



Transforming Herefordshire Public Services.

Herefordshire Connects – Technology Selection Update.

12th November 2008

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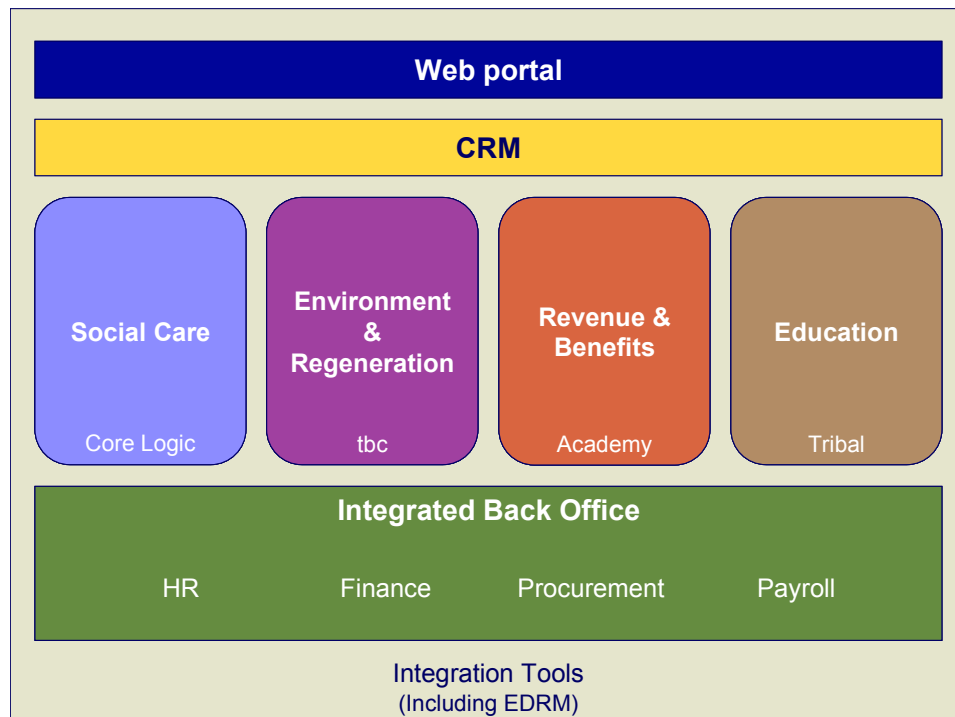
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1 Introduction

The revised vision for the Herefordshire Connects programme is “to seek to radically reduce costs, to help forge a new joint culture of partnership working, rationalise and update systems and infrastructure, and harmonise and improve the accessibility and responsiveness of services to both internal and external customers”

The Cabinet report of July 31st 2008 outlined that to enable the delivery of this vision the Council will need to implement a simplified and integrated set of technology applications, as outlined in the following Application architecture diagram:



To deliver this architecture the Council will need to evaluate and select four new systems:

1. An Integrated Environment & Regeneration (E&R) System
2. An Integrated Back Office System
3. Integration Tools (including EDRMS)
4. A Performance Management System

This report:

- presents an update on all processes and their findings.
- focuses upon the selection process findings for an Integrated Back Office system.

2 Environment & Regeneration

This section outlines the selection process that has been completed for E&R and the resulting recommendation.

The scope of services delivered within these directorates is very broad, including Planning, Building Control, Environmental Health, Trading Standards and Private Sector Housing. The number of suppliers within the market able to support this breadth of functionality is small, with two clear market leaders, Civica and Northgate.

2.1 Assessment Summary

The detailed assessment results are included within our report Herefordshire Connects – Technology Selection, dated 6th October.

Overall it was felt that both systems performed credibly and both could deliver the Council's requirements. However, the assessment indicated that Civica offered a deeper set of functionality on a technical platform which the Council is better able to support and at a lower cost.

2.2 Cabinet Decision

The recommendation was made to Cabinet to proceed with Civica on 16th October. Cabinet agreed this whilst noting it was important that the Council made progress and focused upon ensuring that benefits were delivered.

The following timeline was identified in the report and discussed in the Cabinet meeting:

Project Commences: November 2008

New system live: Late Summer 2009 (August)

Work is now underway to mobilise and begin the project in November.

3 Integrated Back Office

This section summarises the initial Back Office assessment, the reasoning for further investigation around Shared Services, the findings of the investigation and concludes with a summary of the risks and benefits that need to be weighed up in the final decision.

This system will deliver the key corporate services for the Council, and in the longer term potentially the PCT and other partners. These services include Finance, Procurement, HR, Payroll and Asset Management.

3.1 Initial Assessment Summary

A more detailed description of the process and initial assessment results are contained within our report Herefordshire Connects – Technology Selection, dated 6th October. This report describes that of the four companies identified; only two were to be considered further, Agresso and SAP.

Agresso is a lower cost option that scored very well in Finance and Procurement. However, Agresso does not currently have a live Teacher's Payroll, which presents a significant risk. Whereas it can deliver the benefits envisaged in the current ISS business case it may not support the wider benefits originally envisaged by the Connects Programme such as service management and mobile working.

SAP is more complex than Agresso and as a result is a higher cost option. Importantly however, it is market proven across the breadth of the functionality required, scoring highest in HR and Payroll, and can potentially deliver a greater range of opportunities to the Council for further development. A key objective of Connects is to minimise the number of applications, which SAP offers the greatest opportunity to do, as well as tighter integration with the Council's current SAP CRM system. Given the complexity, this option does require investment in developing and maintaining skills.

3.2 Alignment with Shared Services

Upon completion of the initial assessment the Council decided to investigate further the alignment of each solution with the wider Herefordshire Public Services (HPS) objective to deliver efficiencies through Shared Services.

HPS's Shared Service Strategy is currently under development. It is a very broad topic and there are a number of delivery mechanisms evident in the marketplace currently.

The focus of the further investigation was to assure HPS that a chosen solution would not limit the future direction of the Shared Services Strategy – that whatever scope of services this was to include and however it was to be delivered, the solution could support it. Additionally, given that changes towards Shared Services within HPS would be evolutionary, the chosen solution should be flexible between models to limit the cost incurred by HPS as it changes over time.

To inform this further investigation both potential suppliers were offered a meeting with representatives of HPS to discuss the following points:

1. Experience in various shared service models in Local Government and Health.
2. Commercial implications of such models.
3. Experience in tracking and delivering of benefits from shared service engagements.
4. Technological considerations. For example options for hosting, outsourcing etc.

3.3 Shared Service Findings

This section will outline the responses received from each supplier to the points outlined above.

Experience:

Agresso provided a limited number of examples of Shared Services in Local Government, identifying

1. A Shared Service operation being implemented by Liberata which will support the Local Government Association and the Councils of Rushcliffe and Charnwood.
2. A Shared Service operated by Capita for South Oxfordshire District Council, Vale of White Horse and Mendip District Council.

Agresso did not provide examples of other unitary councils which are operating multi-functional Shared Service operations.

They also described their experience in Health, identifying:

1. NHS – Derwent Shared Transaction Processing
2. NHS – Berkshire Shared Services

Agresso described the flexibility and 'Post-Implementation Agility' that is a key focus of the product. This will help reduce the costs of adding additional partners to a Shared Service operation moving forward, or changes to working practices for the existing partners.

Agresso also identified that it has 90 Local Authority customers and 60 Health customers.

Agresso used the same small number of references many times to answer all of the questions posed.

When asked about their view of the future for Agresso in the Shared Service market place, Agresso responded that it is unclear what will happen in the future, but that their solution is flexible and could be adapted.

Commercial Arrangements:

Agresso's approach to licensing is based upon a site licence, which would need to be purchased for each organisation utilising the Shared Service. The cost of this licence is based upon the scale of the organisation. Agresso did point out that their agreement with the OGC defines a point at which the annual support costs will fall from 19% to 18% based upon the total number of customers that they have. It was stated that this point is close but exact numbers have not yet been provided.

Benefits Realisation:

Agresso responded that the delivery of benefits would be the responsibility of HPS and their change partners (Deloitte in the case of the Council). The case studies provided do not identify the actual level of savings made, although they do highlight that there have been efficiency savings.

Technology Considerations:

Agresso responded that their solution can be delivered either internally or externally. Beyond the examples above they also quoted Southampton City Council who have recently outsourced their Agresso platform to Capita.

3.3.1 SAP

Experience:

SAP provided a number of examples of Shared Services in Local Government:

1. Surrey County Council – award-winning Shared Service centre for Finance, Procurement, HR and Payroll.
2. Glasgow City Council – initially used for HR only, this Shared Service centre has evolved to support all services across the Council.
3. Birmingham City Council – the largest local government Shared Service centre in the UK.
4. Trafford Council – evolved from internal silo based use to a full Shared Service Centre
5. South West One (in the process of being implemented) – a joint venture including Somerset County Council, Taunton and Deane Borough Council and Avon & Somerset Police.

SAP has very limited penetration in the UK Health market (one customer in Bath identified) with no Shared Service operations. However, in other countries SAP identified:

1. Republic of Ireland – SAP supports a Shared Service and platform for the entire Irish Health service.
2. The Netherlands – The health service is supported by SAP.

Commercial Arrangements:

SAP's approach to licensing is based upon user licences with different categories of users. In the Meeting Minutes they identify that it will be necessary to confirm the requirements for the PCT and other partners if they were to join a Shared Service operation.

Given that SAP have limited Health customers they were asked if they would be willing to provide a discount. SAP have now responded that they are willing to provide all licences for the PCT free of charge within the overall proposal provided for the Connects programme.

Benefits Realisation:

SAP can work with HPS's change partners in the same manner as Agresso. SAP did also explain that they have a methodology to identify and track benefits that has been developed through their experience with customers over many implementations. They can support the Council and HPS in doing this into the future when the role of the change partner may have ended.

The case studies given by SAP do present savings levels targeted and achieved, which are in line with the expectations of benefits that the Connects programme will deliver.

Technology Considerations:

SAP can be delivered either internally or externally. Internally there are considerations around the ability of the Council to deliver the skills required to support the system. Recognising the need for the Council to develop skills, SAP has offered to supply up to 10% of the initial licence cost back to the Council in the form of free training.

In terms of external provision, SAP is the solution of choice for the majority of the market leaders in the hosting and outsourcing market, including IBM, Cap Gemini, Logica, Capita, Serco and Mouchel.

Additionally, there are also options to look to partner with other external public sector bodies, which would help mitigate the risk and cost of the development of skills internally. Herefordshire has many near neighbours who are SAP users, including Worcestershire County Council, Gloucestershire County Council,

Birmingham City Council and South West One. Other Councils, such as Surrey and Hampshire have also previously expressed interest in the development of partnership working models.

3.3.2 Summary of Findings

The further investigation into the ability of both solutions to support Shared Services identified the following:

Agresso has some limited experience in Local Government, although the only live examples identified are within District Councils. Agresso also identified experience within Health, focusing upon Derwent and Berkshire.

Agresso is used by a limited number of outsourcing providers, the two identified being Liberata and Capita. The outsourcing market for Agresso is less mature and it is not clear how this will develop.

SAP has a much greater range of Shared Services experience in Local Government in the UK, identifying Surrey, Birmingham, Glasgow, Trafford and South West One. The majority of these are already operational and Surrey has received recognition winning Shared Services awards. SAP also identified how a number of these Shared Services had evolved through different stages, in line with the expectations that HPS's requirements will change over time.

SAP has no Shared Service Health experience in the UK, but does provide Shared Services for all of the Irish and Dutch health care systems.

The outsourcing market for SAP is well established, and it is the solution of choice for leading suppliers including IBM, Cap Gemini, Logica, Capita, Serco and Mouchel. Additionally, there are a number of public sector partnership options including Gloucestershire, Worcestershire and South West One.

3.4 Conclusion

The initial assessment identified that both solutions could potentially meet the Council's ISS requirements.

Agresso scored marginally higher for Finance and Procurement, but has a significant risk around the delivery of Teacher's Payroll. Agresso has a slightly lower initial licence costs plus lower expected support and maintenance costs. It is a flexible product, which is expected to minimise the costs incurred through changes in the future.

SAP clearly scored highest in HR and Payroll and is proven across the breadth of the ISS requirements. It will require that the Council and HPS make a greater investment in the skills to maintain and operate the system.

The further investigation highlighted that SAP is a more established and proven provider of Shared Services models, whether internally or externally in UK Local Government. Agresso does have a limited number of references, and does have greater penetration into the UK Health market overall. Although a detailed investigation has not been conducted, there is nothing to suggest that the Agresso software could not support the breadth of Shared Service arrangements – it simply has not yet proved that as widely as SAP in the marketplace.

As identified above, Agresso is a lower cost option in terms of ongoing support and maintenance, which if the Council chooses it should understand that it will be bearing greater risk as:

1. It will be one of the first to use Agresso for Teacher's Payroll
2. It will be the first Unitary to use Agresso to support Shared Services
3. It is not clear how the market will evolve, and whether Agresso will become a more established Shared Services market option.

If the Council chooses the SAP option it is choosing a lower risk option in terms of proven functionality across the breadth of requirements, with greater experience of delivering Shared Services in Local

Government and an established marketplace. The main risk is the ability of HPS to attract, develop and retain the skills necessary to make the most of the investment in the product.

The strategy for Shared Services is not yet clear for HPS. Depending upon the level of ambition that the strategy lays out, the investigation indicates that SAP is better placed to support a wider range of Shared Services models in the future. The Council should weigh up the lower cost of the Agresso option vs. the risks that it entails and the likely level of ambition to deliver Shared Services which may be better supported by SAP.

4 Integration Tools

This section outlines the findings of the Integration Tools Selection Process.

4.1 Assessment Summary

The detailed assessment results are included within our report Herefordshire Connects – Technology Selection, dated 6th October.

Microsoft scored well and offers technical synergies with the Agresso Back Office product. SAP also scored highly and offers technical synergy with the SAP Back Office product. Given that the purpose of these tools is to support the integration of the Council's applications, the choice of Back Office product is a key driver in this selection.

5 Performance Management

This section outlines progress in the selection process that is ongoing for the Performance Management system, the shortlisting of suppliers to date and the fit with the planned business case.

As outlined in our report Herefordshire Connects – Technology Selection, dated 6th October, the Selection process is following the timeline outlined below:

- w/c 1st Sept – Qualification of long list of suppliers and finalise requirements
- w/c 8th Sept – Agree list of suppliers (4-6)
- w/c 15th Sept – Publish Requirements
- w/c 22nd – Supplier Briefings
- 3rd Oct – Supplier responses due
- w/c 6th Oct – Evaluate responses and short list (3). Issue Demo scripts.
- w/c 20th Oct – Demonstrations (24th & 25th)
- w/c 27th Oct – Evaluation
- w/c 3rd Nov – References visits/calls
- w/c 10th Nov – Results of evaluation to Programme Board

This is also a more fragmented market place, with many competing organisations and so less clarity around market leaders. For this reason a wider number of suppliers were invited to participate in the selection process; SAP, InPhase Ltd, Triangle Computer Services, Hitec Laboratories Ltd, Actuate, Covalent Software Ltd, Cognos, CACI Ltd and Microsoft.

5.1 Assessment Summary

The qualification questionnaire was issued to all suppliers. Microsoft and CACI Ltd did not respond within the requested timescales. Responses were received from all of the other suppliers. The responses were evaluated and a shortlist created; Actuate, Covalent, SAP, Triangle and InPhase.

Detailed specification documents were issued to each supplier and responses received on Friday Oct 3rd. These documents were evaluated and this resulted in a shortlisting of two suppliers, Actuate and InPhase.

Demonstrations for these two systems were completed on the 23rd and 24th October.

Following these demonstrations the evaluation of each system was completed. The Council and the PCT scored InPhase consistently higher and therefore that is the preferred Performance Management solution.

6 Programme Roadmap

This section outlines a roadmap for the programme, identifying key streams of work and likely delivery timescales for key systems.

The diagram below updates that presented in the Cabinet Report 31st July 2008. It identifies the three core programme streams:

- Integrated Support Services (ISS)
- Integrated Customer Services (ICS)
- Performance Management (PM)

Upon the conclusion of the system selections decisions these plans will developed in greater detail and the implementation work initiated.

