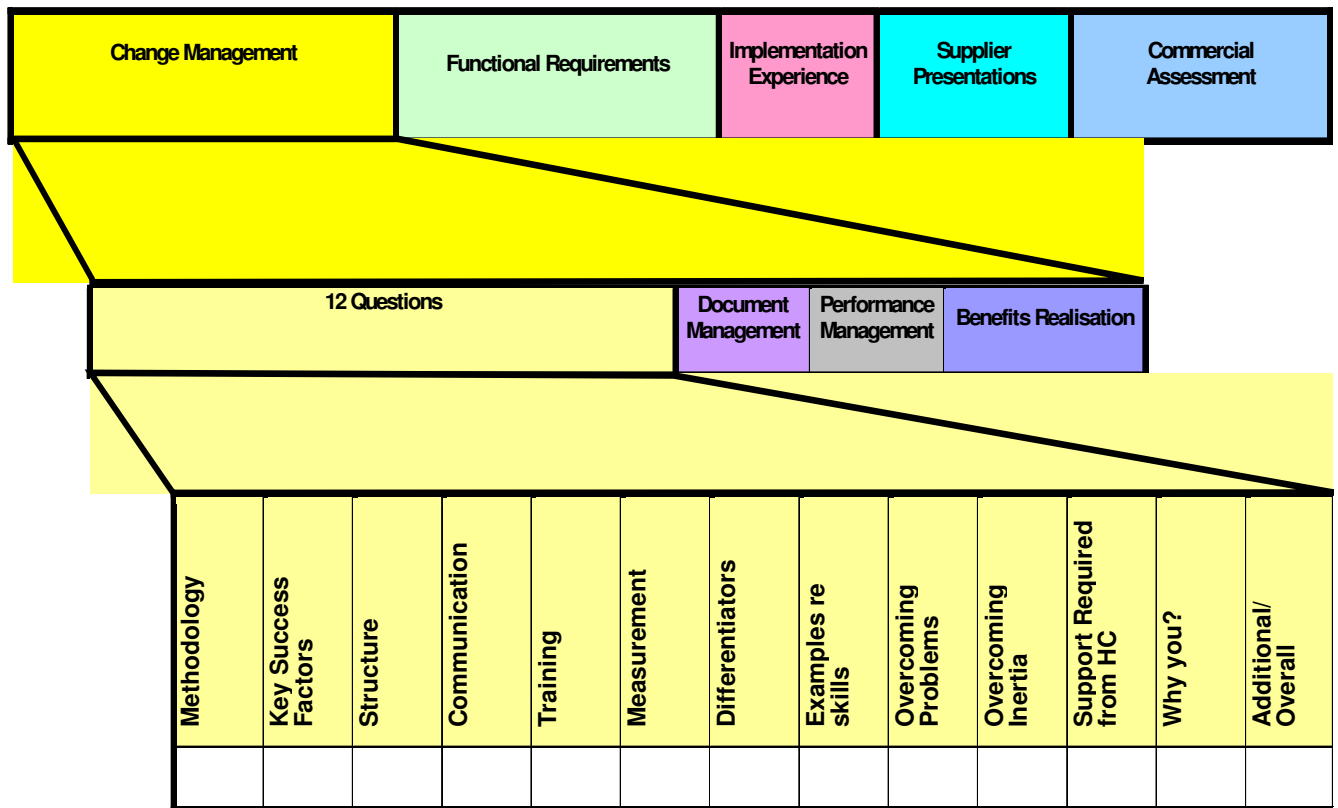
context within which the council was operating, suggested that strategic business and service transformation was necessary to deliver ongoing service improvements into the future. The strategic transformation programme would be supported rather than driven by an underpinning corporate ICT strategy. A mini-tendering process was therefore started in early 2006 and Axon Group plc were selected from five organisations to complete phase 1 of the programme. This was to assess the likely benefits to be achieved by a business transformation programme and explore potential options for delivery of the programme. This was completed in May 2006.

3. In addition, the Herefordshire Connects Core Team was created through secondments from Directorates. This represented an excellent career development opportunity for staff and, in bringing together experience from each part of the Council into one area, obtained commitment from each Directorate to a review of the Council's current business processes. The Core Team was heavily involved in drawing up the Service Improvement Plans and worked on recording the Council's current business processes in readiness for the development of integrated streamlined future processes.
4. Members of the Core Team, together with relevant key service managers, carried out a series of site visits to other authorities where transformation programmes were underway to learn from successful implementation and, as importantly, from less-successful implementation. Areas visited included: Buckinghamshire, Derbyshire, Trafford, Vale of Glamorgan and Waltham Forest.
5. Three Service Improvement Plan (SIP) workshops were held with each directorate, including a cross section of staff working with Axon and the Core Team. Workshop sessions for elected members were also held during the summer, and a summary of feedback is attached at Appendix 1. Member feedback was broadly similar to that of officers. The completed Service Improvements Plans, including indicative benefits, were drawn up and then signed off by directors.
6. These six Service Improvement Plans had a number of recurrent themes across the directorates and these themes were therefore pulled together into three work-streams:
 - Integrated Customer Services
 - Integrated Support Services
 - Performance Management
7. A business case was then drawn up for each work-stream, containing the detail regarding:
 - Scope
 - Benefits
 - Costs
8. The business cases were validated by working closely with each directorate to ensure accuracy and by looking at similar work done with other authorities to check any assumptions made were realistic.
9. Simultaneously a telephone poll of Herefordshire Citizens was carried out to gather opinions on the provision of services, as well as a video of random on-street interviews with Herefordshire Citizens and Herefordshire Council employees.
10. The work carried out by Axon endorsed the view already formed, that the transformation programme would have technology as an enabler, supporting change across the organisation. However, the cultural change would only truly be achieved through effective change management. The overall change programme, following a competition within the authority, was badged 'Herefordshire Connects'.

Procurement

11. Phase 2 of the programme comprised the identification of a strategic partner who would, building on the outputs from phase 1, implement the transformation programme.
12. Options available for procurement included the use of the Official Journal of the European Union (OJEU), or the CATALIST framework operated by the Office of Government Commerce (OGC). The OJEU route is more lengthy and it has also been subject to certain legal challenges, which have led to the process being avoided by some public sector procurement projects because time-scales become extended.
13. Under guidance from the OGC, the Council decided to use the OGC CATALIST procurement framework. This is the UK Government's procurement forum. It allows for a more streamlined procurement with shorter time-scales and has the benefit of a pre-agreed contractual agreement being made available to both the Council and the preferred supplier. In addition, the OGC provides support to the Council on an on-going basis and will support the Council in the event of any legal challenge.
14. Once again under guidance from the OGC, the Enterprise Resource Planning category within CATALIST was considered by the OGC to be the most appropriate for the requirements of Herefordshire Connects Programme. There were fifteen suppliers listed within this category. They included leading names such as BT, EDS, HP and IBM through to consultancies such as Deloitte, CAP Gemini, Serco and LogicaCMG.
15. Working within the CATALIST process, the selection for the preferred supplier was conducted in two rounds. Guidance was sought from OGC throughout the process; so as to ensure that the Programme adhered to protocols. The OGC has subsequently advised that they would be very keen to use the Herefordshire Connects procurement as an exemplar case study for CATALIST.
16. The Council invited each of the fifteen listed suppliers to a supplier day held on 27th September 2006. The Leader of the Council opened the supplier day with the Chief Executive, The Members' Reference Group and Group Leaders were also invited. This day was used as an opportunity to present background information on the programme and provide information about the council. Presentations were made by all of the Directors as well as a number of senior managers from across the authority.
17. In line with OGC guidance communications with the suppliers was controlled via a dedicated telephone hotline and email address and any answers to questions from one supplier were supplied to each of the rest. All communication with suppliers throughout both rounds was logged and recorded.
18. The Council undertook a desk top evaluation of the two options and concluded that the OJEU route whilst potentially offering greater freedom carried more significant risk in terms of both challenge and lengthy time frames.
19. Round 1 of the OGC CATALIST process comprised sending an Invitation to Quote (ITQ), together with a copy of the presentations from the supplier open day, to the twelve suppliers who attended the supplier open day. Of the twelve suppliers, nine responded to the ITQ; this was seen as a 'very healthy' response by the OGC. The suppliers, in their responses, presented background to their companies, their customers and the other suppliers with whom they operated as partners. They provided the detail of their experience in the areas of interest to the Connects programme.

20. Each response was then scored by the Connects Team augmented with an appropriate specialist from ICT, assessing the submissions against six key areas, namely:
- evidence of the supplier's implementation experience, including approach, procedures and methodology;
 - the ability and capacity of suppliers to deliver a large-scale transformation programme;
 - their understanding of Herefordshire's needs;
 - their proposed methodology for implementing and managing successful change programmes including innovative communications techniques, training and management structures; and
 - their experience in identifying and managing benefits arising from such programmes.
21. The Herefordshire Connects observer panel invigilated both the pre-scoring meetings and the scoring day itself. The observer panel comprised the Head of Legal and Democratic Services, the Head of Financial Services (as representative to the Section 151 officer), the Principal Audit Manager and the Herefordshire Connects Programme Manager. The results of this round were presented to the Herefordshire Connects Programme Board, and all suppliers meeting a minimum score were approved to progress to the next round. The four suppliers approved were: Deloitte, Hedra, LogicaCMG and SERCO. These suppliers were issued the Invitation to Tender (ITT). Hedra subsequently advised the Council that they wished to withdraw from process.
22. Over 150 staff contributed, reviewed and helped to compile the ITT. The Herefordshire Connects Programme Board agreed the areas of the ITT to be scored and their respective weightings. The importance of ensuring that the ITT accurately reflected the needs of the organisation was reflected in the fact that the issue of the ITT was postponed for three weeks in order to ensure that the document was reviewed by as many staff as possible and was as comprehensive as possible. The ITT was issued, with a comprehensive set of supporting documents, on 11th December 2006. Following issue of the ITT, but before receipt of responses, the assessment framework was refined and agreed. The responses to the ITT were received on 15th January. In total the Council received some 2500 pages.
23. Each area of the ITT that was scored is shown below:



24. The ITT responses were reviewed and scored by over fifty staff from across the Authority. In addition six officers shared the responsibility to invigilate all scoring and workshop sessions. Panel members from the Herefordshire Connects observer group were present at all meetings, workshops and scoring days. Each supplier was invited to present and meet with staff for a day. The timetable for this phase of the procurement process is attached at Appendix 2.

25. Over 100,000 scores and comments were received from the scorers. Scorers initialled each page of each scorecard and the scorecard was then signed by each scorer and counter-signed by a member of the Herefordshire Connects observer team. Two separate teams collated the scores to ensure correctness (200,000 scores entered between two teams to confirm overall scores). Comments were processed so as to gauge 'common themes' and also allow for scorers to explain the scores that they awarded.

26. Each of the suppliers was given four real world 'work-place scenarios'. These represented a cross-section of areas of challenge to the organisation at present. It was essential to ensure that any technological solution could not only meet the requirements in each of these areas but also that this solution could be demonstrated to a scoring panel. It was key that this was done from an integrated 'Single system' perspective. Scenarios included:

- a complex family situation designed to test the communications, automatic referrals, asset management, finance & planning capabilities of the technology;

- an asset management situation demonstrate how the system would handle a workload typical of that of a highways inspector and a member of property services;
 - a 'family moves' scenario testing the potential to remove barriers between council departments and partners to serve the citizen more effectively; and
 - an employee scenario testing integration of HR and payroll functions.
27. To ensure that each supplier could provide proposed programme costs and forecasted programme savings that could be compared, as far as possible, on a like-for-like basis a further commercial assessment was carried out using a standard commercial assessment template completed by each supplier. The approach to and assessment of commercial information was then independently ratified by CAPITA plc. The review undertaken by CAPITA did not alter the rankings of the three suppliers.
28. CMB met all three Suppliers on 15th March 2007. This was to allow CMB to cover some of the aspects of the proposals that needed clarification as well as ask a number of questions. In particular there were discussions on Change Management, clarification of aspects of the commercial proposals, Governance and all three suppliers were updated on the PST.
29. The results of both the ITT assessments and the commercials assessments were then combined to achieve an overall ranking of:
- 1st Deloitte
 - 2nd SERCO
 - 3rd Logica
30. At its meeting on 26th March, CMB considered the results of the assessments, and recommend to Cabinet that Deloitte be endorsed as preferred supplier with SERCO in reserve position. It is important to note that, once approved as preferred supplier a further period of clarification, challenge and negotiation will take place. At this stage, areas for clarification include a detailed assessment of the viability of achieving the benefits realisation figures, a review of options available to the Council's in terms of its resource requirements and the choice of the technology solution. It is planned to use CAPITA plc to help with this. Expert legal and financial advice will also be brought in as required, and a series of site visits will take place prior to signature of any contract. The Audit Commission has also indicated their intention to support the council in its management of the procurement process by carrying out further work during this period focussing on risk, performance management of the contract, and governance arrangements
31. The Office of Government Commerce will be invited to complete an independent review of the procurement approach used for the Programme.

Audit Commission Report

32. At the end of 2006 the Audit Commission conducted a short risk assessment of the programme at that point. The resulting report recognised that the programme had a number of strengths, notably:
- the procurement approach is following an established methodology (the OGC framework contract approach);
 - the authority is using the recognised public sector project management standard (PRINCE2);
 - the procurement is well documented;

- the council has done a lot of initial work in many areas (e.g. visiting other authorities, running staff workshops, and developing service improvement plans with a consultancy firm);
 - the council have informed us that leading members from all parties are publicly committed to supporting the project.
33. The report also identified a number of issues and made recommendations in respect of each. These recommendations are listed at Appendix 3 together with the proposed action in response to each. Cabinet are asked to note the findings of the report and agree the proposed action in response to the recommendations.

Financial Implications

34. It is important that the Council understand the financial context of the Programme. A Financial Summary is listed below which explains overall costs to the Council. It also places the cost envelope in the context of the Medium-Term Financial Strategy (MTFS) 2007 – 2010.

Background

Paragraphs 1 – 10 inclusive of this report outline the first phase of developing the Herefordshire Connects transformation programme. This culminated in a report to Cabinet on 20th April 2006 that included an outline business case for the programme that Axon Group plc helped to develop.

- 1.1 An initial forecast of the likely levels of investment needed and potential return accompanied last April's Cabinet decision to proceed to the next stage of the programme. The assumptions and risks relating to the initial financial model for the Herefordshire Connects programme were also outlined in that report.
- 1.2 The indicative figures on investment requirement and cashable benefits identified last April were built into the draft Medium-Term Financial Management Strategy (MTFMS) 2007 – 2010 prepared in July 2006. Those figures remained the same through to final approval of the MTFMS by Council on 9th March 2007 in the absence of any further information to update them. The final version of the MTFMS allowed for twelve month's slippage in realising cashable benefits given the emerging timetable for the programme.
- 1.3 The MTFMS therefore sets the financial parameters within which the programme has to be delivered. The following table sets out the assumptions within the MTFMS 2007 – 2010 that relate to the Herefordshire Connects transformation programme:

| Financial Resource Model assumptions for Herefordshire Connects | 2007/08 (£000) | 2008/09 (£000) | 2009/10 (£000) | 2010/11 (£000) | Total (£000) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Investment requirement | 1,960 | 5,940 | 5,290 | 4,930 | 18,120 |
| Cashable benefits | (5,800) | (10,600) | (11,400) | (11,750) | (39,550) |
| Cover for slippage in delivering cashable benefits target | 5,800 | 0 | 0 | 0 | 0 |
| Net annual cash deficit / (surplus) for re-investment in corporate priorities | 1,960 | (4,660) | (6,110) | (6,820) | (15,630) |

- 1.4 In addition to the above resources, there is an estimated £428k in an earmarked reserve for 'Invest to Save' projects that could be applied to the transformation programme. Delivery of the programme within the financial parameters included in the MTFMS is essential if the approved investment programme in social care services is to be sustained. The alternative is likely to entail unpalatable cuts in frontline service provision given the bleak financial outlook for local government expected as a result of the Comprehensive Spending Review 2007 (CSR07) now expected to conclude in the autumn.

Commercial Assessment

- 1.5 The commercial assessment of the 3 proposals accounted for 20% of the overall assessment framework outlined in the diagram in paragraph 23 of this report. Each supplier was asked to submit a template designed to capture the financial information needed to make the commercial assessment in a consistent format. The assessment checked for completeness of the information supplied and also looked at each supplier's proposals in terms of:

- investment requirement;
- benefits realisation; and
- quick wins.

- 1.6 The approach to the commercial assessment and the result of the exercise has been independently verified by CAPITA Advisory Services. This company has considerable experience of both assessing and delivering similar transformation programmes in other organisations including local government. It was important to ensure the assessment was sound to guarantee the integrity of the procurement process and to provide reassurance on what represents a major financial investment for the Council.

- 1.7 A summary of CAPITA's findings having reviewed the Council's commercial assessment process is as follows:

- the scoring mechanism devised prior to the assessment being carried out was appropriate and accurately applied;
- the ranking of the suppliers as a result of the commercial assessment was not changed by using discounted cash flow techniques or by substantial flexing of the variables included in their models (sensitivity analysis);
- each supplier had included the main cost elements in their proposals;
- there was a degree of optimism in the suppliers' early year benefits and growth in the benefits over time was ambitious;
- there was a lack of detail in the suppliers' proposals that would need to be explored in the next stage of the procurement process and through due diligence; and
- the Council's resource assumptions appeared reasonable (see paragraph 1.10 below).

- 1.8 The commercial assessment was the fifth element of the overall assessment process and confirmed the ranking of the three suppliers' proposals after the first four elements of the assessment had been scored. The ranking taking into account all five elements of the assessment process is set out in paragraph 29 of this report.

Council's resource assumptions

- 1.9 Last April's report to Cabinet on the Herefordshire Connects transformation programme indicated that there were a range of internal costs of the Herefordshire Connects transformation programme that were not included in the financial model set out earlier in this section of the report. The potential costs to the Council of the programme, over and above those that would be paid to the eventual supplier, have become clearer as the procurement process has unfolded.

- 1.10 The following table highlights the potential internal costs of the programme. CAPITA has confirmed that they believe the Council has identified the key internal cost

headings based on their experience elsewhere. The figures included are best estimates only at this stage and will be firmed up during the course of negotiations with the preferred supplier.

| Indicative internal costs of the Herefordshire Connects transformation programme | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Total |
|---|----------------|----------------|----------------|----------------|---------------|
| | (£000) | (£000) | (£000) | (£000) | (£000) |
| Backfilling for staff seconded to the programme | 700 | 620 | 120 | 0 | 1,440 |
| Change Manager & Core Team | 260 | 260 | 260 | 0 | 780 |
| Withdrawal from legacy systems | 0 | 100 | 75 | 50 | 225 |
| Accommodation | 150 | 150 | 150 | 0 | 450 |
| ICT infrastructure costs | 250 | 250 | 250 | 250 | 1,000 |
| Contract negotiations | 75 | 0 | 0 | 0 | 75 |
| Total | 1,435 | 1,380 | 855 | 300 | 3,970 |

- 1.11 It has to be stressed that, as with the financial model for the preferred supplier recommended by the Corporate Management Board (CMB), the figures outlined in the table above are very indicative. Some of the potential internal costs outlined above, such as ICT infrastructure costs and the cost of an ICT desktop equipment refresh programme (not included above), will need to be included in future budgets even if the transformation project was not in prospect.

Next steps

- 1.12 The preferred supplier's financial model and the internal costs identified above exceed the financial envelope for the transformation programme included in the MTFMS approved by Council last month. This position has been discussed with CAPITA Advisory Services who advise that having a gap at this stage is not to be unexpected. Their opinion is that robust negotiation with the supplier and further exploration of the internal costs, particularly in terms of links across to existing base budgets for ICT services, should resolve the situation. They also noted that the financial model currently only covers years 1 – 4 of the programme. Extending the model would see costs reduce year on year with savings continuing to grow albeit at a slower pace.
- 1.13 Effective contract negotiation and examination of internal costs is therefore key to the success of the next stage of the procurement process. The preferred supplier will need to be challenged with a view to:
- reducing the investment requirement;
 - maximising the overall quantum of benefits; and
 - firming up on the phasing of both costs and benefits.
- 1.14 External financial, legal and possibly ICT support will be needed for the contract negotiations to ensure that the Council can derive maximum value from the modernisation programme. An indicative figure of £75k has been included in the financial model for this purpose. The negotiations will be complex, particularly in respect of risk sharing and maintaining flexibility to adapt to changes in the environment within which local government operates.
- 1.15 The contract negotiation and due diligence period will be used to explore these issues, along with links across to existing base budgets. The result will be an updated financial model for the transformation programme and a re-assessment of how that fits within the MTFMS. The contract negotiation period will coincide with the closing process for the 2006/07 financial year and the next MTFMS refresh enabling all three strands to be brought together as a further report is prepared for Cabinet in June / July prior to final commitment to the programme.

Risk management

- 1.16 There are significant financial and other risks associated with the Herefordshire Connects transformation programme. These will be managed using the Council's risk

management strategy in order to maximise the opportunities taking costs out for reinvestment in service improvement across the board but particularly for social care services.

- 1.17 Other councils have embarked on transformation programmes like Herefordshire Connects. There are therefore exemplars we can learn lessons from – both those who have managed such a programme well and those that have perhaps done less well. The experience of others to date is that the hardest bit is making sure that the benefits are realised. The Council has already developed a process for identifying benefits, assigning responsibility for their delivery and tracking progress. This will need to be thoroughly embedded to support the Herefordshire Connects programme.
- 1.18 A further point to consider is that ‘quick wins’ that could be considered part of Herefordshire Connects are already being planned and counted towards budget balancing exercises for some services for the 2007/08 financial year. This is only small scale at the moment as far as the Resources Directorate is aware, but could start to erode the benefits included in the financial model for the transformation programme if the contract negotiation process is protracted.

Risk Management

| Key Risk | Mitigation |
|--|--|
| Funding of programme will require early delivery of savings | Carry out Cost Reduction exercise during Initial Phase of programme to identify early wins for cost savings Council has budget pressures, which make this imperative. |
| Decision not made to approve Preferred Supplier or the Decision takes too long – leading to both loss of up to £11m pa in future savings and Suppliers withdrawing their interest given that almost 40 Authorities are involved in Transformation Programmes at present. | Ensure governing bodies are kept up-to-date and fully briefed on progress. Suppliers are notified of progress wherever possible. Cabinet endorse the preferred supplier as early as possible. |
| Disruption to day to day business | <p>Take account of operational peaks when planning.</p> <p>Ensure Council is kept informed of potential impact and provide strategies to cater.</p> <p>Minimise impact of disruption by providing detailed plans and communicate these to key areas of the Council.</p> <p>New processes will result in new ways of working, which in turn will result in the need to acquire new skills. Identify the impact on the people, and ensuring that this is in the communications strategy. Keep staff fully informed. Provide clarity about the process for designing the new solution, defining new roles and responsibilities in the new organization.</p> <p>Ensure that there are Herefordshire team members who will be responsible for disseminating information and also acting in a liaison role</p> |
| Council partners not committed to integrating with Council. | Create comprehensive communications and change plan for other public bodies in Herefordshire such as PCT, Police and voluntary sector. Engage with these partners early in programme, and make them a key stakeholder. |
| Different majority party has power after May election | Include group leaders in communications for programme |

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| Lack of Management Buy-in | Effective change planning and managing the change curve, excellent communication to support buy-in through understanding the benefits to be delivered by service users |

Alternative Options

Alternative options include: total outsourcing, shared service provision, and doing nothing.

Outsourcing has been undertaken by a number of authorities, but evidence suggests that it is not always easy to realise cost benefits e.g., Walsall Council who recently pulled out of a £500m outsourcing deal. This option also carries additional significant risk with regard to staff transfer to the new provider.

The shared services option has not been discounted, although it is recognised that in the immediate geographical vicinity there is little current interest in such an option and potential partners would need to be identified from further a field. It is worth noting the recent announcement made by Southampton City Council last which has given approval to select Capita as their preferred Supplier. Negotiations will now take place with Capita to become the Council's Strategic Service Partner (SSP). This Programme will provide improved services to its customers while reducing costs. The partnership at Southampton will deliver a range of Council services, including Customer Services, IT, Property Services, HR, Payroll, Revenues and Benefits, and Procurement. This will include the development of a brand new contact centre and an improved `one stop shop`, which together will become the first point of contact for all Council services. Southampton has a population of 222,000 (based on 2005 mid-year estimates) and a budget for 2007-08 of £168.9m.

The option to do nothing would result in the council's financial strategy being at significant risk within two years. In the absence of additional income or efficiency savings, this could only result in significant cuts to services.

Consultees

Office of Government Commerce

Audit Commission

CAPITA

Appendices

Appendix 1 Member Seminar Feedback

Appendix 2 Procurement Phase 2 Timetable

Appendix 3 Audit Commission Recommendations and Proposed Response

Background Papers

Presentation to CMB 22 Feb 2007-03-19 with supporting pack

Report from CAPITA on Commercial Assessment

Audit Commission Report 'Herefordshire Connects'

HEREFORDSHIRE CONNECTS MEMBER SEMINARS FLIPCHART SUMMARY

Members were asked to say how they would want Herefordshire Council to look, following a successful business transformation programme, from the point of view of each of the following:

- Elected members
- Employees
- Citizens/customers
- Partners/suppliers

Whilst a range of views were expressed, some key themes recurred in each section, and these are summarised below.

ELECTED MEMBERS

- Reputation – members proud to be part of a successful council that is valued by the public
- Elected members to be professional and well supported – to include a requirement for all members to be computer literate; effective IT support; effective training and induction programmes; member involvement in member development decisions; member websites; appropriate remuneration for members.
- Decision-making – members to have a greater input into decision-making; more effective scrutiny function; higher profile ward member role including devolved budgets; remove cabinet system.
- Efficiency – clearer, simpler reports; improved access to information; improved response times; no longer having to make multiple calls to resolve a problem/query; on-line systems to support work.
- Responsibility – members and officers accepting responsibility/accountability
- Communication – improved, effective communication internally; improved understanding of the public about the services of the council and the role of the ward member; greater communication with ward members of local issues

EMPLOYEES

- Employees view Herefordshire Council as an employer of choice
- Employees feel valued within the workplace and by the public – are treated fairly and with respect, feel listened to
- Employees have job satisfaction, and are rewarded appropriately
- Employees have the tools to do the job – including IT systems, training and development support, clearly understood targets, good working conditions, flexible working, good working knowledge of the council as a whole.
- A range of career development opportunities exist within the council.
- Customer focussed

CITIZEN/CUSTOMER

- Customers are treated fairly and with respect
- Customers are able to access services/information in a way and at a time that is convenient to them

- Customers have a single point of contact to the council, and do not have to ‘find their own way around’.
- Customers feel valued and that their concern or request will be taken seriously and dealt with efficiently
- Customers feel the council delivers value for money services
- Customers do not have to repeat information
- Customers feel involved in decision-making
- Customers feel well informed, and receive consistent messages
- Customers understand the services provided by the council, and how it works with partners

PARTNERS/SUPPLIERS

- The council is viewed as a partner of choice
- There are clear lines of accountability within partnerships; roles and responsibilities are clear and transparent.
- The council listens and responds to its partners
- Procurement procedures are simple, open and cost effective
- Through procurement the council supports local enterprise, and takes account of sustainability issues
- Payments are processed in a timely manner and with minimal transaction costs.
- The council’s contribution to partnerships is recognised and valued.
- Contracts are effectively monitored.

Procurement Phase 2 Timetable

- 15th Jan ITT responses received
- 22nd Jan Change Management scoring
- 31st Jan/1st Feb Technical Demonstration from SAP
- 2nd Feb Deloitte Presentation
- 5th Feb LogicaCMG Presentation
- 6th Feb SERCO Presentation
- 7th/8th Feb Technical Demonstration from SAP
- 9th/13th Feb Functional Requirements scoring
- 14th Feb Implementation experience scoring
- 22nd Feb Presentation on initial results to CMB
- 7th Mar Presentation of results to Members Reference Group
- 22nd Mar Completion of Commercial Assessment
- 27th Mar CMB agree choice of preferred Supplier
- 29th Mar Members Seminar
- 12th April Presentation to Cabinet

Audit Commission Recommendations and Proposed Response

| No. | Recommendation | Action in Response |
|-----|--|---|
| 1 | Review the requirements of the PST to ensure they are sufficiently clear and robust to inform the contract. If not consider extending the timescales for the signing the contract until the PST requirements have been agreed with the PCT. | PST development is being taken forward through a series of workstream identifying future operational and strategic requirements. These will be fed into the Herefordshire Connects programme as appropriate. All three potential suppliers were briefed regarding the PST development, and indicated interest. Any contract negotiated will reflect the potential need to review the programme and contract in the light of PST establishment if required. |
| 2 | When presenting the preferred bid to members for consideration, other options which are still open to the council should be outlined, with the costs and benefits of each option set out. For future procurements complete a formal options appraisal. | Alternative options are included in the body of the report to Cabinet on 12 th April. A review of the procurement policy and processes is underway led by the recently appointed Strategic Procurement and Efficiency Review Manager, and will address this point for future procurements. |
| 3 | For future procurements complete the scoring mechanism before issuing the ITT | Although the scoring mechanism existed in framework at the point of ITT issue, the detail had been agreed prior to return of the ITT, therefore the tender and assessment processes were not compromised, and the timetable was maintained. However the Strategic Procurement and Efficiency Review Manager has been asked to consider this point in developing guidelines for future procurement processes. |
| 4 | Discuss with potential suppliers why they chose SAP and whether the technical specification has restricted the choice of solution. Revisit the specification to assess if it was too tightly defined. | The specification was defined in order to meet the identified needs of the organisation. Specific challenges were made to suppliers on this issue during their presentations. However, should the choice of technical solution not meet the organisational needs in any specific area within the programme, it is open to the council, during contract negotiations, to require the supplier to |

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

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| | | identify alternative solutions, or to exclude that element from the contract. |
| 5 | Complete an assessment of the risks of the contract. Ensure that members are briefed on this before a decision is taken to proceed. The risks of other options should also be set out. This should be presented along with the costs and benefits assessment. | A risk log for the programme, including the procurement element, is maintained and reviewed on a regular basis in line with corporate risk management policy. Alternative options, and the risks associated with them, are set out in the report to Cabinet on 12 th April. A update session will be arranged for the new Council as soon as it is practicable to do so. |
| 6 | Assess the risks of delivering the required work to a sufficient standard before the contract is signed, and extend the timescales if necessary. | The timescale for the procurement phase is reviewed on a regular basis and has been flexed where necessary to ensure quality was maintained e.g. the issue of ITT was postponed to ensure maximum contribution from service representatives; additional assessment time was provided to take account of further work required on commercial elements of the tenders. The Council is only at this stage identifying a preferred supplier and will not sign the contract until all outstanding issues are resolved. |
| 7 | Assess if the council has sufficient experienced staff to manage the contract and bring in additional resources if necessary. | Resource requirements for the programme are regularly reviewed, and additional expertise is brought in as required either from within the organisation or, where appropriate, externally e.g. external validation by CAPITA; specialist legal advice during contract negotiation period. |

Appendix 2

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE**REPORT BY: HEAD OF FINANCIAL SERVICES**

Purpose

The report presents the revised financial appraisal of the Herefordshire Connects programme. It outlines the potential financial impact of the ICT Strategy and also looks at the programme's impact on general fund balances.

Background

The financial context of the Programme is a key element of the overall project. In order to gain a full understanding of the position it is worth restating that the initial levels of investment needed along with potential financial return was given to Cabinet on 20th April 2006. This helped inform the decision to proceed to the next stage of the programme. The outline business case for the programme was the result of work commissioned by the Council from Axon Group plc.

The initial financial model for the Herefordshire Connects programme was built into the draft Medium-Term Financial Management Strategy (MTFMS) 2007-2010 prepared in July 2006. In the absence of any further information on savings to update the programme's figures and to allow for slippage in the project it was agreed that financial cover for the 2007/08 'cashable' benefits would be provided by a series of one-off measures covering a 12-month period and these are now in place.

The work to validate the original cashable benefits and investment requirements took place over several weeks and saw the original data subject to detailed review and challenge. Close working between the Herefordshire Connects Core Team and Deloitte provided a new level of detail and increased certainty about the underlying data generating the cashable benefits. The process included a series of meetings with the Head of Financial Services to challenge and validate the position. As a result of this work the investment required to deliver Herefordshire Connects along with the cashable benefits has been amended.

2007/8 Position

The 2007/8 budget included an assessment about likely costs and savings arising from Herefordshire Connects. The revised position has amended the assessment to indicate that the original investment requirement of £1.96m is now £2.138m.

The revised total is made up of £1.77m of revenue costs associated with the programme, £189,000 of capital costs and £175,000 for contract negotiations and client advice. It should be noted that some figures such as backfilling have to be estimated at this stage. The 2007/08 budget includes £1.96m for Herefordshire Connects. In addition there is £574,000 in the Herefordshire Connects reserve and £122,000 carried forward from 2006/07. Therefore the overall available funding in 2007/08 is £2.656m compared with estimated costs of £2.138m leaving a balance of £518k.

Cashable Benefits

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

The original work produced by the Axon Group was notable for the speed at which the level of cashable savings would be available. This point was confirmed by our advisors Capita PLC. The overall total of £39.55m of savings in the lifetime of the MTFMS (2007-2010) is viewed by Capita as being at the upper end of what is achievable. The subsequent work revised the figures and a likely cashable outcome for 2007/08 is £469,000 instead of £5.8m in the Axon report with an overall total of £18,556m between 2008 and 2011. In addition the timing profile of the benefits differs significantly from the current financial model included in the MTFMS:

| | 2008/09 (£000) | 2009/10 (£000) | 2010/11 (£000) | Total (£000) |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| Assumptions about cashable benefits included in latest FRM | (10,600) | (11,400) | (11,750) | (33,750) |
| Updated cashable benefits | (3,025) | (7,537) | (7,994) | (18,556) |
| Difference | 7,575 | 3,863 | 3,756 | 15,194 |

The above indicates that there has been a significant reduction in the level of cashable benefits produced by the programme over the lifetime of the MTFMS.

The following provides an indication of the sort of areas that have changed:

- A review of support of systems saw the original figure reduce by £350,000 per annum.
- Assumptions about savings though contact management by Telephone saw the annual amount reduce by £420,000
- Savings in staff time for storage of information reduced by £105,000 per annum
- Training savings reduced by £336,000 per annum
- ICT integration savings reduced by £392,000 per annum
- Staff efficiency savings around flexible working had been built into the original model along with accommodation requirements.

The review of Axon's cashable benefits was extensive and has introduced greater certainty and clarity with Deloitte playing a key support and advisory role. Deloitte has commented favourably on the thoroughness of the work. Capita also noted that the original information would require 'a robust due diligence process to confirm and validate the expected level of benefit'. This has now taken place.

Costs

As part of the review of costs the amounts required as well as the source of funding have been examined. The latest Financial Resource Model (FRM) underpinning the Medium Term Financial Management Strategy includes revenue and capital financing costs for Herefordshire Connects.

The review examined the costs on a line-by-line basis discovering that for example, some software costs, had been over estimated and others could be reduced because of duplication across the three work streams of Integrated Customer Services, Integrated Support Services and Performance Management.

It was also evident that some costs included could be removed because of changes to assumptions about the programme. The following compares the updated position with the current financial model included in the MTFMS:

| | 2008/09 (£000) | 2009/10 (£000) | 2010/11 (£000) | Total (£000) |
|--|-------------------|-------------------|-------------------|-----------------|
| Assumptions about costs included in the latest FRM | 4,437 | 3,789 | 3,427 | 11,653 |
| Updated costs | 3,873 | 3,337 | 2,793 | 10,003 |
| Difference | (564) | (452) | (634) | (1,650) |

The above table shows that over the three remaining years of the MTFMS the costs associated with Herefordshire Connects against the revenue account decrease by £1.650m. The decrease arises from the removal of some of the backfilling costs and the cost of the Herefordshire Connects core team because these costs are included and spread over the existing cost elements. In addition a confirmed position around rephasing and removal of some costs has been reached following a review by the Deloitte and the core team. However an assessment indicates that an amount of £300k should be retained for backfilling costs.

Whilst costs have been removed from the programme a reassessment of capital finance assumptions has taken place leading to a reduction in the number of years over which capital financing costs can be spread. Costs are now spread over 5 years in line with the council's policy of financing matching the lifetime of assets.

Medium Term Financial Capacity

The key issue facing Cabinet is to address the steps required to finance the programme within the Medium Term Financial Strategy (MTFS). The Members' Reference Group received a full assessment of the position in July 2007 to enable it to commit to the interim agreement with Deloitte but that has been reviewed on a number of occasions since as part of the review of the capacity within the MTFS and will of course be subject to final review as part of the Council's budget strategy for 2008/09. What is clear, however, is that there is a "pinch point" in terms of overall financial capacity in 2008/09 with an improving position for 2009/10 and 2010/11.

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

This will be the subject of further report to Strategic Monitoring Committee as part of the consultation on the overall revenue budget for 2008/09 and the MTFS for 2008/09 – 2010/11.

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

Appendix 3

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

35. Further to the Cabinet Paper of 7 June 2007, this report provides an update to Cabinet on progress in the programme.
36. 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.
37. *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 presented to the Head of Financial Services and the Strategic Procurement &

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

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.

38. 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)
39. 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.
40. 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.
41. 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.
42. 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.
43. 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.

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

44. 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.
45. 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. |

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

| | |
|--|--|
| 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.

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.

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.

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

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

| Doc ref | Heading | CEDAR | SAP |
|----------------|---|--------------|------------|
| 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 |
| | | | |

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550