

**RESOURCES AND PERFORMANCE
SELECT COMMITTEE
DATE: 8 OCTOBER 2020**



**DIGITAL BUSINESS & INSIGHTS
PROGRAMME UPDATE**

Purpose of report: To provide an update on the Digital Business & Insights programme including a summary of the background, objectives, benefits, scope, governance, organisation, plan and key risks.

Introduction:

1. The Digital Business & Insights programme was initiated in July 2019 and has now successfully completed a restricted OJEU (Official Journal for the European Union) procurement process to select a Software-as-a-Service (SaaS) Enterprise Resource Planning (ERP) system and associated implementation partner services. This is a corporate system that will manage the organisation's business critical finance, procurement and HR & payroll processes.
2. The procurement process was commenced following Cabinet approval of the Digital Business & Insights (DB&I) outline business case in October 2019, which was based on the indicative costs and benefits of upgrading or replacing the council's existing ERP system, SAP.
3. Following the successful completion of the procurement evaluation and the identification of the preferred bidder, the business case was updated based on firm supplier costs and submitted to Cabinet in July 2020 to gain a decision to award the contract to Unit 4 for provision of their SaaS ERP software, implementation services and to commence implementation. The implementation services will be delivered by Embridge Consulting, Unit 4's preferred implementation partner.
4. Following Cabinet approval and contract completion, the implementation project formally started to mobilise on 7th September 2020 with the aim of delivering go-live by December 2021. This report provides a summary of what the project is aiming to achieve, how it is being organised and the outline plan for implementation.

Strategic drivers:

5. The DB&I outline business case Cabinet report of October 2019 describes the strategic drivers for this change in full. In summary, the drivers for change relate to the following three main areas:
- Technical imperative – the council's existing server hardware has reached end-of-life and is on expensive extended support, with costs increasing every year. The current system was implemented in 2004, is out-of-date and on an old technology roadmap which will no longer be supported by the vendor, SAP PLC, beyond 2030. This deadline was extended by SAP from 2025 during the procurement process.
 - Transformation agenda – the current system will not enable the council to achieve its transformational ambitions to drive service transformation, improve management decision-making through easily accessible data and insight, and to fully enable a flexible and mobile workforce.
 - Business Operations external customers (e.g. schools) – for the council to retain existing customers of its payroll service and attract new business, smoother back-office processes with improved digital self-service and user experience are required.

Objectives:

6. This is a transformation programme and will include the end-to-end review of the finance, procurement and HR & payroll processes that are in-scope for the new SaaS ERP system. The programme is aiming to deliver this vision...

A step change in the user experience, empowering people with accurate and insightful data for enhanced, intelligent decision-making.

...and the following high-level business outcomes:

- Intuitive digital self-service processes.
 - Increased automation of transactional processes.
 - Single trusted source of accurate and timely data.
 - Improved evidence-based decision making through the ability to slice, dice and analyse data.
 - Increased process efficiencies in back-office professional and administrative support functions.
7. To deliver these objectives, the project will be informed by the following design principles, which have been approved by the DB&I Strategic Programme Board and were included in the July 2020 Digital Business & Insights Cabinet report:
- Maximise self-service for both staff and customers through intuitive and accessible processes.
 - One source of data to inform effective decision making.
 - Ease of access and security through single sign-on.
 - Adoption of SaaS standard best practice processes.
 - Minimum customisation.
 - Opportunities for process automation are maximised.

- Review complete/end-to-end processes to ensure maximised efficiencies.
- Fully exploit opportunities to combine and analyse financial and non-financial data to inform decision making.
- Continuous improvement is embraced - enabled through on-going planned SaaS upgrades – and thus future-proofing our workforce.
- Strengthen our commercial activity and provide flexibility to scale as appropriate.

Scope & exclusions:

Scope

8. In summary, the following aspects are in-scope for the programme.
- Processes - The programme includes within scope the following top-level finance, procurement and HR & payroll processes for end-to-end review as part of the implementation of the new SaaS ERP system.

Finance	HR & Payroll	Procurement
<ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Fixed Assets • Projects • Cash and Bank (including Treasury) • General Ledger • Taxation • Reporting & Planning • Travel & Subsistence • Business Intelligence / Analytics <p><u>Optional:</u> E-invoicing (currently managed by Taulia system)</p>	<ul style="list-style-type: none"> • Planning • Recruit (process optimisation) • Develop • Reward • Retire • Employee Information • Payroll • Business Intelligence / Analytics 	<ol style="list-style-type: none"> 1. Sourcing (below regulatory threshold) 2. Contract Management 3. Order & Receipt 4. Business Intelligence / Analytics

- Unit 4 Public Sector Model – The implementation approach is based on the council adopting Unit 4’s Public Sector Model, which includes predefined Local Government business processes across the solution, with pre-configured build and supporting collateral.
- Users – All Council users of the existing SAP system and existing external customers of Business Operations that use the same system for payroll, e.g. schools and academies.

- Business change – The council will lead on business change, following the approved Business Change & Engagement Approach, but with guidance and support from Embridge Consulting over the course of the implementation.
- Integration – The required interfaces between the SaaS solution modules and the Council's line-of-business systems will be implemented using the Council's existing Dell Boomi integration hub. Detailed interface requirements will be developed by the Integration work stream but will include existing integrations with the Council's SAP system and any new required interfaces.
- Data Migration – All required activities (extract, transform and load) and tools to migrate from the existing systems to the SaaS ERP system.
- Data Cleansing – Cleansing of data quality issues as part of the ongoing DB&I Data Cleansing project. During the implementation project, reports will be developed using the supplier's tools to identify data cleansing issues to be addressed as part of this project.
- Knowledge transfer – The Unit 4 methodology has a strong focus on knowledge transfer throughout with formal upfront familiarisation training, super user and systems administrator training and support for development of end-user training including provision of a training environment. Knowledge will also be transferred and reinforced through the council's involvement throughout the project.
- Hypercare support – Provision of three months of hypercare support, which is an enhanced level of support for the Council during the first three months of using the new system after each go-live.
- Transition to Business-as-usual support – Effective planning and delivery of required activities and deliverables to ensure a smooth transition to the Council's internal support following completion of the implementation project.
- Data archiving – Procurement and implementation of a 3rd party solution to archive legacy SAP data, which is required to be retained but will not be migrated to the Unit 4 ERP solution. The configuration of data archiving requirements for data stored in the new SaaS ERP solution is also within scope of the programme.

Exclusions

9. The following aspects are out-of-scope for the programme:
 - Strategic sourcing (above regulatory threshold), which is currently managed by the Council's In-Tend system. This is currently under review and may be brought into scope.
 - Learning management, which is managed by the Council's SAP Success Factors system.
 - Recruitment, which is managed by the Council's Tribepad system.
 - Orbis partner collaboration - This is a Surrey County Council-only implementation project including the council and the current external customers of SCC's payroll service.

Implementation plan:

Implementation approach

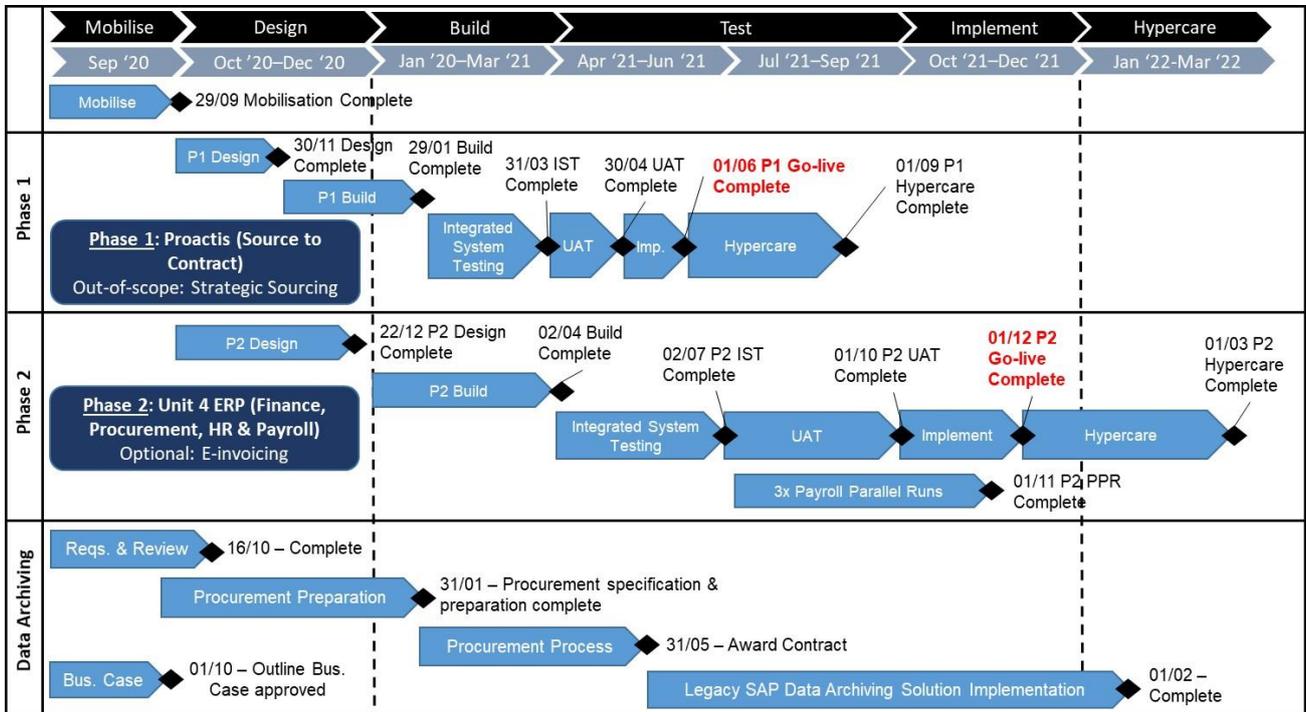
10. The implementation project is based on a two phased approach, with Phase 1 go-live being completed by 1st June 2021 and Phase 2 go-live by 1st December 2021. A phased approach will enable the council to realise the benefits of a standalone solution for procurement sourcing and contract management early in the project, in advance of the implementation of all other finance, procurement and HR & payroll modules by 1st December 2021.
11. The supplier's project approach comprises a series of stages for managing the implementation with controlled progression between each stage using governance gateways. At each gateway the council will need to confirm that the agreed exit criteria, for example completion of key deliverables or satisfactory performance during testing, have been met before the project can progress to the next stage. This will ensure that robust governance control is in place over delivery and that a project stage cannot be started until all key deliverables from a preceding stage have been completed to the council's satisfaction.
12. The project approach will have a strong focus on effective knowledge transfer to the council's team and is based on providing hands-on experience of the new system throughout the project. Embridge Consulting will provide the council's team with familiarisation training at the start of the project, demonstrations of the software throughout the Design and Build phases, full training and hands-on experience of the system during the User Acceptance Testing phase. This approach will ensure that the council's key business users are fully familiar and confident to lead the delivery of training in the new system to end users and that the council's support team acquire the required skills and confidence to support the new system following completion of the post go-live support period.

Outline implementation plan

13. The plan below shows the contractual top-level implementation milestones for Phases 1 and 2. These milestones form the critical path for delivering the implementation project. Other interim milestones covering supplier, council deliverables and communication and engagement align to the delivery of the stages for each phase as shown below but are not shown here for simplicity.
14. The Data Archiving work stream forms a separate parallel project to the main ERP implementation project but with significant interdependencies, particularly in the area of data migration. The Data Archiving work stream timelines shown below are indicative and subject to the approval of an outline business case, delivery of

a procurement process and the agreed timing for the start of an implementation project during 2021.

DB&I Programme – Outline Implementation Plan



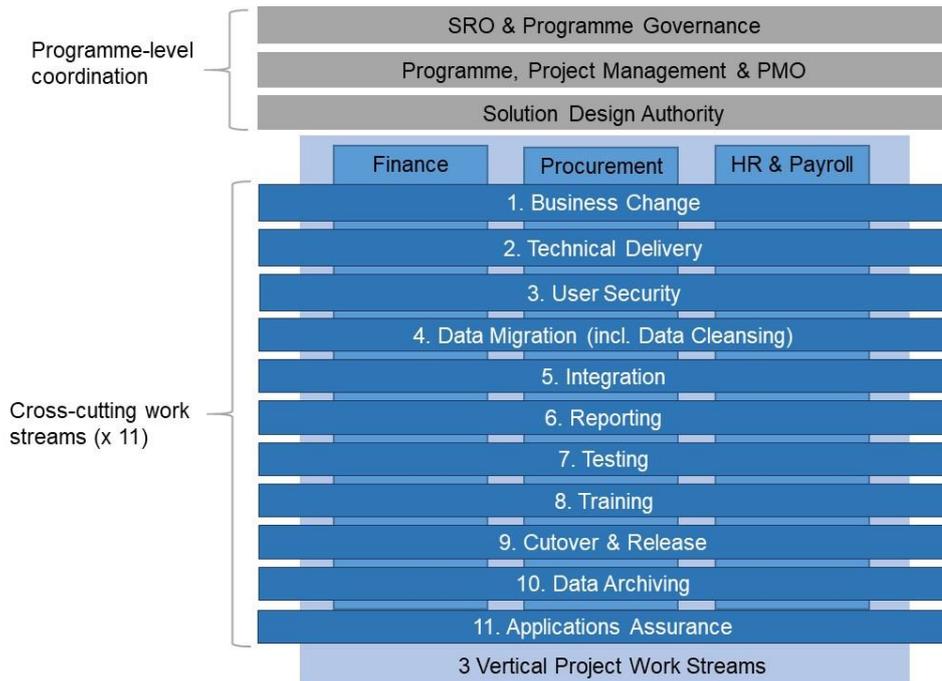
Note: UAT stands for User Acceptance Testing, the final stage of testing where the council will test the solution and ensure it fully meets our business requirements prior to implementation and go-live.

Organisation & governance:

Organisation

- 15. The SaaS ERP implementation and associated transformation will be delivered through one implementation project comprising vertical work streams for Finance, Procurement and HR & Payroll with eleven cross-cutting work streams, coordinated at the programme-level as shown below. Each work stream will have its own Council Lead and team that will work collaboratively with the supplier team.

DB&I Organisation Approach



Governance

16. The implementation project will have a three-tier governance framework including a Strategic Board, Delivery Board and Working Groups as follows:
 - Strategic Programme Board - Accountable sponsoring group with overall responsibility for the effective running of the programme, approving key deliverables and leading the transformational change.
 - Programme Delivery Board - Group with responsibility for driving effective delivery of the implementation, fulfilling the role of Solution Design Authority, managing escalated issues and risks and making delivery decisions that impact across work streams.
 - Functional & Technical Working Groups - Working group for each work stream, tracking progress, making work stream-level decisions and managing issues and risks.

17. The governance approach is based on management by exception, meaning that team members will be empowered to make decisions at the right level in the framework to enable efficient decision-making and to maintain the required pace of delivery.

DB&I Programme Governance Framework

Accountable sponsoring group with overall responsibility for the effective running of the programme, approving key deliverables and leading the transformational change
Meets monthly & as needed

Group with responsibility for driving effective delivery of the implementation, fulfilling the role of Solution Design Authority, managing escalated issues and risks and making delivery decisions that impact across work streams
Meets monthly & as needed

Working group for each work stream, tracking progress, making work stream-level decisions and managing issues & risks.
Meets weekly



18. Additionally, daily update meetings will be run at the work stream level to ensure effective collaboration between team members and to facilitate delivery progress against plan.

Costs & benefits:

19. The total capital cost of the implementation is £14.8m over two years, comprising £3m in staffing and £11.8m in non-staff costs. Of the total capital cost, £6m will fall during 2020/21 and £8.8m during 2021/22. This capital requirement has been added to the capital programme, following approval of the Cabinet paper in July 2020.
20. The total revenue cost of the implementation is £1.9m over two years, comprising £1.3m in staffing and £0.6m in non-staff costs. Of the total revenue cost, £0.6m will fall during 2020/21 and £1.3m during 2021/22. The revenue costs for 2020/21 are being contained within existing budgets and a draw down from the Digital Business & Insights programme reserve, which was set up for this purpose as part of the 2019/20 outturn recommendations. Future revenue implications will be built into the Medium-Term Financial Statement as part of the financial planning process.
21. The high-level identified benefits for the programme are described below. The programme will identify specific benefits, agree benefit owners and manage their reporting in line with the corporate benefits realisation approach. There will be a handover as part of project closure to benefits owners who will be responsible for realising any efficiencies enabled by the programme.

Type of Benefit	Description
Financial Benefit	<ul style="list-style-type: none"> • <u>Cost avoidance</u> - Avoided £4m capital cost of upgrading the existing SAP hardware, which would be required for an in-house hosted solution. • <u>Business efficiencies</u> - Improved processes through automation and self-service, and changes to ways of working will create efficiencies and

(Enabling potential savings)	<p>potentially enable a reduction in back office staff costs in the future within these areas:</p> <ul style="list-style-type: none">○ Professional corporate functions: Finance, HR & OD, Shared Services Procurement.○ Business Operations administrative staff.○ Business support teams within directorates. <ul style="list-style-type: none">● <u>ERP support efficiencies</u> - Improved technologies may potentially reduce the number of IT support staff required to support the SaaS-based technology in the future.● <u>Increased income</u> from new and retained customers of Business Operations due to an improved SaaS ERP user experience.
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Key risks:

No.	Category	Risk Description	Pre-mitigation Rating	Mitigation Activity	Owner
1	Strategic	There is a risk that that Covid-19 significantly impacts implementation team productivity due to constraints on face-to-face working	High	A hybrid approach will be adopted including face-to-face and remote using MS Teams for governance meetings and workshops as required. Covid-19 risk assessments will be undertaken as required for high risk individuals prior to use of allocated office space.	DB&I Programme Director
2	Strategic	There is a risk that there is resistance to change including adoption of the standard best practice SaaS processes	High	Development of a Vision and Design Principles, clarifying the strategic ambition, with strong sponsorship from Strategic Programme Board. Empowerment of the programme's Business Process Leads to make design decisions. Effective governance to control decisions on any customisation requirements.	DB&I SRO
3	Strategic	There is a risk that there is a capacity issue in the corporate business, IT & Digital and directorates to be able to meet their required time commitment to deliver the programme.	High	The business case is based on a dedicated and fully resourced core council project team. Other required resources have and will be requested early from relevant services as part of business as usual support for transformation initiatives.	Strategic Programme Board (Corporate & Directorate Leads)

4	Strategic	There is a risk that dependencies on integration with directorate systems are not effectively identified and implemented, impacting the delivery of end-to-end processes with directorates and benefits realisation.	Medium	Focus on ensuring all integration requirements are identified & included. Directorate representatives are engaged in the programme to ensure dependencies are effectively managed.	DB&I Integration Lead
5	Strategic	There is a risk that dependencies between DB&I and other wider Corporate Transformation initiatives are not managed effectively, impacting delivery & causing confusion.	High	Alignment in communication and engagement and business change management approach between DB&I and wider corporate transformation initiatives.	DB&I SRO (Corporate Portfolio Manager)
6	Operational	There is a risk that there will be a drop in the level of service from Business Operations for the council and other customers during the implementation and early life of the new system	High	Effective business change management and communication with customers to manage expectations throughout delivery of the programme	Assistant Director of Business Operations
7	Financial	There is a risk that the completion of the implementation phase slips into Q4 2021/22, which will result in the council incurring the full cost of SAP support & maintenance for 2022 (£700k), which becomes due in January 2022.	High	Provide notice to SAP by September 2021 to end support & maintenance contract by January 2022. If go-live is delayed, short-term support options will be explored.	SAP Contract Manager

Next steps:

22. Complete the Mobilisation phase through approval of the Council's Project Initiation Document at DB&I Strategic Programme Board on 2nd October and commence delivery of the Design stage in October.
23. Deliver the Design stage by 22nd December, gaining approval for an agreed Solution Design document prior to the start of the Build stage in January 2021.
24. Further updates will be provided to the Resources & Performance Select Committee in April 2021 following completion of the Design and Build stages and in October 2021 following completion of User Acceptance Testing. An additional final update will be provided to the Committee in February 2022 following final go-live and completion of two of the three months of post go-live support.

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Sources/background papers:

- Digital Business & Insights Full Business Case Cabinet Report (July 2020)
- Digital Business & Insights Outline Business Case Cabinet Report (October 2019)