RESOURCES AND PERFORMANCE SELECT COMMITTEE

Monday 1 July 2024 (Remote meeting)

REPORT OF THE DIGITAL BUSINESS AND INSIGHTS TASK GROUP

Purpose of report: To provide the Resources and Performance Select Committee with a detailed report into the findings and recommendations of the Digital Business and Insights (DB&I) task group, which was established on 18 October 2023 to conduct a 'Lessons Learned' analysis of the *MySurrey* ERP replacement project[1].

Acknowledgements:

1. Members would like to take the opportunity to thank all of those who kindly took the time to share their experiences with the Task Group. The associated written and oral submissions were invaluable to the work of the group, and essential to forming the key recommendations and next steps.

2. Any errors, factual inaccuracies or inconsistencies contained within the report are the responsibility of the Task Group alone and not those who contributed their knowledge, insight, and experiences to the formation of this report.

Introduction:

Context

3. The '*MySurrey*' ERP replacement project began in the summer of 2019 when the council learned that the previous software system, *SAP* ERP, was expected to cease to be supported by its provider from 2022. The essential nature of the functions provided by ERP software meant that a replacement had to be sought for a smooth, parallel handover with no period of lost function. The first meeting of the Programme Board was therefore held on 2 August 2019, at which a Project Initiation Document (PID) and framework for Strategic Options Appraisal were approved and a Programme Manager appointed.

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[1] Enterprise Resource Planning software is a category of business management software that typically integrates organisations' key functions such as payroll, HR and employee data.

3.1 Outline Business Cases (OBCs) from the 5 vendors optioned for procurement were then considered, with Cabinet approving the final OBC in October 2019. Unit4 were identified as the preferred bidder in June 2020, before joining the Programme Board alongside their implementation partner Embridge in September 2020.

3.2 A range of alternatives were considered and discounted when Cabinet considered the Outline Business Case in October 2019. These were direct awards to *SAP* for upgrade to either their new Software-as-a-Service (SaaS) or in-house hosted services, and a collaborative SaaS corporate system with ESCC[2] and BHCC[3]. The reasons for these not being pursued are explored in the 29 October 2019 Cabinet report.

4. The project would span four-and-a-half years. The *MySurrey* ERP software officially went 'live' on 6 June 2023, the project officially ending with the transition to the 'Business-as-Usual' project in December 2023. *MySurrey* is now Surrey County Council's sole ERP provision and continues to operate with the support of several helpdesks. It's progenitor, *SAP*, has now been fully retired.

4.1 The 'go-live' date of 6 June 2023 was achieved after 3 previous dates were missed. These were:
   i. December 2021;
   ii. April 2022; and
   iii. October 2022.

4.2 The extent of replanning necessary and consequent changes to the project timeline was financed by additional budget approved by Cabinet on 21 December 2021 and 20 December 2022. The end cumulative cost of the project was therefore £27.9m against an initial budget of £16.6m, equalling an approximate £11.3m (68.1% of the initial budget) overspend against the original forecast cost. The nature of the exceptional circumstances that led to this overrun are set out below.

5. It is important to acknowledge the once-in-a-generation nature of replacing an ERP system, as well as their immense size and complexity. There have therefore been numerous high-profile failures in such projects, in which large-scale authorities often struggle due to the complexity of the different services that they must provide, their workforce size, and other factors.

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[2] East Sussex County Council.
[3] Brighton and Hove City Council.

5.1 Other authorities have experienced problems similar to those encountered by Surrey County Council, with some disputes resulting in publicised overspends and terminations of contract. While the *MySurrey* project was challenging and resulted in an overspend, it has not been as damaging as those of some other authorities and has culminated in the delivery of a functioning ERP system.

5.2 Though acknowledging this, Surrey County Council must still maintain an explicit commitment to the careful safeguarding of public money and take steps to prevent future instances of overspend as occurred on this project.

Task Group Methodology

6. The Task Group was formed by a decision at the October 2023 meeting of the Resources and Performance Select Committee, the Task Group began work with the drafting and agreement of a scoping document, outlining of a work plan & timeline, and formation of a list of witnesses to be interviewed in November 2023.

7. Interviews with key witnesses took place from February to 1 May 2024. A broad range of witnesses involved in the project were interviewed in sessions in which they were asked questions from a list agreed in advance by the consensus of Task Group members. Follow-up sessions were arranged where the group felt they were necessary.

8. The group has drawn on the work of the report produced by Phil Hall, an independent investigator who was contracted by the council in late 2023 to produce a 'Lessons Learned' analysis into the *MySurrey* programme. The group is grateful for his work and the further witness sessions that he also provided, both of which were invaluable in the Task Group carrying out its work in producing this report.

Task Group Aim

9. The primary aim and focus of the Task Group was to gain an understanding of the factors that contributed to the delay in the implementation of the Unit4 product, the additional cost to the Council, and what could have been done to avoid this outcome, with the benefit of hindsight.

10. This report identifies the key issues that emerged from the Group's witness sessions as the priority factors behind the delay and additional cost to the council, plus a set of conclusions and recommendations for Surrey County

Council to consider for future programmes and projects, regardless of size and complexity. These are also intended to benefit other local authorities intending to implement new ERP systems or approaching programmes of a similar scale and complexity.

Executive Summary

I.   **The witnesses all attested to the complexity and difficulty of delivering this programme. Surrey County Council's ability to succeed in having the system 'go live' despite this, and in the face of many failures by other local authorities in the sector, should be recognised as a significant achievement, despite its difficulties.**

II. **The group was struck by the dedication and commitment of those working on the project, both in the council and at the suppliers, within both Embridge and Unit4, whose tenacity, resolve and leadership drove this difficult programme to conclusion. That it took its toll on the wellbeing of many staff is noted, and the Group puts on record its appreciation of the clear effort and commitment that was displayed on all sides under severe pressure, proving critical to achieving 'go live' in June 2023.**

III. **The DB&I programme suffered a large increase in budget, with an end cost to the Council of £27.9m against an initial budget of £16.6m. 'Go-live' was originally intended for December 2021 and eventually achieved in June 2023, some 18 months behind the original target date. Delays to the programme have had negative impacts on staff, partners and on the council's reputation, and there have been a significant number of problems to resolve after project implementation, particularly in Payroll. Additional technical and '*business-as-usual*' support to manage these issues has been required, incurring significant additional cost to the council.**

IV. **The Group's conclusions with respect to why the programme ran late and over-budget can be summarised as follows:**

* **The overall <u>complexity</u> of the programme was underestimated, and an unrealistic timeline of 15 months, set at the beginning of the project, proved damaging.**

* **A lack of <u>business readiness</u> across certain council functions made delivery of the new ERP system in 'vanilla', unmodified form difficult, creating greater problems in Payroll, HR and schools as the project developed. The absence of this readiness was demonstrated in the poor understandings of the '*as is*' processes that were already in place, data processes and quality, and the business requirements of different council services and teams. One interviewee expressed this by**

referring to the council's unpreparedness for change as "…the council failing the project."

- **The Covid-19 pandemic played a significant part in the project's difficulties, particularly as user engagement was made much more difficult by extended periods of unprecedented remote working adopted by all parties. This had a material impact on the volume of late change requests submitted during the *Design* and *Build* phases of the project, which undermined the programme in its later stages.**

- **In hindsight, the programme was driven too greatly from a '*technology perspective'* rather than one centred on business transformation, with insufficient focus and ownership by leadership of the significant behavioural change required to adapt to the new ways of working imposed by the new ERP system, specifically the adoption of a self-service model.**

- **The *fixed-price* nature of the contract proved problematic. While the council had decided to procure on this basis, it arguably drove commercial considerations which fuelled an overoptimistic approach and disincentivised early and effective replanning to take account of complexities as they arose. An alternative or hybrid approach to contracting may have been beneficial in driving more constructive behaviours, but instead the project was locked into less effective working by aspirational dates rather than achievable ones.**

- **Community schools should have received more focus through dedicated workstreams, especially in communications and engagements, to have better facilitated a deeper understanding of their requirements and infrastructure limitations at the outset. The decision to exclude academies and multi-academy trusts from the project was correct, but taken too late.**

Project complexity & achievability of implementation timeline

V.   **At the heart of the delay and overspend of this programme is the fact that the overall complexity of the project was not fully appreciated by any party at the project's outset, or reflected in the original implementation timeline and expectation of 15 months**. This ultimately proved unrealistic and damaging, with more time required to attend to complexities as they came to light throughout the project. Witnesses universally attested to the fact that, with hindsight, the project was always going to require more time and money than originally envisaged, as unrealistic implementation expectations formulated at

the outset and collectively adhered to throughout damaged stage control[4] measures. This resulted in a tendency to progress through programme stages with issues unresolved, and to run core project stages concurrently.

VI.   **The commitment of the programme board, programme team and implementation partner to keep the programme on track and in-line with the original timeline and budget, while to be commended, resulted in the continuation of the project despite significant problems mounting. This led to 3 missed 'go-live' dates and contributed significantly to 'user fatigue', which led in turn to a lack of focus on business readiness and user preparations for transition.** The *SAP* contract's expiry deadline and the consequent need to replace a system approaching obsolescence were driving factors. The political context no doubt also played its part, with all stakeholders conscious of the potential politicisation and public nature of any perceived failure. However, in hindsight, a more cautious approach would have been beneficial, with more realistic expectations set earlier once the scale of the challenge was clear. It should be noted that this would also have led to an extended programme timeline and cost which may, to some extent, be inevitable.

Business Readiness:

VII.   **Business readiness emerged as the key issue which could have made a material difference to the time required to complete the project and its eventual cost**. The lack of understanding at the outset of the way the Council was using *SAP*, the weaknesses in its internal processes and the underlying data were key factors in the complexities that arose, the numbers of change requests made and, ultimately, why the programme ran late and over budget as myriad problems (notably with Payroll) became apparent throughout the programme and had to be addressed. Witnesses highlighted a good understanding of the '*as is*' position, as well as any weaknesses in existing functions and operations, as an essential pre-requisite to commencing a programme of this size and being able to set realistic implementation expectations at the outset. This can be achieved through thorough '*Target State'* versus '*Current State'* analyses, and utilisation of a 'Phase Zero' roll-out that undertakes a full audit of business readiness as part of a pre-procurement exercise.

VIII. **Future projects of a certain scale and complexity should only be undertaken after a robust business readiness assessment to test the 'health' of the affected services' functions, as a prerequisite.** This will allow for the effective resolution of issues ahead of project initiation or permit them to be fully factored into the implementation plan, while any that continue to affect implementation are better owned and understood by leadership in the

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[4] Procedures to ensure that the different stages, or 'phases', of a project are only exited and entered at the appropriate time, usually only after the satisfaction of a number of pre-agreed entry or exit criteria.

Programme Board, better facilitating challenge of unrealistic targets and timelines.

Covid and User engagement

IX. **Covid was another key factor in the difficulties and delays experienced with the programme.** Witnesses highlighted the difficulties of delivering such a programme in the context of a prolonged period of mass home-working, to which people were not yet accustomed. This affected the level of user engagement during system development, particularly during the *integrated systems testing* phase, where knowledge transfer to council staff was vital and likely greatly reduced. The likelihood of staff working uncommunicatively in disconnected 'silos' therefore increased.

X. Lack of engagement at this phase of the project meant that real learning and knowledge transfer on the part of users only started in earnest with *User Acceptance Testing* (UAT) in July 2021. Seven rounds of UAT would eventually be requested, reflecting the lack of early staff exposure and engagement with the system, and which contributed to the delays. Earlier user engagement might also have mitigated the large numbers of change requests which were submitted in the later stages of the project, particularly in relation to HR, Payroll, and schools, and which became increasingly difficult to manage. The contract specification required that the Integrated Systems Testing would be carried out by the supplier, likely exacerbating the low degree of user engagement and collaboration that arose from the pandemic restrictions.

Behavioural change

XI. The programme was too greatly driven from an '*IT and technological*' perspective, with insufficient focus on, and ownership of, the requisite behavioural change - more work should therefore have been undertaken to educate and support staff in how the processes performed in their role would change. The move from *SAP* to a 'software-as-a-service' tool like *MySurrey* represented a transformational shift in ways of working for all end users, as the new system did not simply just appear different but is based on fundamentally different principles of design and operation. The enormity of the changes that this would impose on the organisation was not adequately communicated to staff, and sufficient recognition and ownership of this was not present among senior management. While a lot of training was undertaken in the earlier project stages, later project replans meant that training and engagement lost accuracy and relevance by the time of implementation, exacerbating problems after 'go-live'.

Mitigating factors

XII. These conclusions should be balanced against several important contextual factors. The evidence gathered demonstrates that many of the procurement and programme management structures and methodologies put in place were sound. *MySurrey* benefitted from a clear and robust management structure, staffed with experienced senior officers that engaged in thorough work informed by comprehensive reports. The supplier emphasised the high standard, quality and thoroughness of the Surrey County Council procurement process, which was compliant with best practice, with a clear and thorough requirements specification. While this work to understand the requirements of a new system in the corporate structure was comprehensive, it is clear that the understanding of the processes in place at the time, and the degree of manual adjustment and customisation that these relied on, was lacking.

Key Recommendations

XIII. The Task Group's <u>priority recommendations</u> most relevant to local authorities undertaking a project of similar scale or complexity are:

I. **A robust <u>business readiness assessment</u> to test the functional services' capacity to receive any new system should be a prerequisite of any other programme of this scale or complexity, with weaknesses ideally addressed in advance or, if not, factored fully into the implementation plan, thus <u>enabling a realistic implementation timeline to be set</u>.**

II. **Ensure that there are <u>stronger links between board representatives and their service users</u> to deliver a better understanding of service weaknesses and issues at leadership and Programme Board level. This can be achieved by implementing clear workstreams and sub-boards, chaired by Board Member service leads, for resolving in-function issues. This would help mitigate the risk of disconnection and over-optimism among Board members concerning challenges faced and the likelihood of meeting deadlines.**

III. **Greater focus should be given to the <u>behavioural change</u> aspects of implementing new systems and the impacts on users who may be required to work in new ways, ensuring the provision of more, better-timed training, education and support for staff.**

IV. **Ensure that the council has sufficient leadership capacity to manage a programme of this scale and complexity by appointing a <u>full-time senior responsible owner (SRO)</u> within the organisation to work alongside the Programme Director. This should be a distinct, full-time senior leadership role for an experienced individual at the level of council leadership and should not be performed by someone with**

other significant time commitments. This role should work closely with the Programme Director to provide strategic direction, helping the Director to focus on managing and directing the programme itself, while the SRO engages with senior leadership and helps to ensure adequate resourcing and ownership among management.

The following section provides further detail of the key issues that emerged which underpin these conclusions and recommendations. More detailed recommendations are set out later in the report.

Key issues emerging from witness sessions

A. ACHIEVABILITY OF IMPLEMENTATION TIMELINE

11. The *MySurrey* project was begun in earnest in 2019, after an Outline Business Case was submitted to Cabinet on 29 October in response to learning that the predecessor system would no longer be supported beyond 2025. In order to protect the council's core Finance, HR, Payroll and Procurement functions, the search for a replacement began and the costing of various options resulted in the Full Business Case reaching Cabinet in July 2020. After a bidding process that alighted on the self-service Software-as-a-Solution (SaaS) system offered by Unit4 and Embridge as the best option for the council's requirements, those partners joined the Programme Board in September 2020.

12. As realisation of the project was then embarked upon, a provisional implementation timeline of 15 months was worked to. This originated in pre-procurement and strategic options appraisal (SOA) advice provided by a company named Moore Stephens Insight, whose services were procured to

provide specialist advice on implementation of a project of this size. While such a timeline was technologically possible, the 15-month target has been widely identified in this review as unrealistic and unachievable for an authority of such a size and complexity as Surrey, and may therefore have been damaging to the work of those involved.

13. While technically possible, it is important to note that the key determinants of realising a project of this scale were business readiness, staffing changes and the readiness of the user community, and the unpredictable effects of the Covid-19 pandemic. Given that the council was also intending to provide an ERP solution to hundreds of schools at this stage of the project, a 15-month timeline now appears unlikely to have been achievable. Experience across the sector demonstrates that this was a highly optimistic timeline and assumed that there would be very little difficulty in implementation, hypercare, and ongoing support. While SCC was following the advice that it received at the time, it should now be emphasised that projects of this size and complexity are unlikely to be able to be completed in such a time frame. **We would hope that this knowledge has now been fully appreciated throughout the local government sector, after numerous high-profile failures by local authorities – some on ERP replacement projects - that have been more reputationally and financially damaging than our own overrun implementation.**

14. It should be emphasised that the 15-month timeframe was driven by the *SAP* contract expiry deadline and the fact that the old system would soon cease to be supported. The final 'go live' date of 6 June 2023 was determined by a number of factors, including the imminent decommissioning of *SAP* and the fact that the platform was becoming unstable, with Surrey County Council working increasingly at risk.

B. LACK OF BUSINESS READINESS

15. The council's business readiness at the inception of the project was one of the themes identified most prominently throughout this task group's research and witness sessions. The group identifies this as a key weakness and contributory reason for the project not meeting its original timeline.

16. It is important to recognise the well-structured, energetic and professional nature of the project throughout its course, which was one marked by a positive engagement and desire for change within the leadership. This benefitted from a well-structured management apparatus staffed by experienced senior officers employing a robust programme management methodology. Nevertheless, it appears that several key steps to prepare Surrey for a change of the scale of an ERP replacement had not been accomplished. These include:

   a. Gaining an understanding of the scale of work involved and the project's potential risk;
   b. A survey of the variety of processes and capabilities of infrastructure within schools and MATs (multi-academy trusts);

    c. Gaining an understanding of the range of bespoke customisation to which *SAP* had been subjected, and on which core business functions relied;

    d. Appropriate & accurate user training and involvement of subject matter expertise in the process; and

    e. Measures to improve data 'cleanliness', migration procedures, and ownership.

17. Some of these areas are examined in greater detail in their dedicated sections, but all contributed to an atmosphere of organisational unpreparedness that would prove damaging to an authority embarking on a project of the scale of replacing an ERP system. This was despite the hard work of everyone involved initially to deliver the project on time and to cost, as well as that of those who arrived on the Programme Board later in the project with the aim of recovering the project after 'go-live' dates had been missed.

18. The most resounding consensus of this Group and of all those spoken to for this review is that business readiness was the area of the project that would most have benefitted from being addressed beforehand. Witnesses noted that extensive process mapping was undertaken for each functional area during the *Design* phase, in accordance with normal project management practice. These helped to build an understanding of what would be required of the new ERP product, though many of the core functions that the system would perform were easily theorised given that many of them were already extant core HR and Finance functions performed by the *SAP* predecessor system.

19. Witnesses indicated that further detailed mapping of existing *SAP* functions and processes would have had limited benefit, but accepted that this work had not resulted in a sufficient understanding at management level of the *SAP* 'workarounds' that were in place, and that a different sort of assessment would have brought this to light. Evidence gathered pointed to the clear need for an assessment of the 'health' of the functions to be affected (HR, Payroll, Finance, Procurement, Purchasing, Pensions) in advance so that high-risk or poorly performing areas could be identified with weaknesses addressed in advance where possible, or if not, factored fully into the implementation plan.

20. One area where a service's pre-existing operational issues would come to light later was in Business Operations, specifically in Payroll, where there were pre-existing concerns and issues with the delivery of a fully accurate service under the legacy *SAP* system. Foreknowledge of the deep-seated issues here would have helped the Programme Board better plan the implementation of the new solution by giving them the opportunity to account for this in their implementation timeline. Instead, the challenges facing Payroll remained unknown for some time, and processing backlogs that were later discovered would further hamper implementation. This is an example of an area where it was less the new solution or factors surrounding its implementation as such, but pre-existing business practices, processes and systems that were injurious to the delivery of the project. This therefore offers a key example of the effects that the lack of appropriate levels of business readiness had on project delivery.

21. Since implementation of *MySurrey,* a 'payroll improvement plan' has been initiated. This was previously discussed but not implemented. With hindsight, this plan should have been undertaken prior to the implementation of a new ERP system and would have had a significant impact in minimising disruption.

Recommendations:

- **Recommendation: A robust <u>business readiness assessment</u> to test the functional services' capacity to receive any new system should be a prerequisite of any other programme of this scale or complexity, with weaknesses ideally addressed in advance or, if not, factored fully into the implementation plan, thus enabling a <u>realistic implementation timeline to be set</u>.**

C. ISSUES ARISING WITH PROGRAMME MANAGEMENT

Context

22. Evidence gathered has demonstrated that many of the procurement and programme management processes, structures and methodologies put in place were sound and followed best practice. Investment was made in securing programme management expertise and a highly capable programme director with extensive experience in delivering highly complex projects was appointed. The Council put in place an experienced programme team that undertook regular reporting to the Programme Board which included use of 'RAG'-rated[5] reporting to grade areas by level of concern. Despite the extensive programme management structures in place however, the group identified concerns in several areas of programme management.

Lack of Stage Control

23. As was dictated by best practice in an ERP replacement project of this scale, an implementation timeline was created, which divided the project's entire span into discrete stages. This is reproduced below:

DB&I Initial Programme Plan

Source: Project Initiation Document approved by Board October 2020. Shows Phase 2 (ERP comprising Finance, Procurement, Hr & Payroll) only

Mobilise	Design			Build			Test						Implement		Hypercare		
Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Mobilise	Phase 2 Design			Phase 2 Build			Integrated System Testing			User Acceptance Testing			Implement		Hypercare		
										3 x Payroll Parallel Runs							
														Planned Go-Live 01/12/2021			

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[5] 'RAG', or 'Red, Amber, Green' ratings are a project management tool that grade areas of concern and corresponding actions according to a three-tiered traffic light system, with 'Green' signifying least concern, and 'Red' denoting the need for immediate action.

24. As can be seen in the above diagram, this initial plan foresaw the different stages of the project as running consecutively with no overlap. As pressures mounted over the course of the project, interviewees concurred that the discipline of managing this stage control was weakened, leading to instances of different phases being run *concurrently* in an attempt to save time and increase the chance of successful delivery to the planned 'go live' date.

25. This was seen in the work surrounding HR transactional processes, where issues with the solution's design were recognised in the *Build* phase, necessitating that the *Design* phase be returned to so that issues could be addressed. Delivery pressure and time constraints resulted in a view that there was too little time to pause the *Build* work and return solely to the *Design* phase in the usual manner of running project phases without overlap. Maintaining pace was therefore felt to be paramount, and the Programme Board allowed *Design* work to continue into the *Build* and subsequent *Test* phases, with the agreement of the implementation partner, resulting in some functions completing the *Test* phase while others were still in *Design*. As the Programme Board moved from rating the programme 'Green' in June 2021, through 'Amber', before reaching a 'Red' rating in November 2021, this simultaneous running of different core project phases would become a defining feature, and one which the work of this Task Group has revealed as particularly injurious.

26. It is understandable that the Board would consider making this decision in the face of such mounting pressures to deliver a project implicating vital core business functions, though it is important that the consequences of this decision are fully understood.

Testing regime

27. One area impacted was testing. With some functions arriving for testing while others were being retroactively rebuilt and/or redesigned, normal testing regimes could not be embarked upon without selective adaptation. This confused the overall integrity of the testing process, and made delivery of a fully tested product very difficult given the volume of redesigns that had to be accommodated. Experience after the successful 'go live' in June 2023 shows that, despite the extensive testing activity that took place, testing did not identify large numbers of issues and problems that have subsequently become apparent and which have necessitated significant additional technical and helpdesk support at further cost to the Council.

28. Concern about the number of change requests appears to have been first expressed in the Board's reports in July 2021, before it was recognised in September 2021 that delays in the *Design* phase were hampering the ability to begin user acceptance testing, leading to delay.

29. The first move to a '*Red*' RAG-rating by the Board in November 2021 occurred alongside acknowledgment that test cycles 3 & 4 were overlapping, with the latter cycle starting late. This began the period of recognition by the Board of significant risk to the project's delivery, with a period of consistent *Red* and *Amber* ratings that ran through to October 2022, a period which saw test cycles

begin to commence late, tests delayed to subsequent cycles and reports of higher volumes of issues. The fact that the most acute period of the project's difficulty was characterised by this breakdown in stage control demonstrates the defining impact that this trend had on the project.

Impact on Training

30. Training was also affected by redesigns and unclear stage control. Provision of training to *MySurrey* end user staff was built into the original project timeline, with a training approach approved at the 6 April 2021 Board meeting, despite the fact that an update to the Resources & Performance Select Committee meeting of 18 March 2021 acknowledged that preparation for training and development of training materials still needed to be undertaken. The same report notes that training materials would be developed simultaneous to the training needs of the end user community being analysed.

31. This may further indicate a somewhat inappropriate optimism concerning the course of the project and the likelihood that key preparations would encounter challenge, as was noted earlier. Despite this, the key issue with the effectiveness of training has been identified as the impact of the aforementioned redesigns. While user training programs began delivery in June 2021, system redesigns meant that training became irrelevant or incorrect, as the system on which staff were being trained was still undergoing fundamental alteration. Witnesses spoken with for this review have voiced strong consensus that this was a key factor in limiting user engagement, as users' familiarisation was made much more difficult by that fact that familiarisation with the end-system was near impossible until it was finished, late in the project's timeline. With a high volume of change requests leading to a considerable degree of system alteration through late 2021 and early 2022, even system programmers working in the *Design* and *Build* stages had difficulty gaining a clear visualisation as to how any given process would work. Reports suggest that the council's delays in finalising the '*to-be*' processes, especially in certain HR processes, exacerbated these issues and caused additional frustration among users.

32. In addition, the mounting pressures on the project meant that training resources could not be adequately prepared and any training given to users lost accuracy as the system was changed. This resulted in staff being inadequately prepared for the system that they would be expected to use, with the training sessions eventually implemented far behind schedule after redesigns ceased. Taken alongside the scepticism among the user community after several missed 'go-live' dates, issues with wider user engagement and fatigue among many involved in the project, the absence of a robust training offer exaggerated issues with a user readiness that was already below that required.

33. It is important to recognise the challenging set of circumstances in which both the council and the suppliers found themselves working, and to commend both Unit4 and Embridge for agreeing to make extensive alterations to the system at such a stage in the programme. Naturally, however, this course would not have been chosen at the outset by either party, both of which were aware of the importance of disciplined stage control procedures. An October 2020

Programme Update report to the Resources and Performance Select Committee states:

> i. *"The supplier's project approach comprises a series of stages for managing the implementation with controlled progression between each stage using governance gateways.*
>
> ii. *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.*
>
> iii. *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***."*

34. Other contemporaneous reports from earlier in the project clearly demonstrate that all parties were aware of the importance of disciplined stage control to ensure that key project stages were run consecutively. Nevertheless, the decision was eventually taken to allow project stages to run concurrently. This is not entirely unprecedented, and multiple interviewees noted that they had previous experience from other projects of this being done when appropriately dictated by a risk-weighing exercise. Witnesses highlighted that it was not uncommon to take a risk-based approach and for some incomplete actions, not considered to be on the critical path, to be carried forward in order to maintain the momentum of a project. Given the delays resulting from the requested redesigns, Unit4 and Embridge were faced with a choice between refusing the council's requests for redesign, acceding to the requests while running the project in the original way and thus replying to the council with a much-extended project timeline, or responding to the time pressure by attempting to run key stages simultaneously. Eventually the volume of changes requested became unmanageable and a decision had to be taken to stop and 're-baseline' the project.

Late Change Requests

35. Witnesses attested to the fact that the large numbers of change requests made late in the process reflected a lack of quality user engagement early on, in part due to the restrictions of the Covid-19 pandemic and remote working, but also due to contract specifications that required Integrated Acceptance Testing to be supplier-led. This disincentivised meaningful engagement with design at a key stage which, with hindsight, proved a mistake.

36. The large number of late change requests made and the decisions to accommodate them by relaxing the principles of stage control was ultimately deleterious to the project and the authority. However, these decisions were made pragmatically to maintain momentum towards 'go-live', with the ultimate aim of delivering a complex and essential project on time. Stakeholders noted that changes could have been refused but that this would have incurred additional time and cost.

Pressures of a political environment

37. It is useful to make reference here to another pressure that likely contributed to the feeling that the project must continue in the face of mounting pressures and risks, namely the unique pressures of operating in the political and democratic environment of a local authority. While a private enterprise would naturally also be averse to missing delivery and budgetary targets, a public body such as Surrey County Council bears a greater risk of reputational harm, either from press coverage of the issues with such a project in their own right, or from publicity in response to attendant political discussions in the open forum of council meetings. The possibility that this may encourage inappropriate reactions to programme risk should be considered for future projects.

Recommendations:

- **Recommendation: Future projects should employ <u>greater discipline in stage control,</u> even where there may be time/cost impact.**

- **Recommendation: The Council must ensure that <u>robust testing strategies</u> are in place for all projects that require them, ensuring strong environment and data management practices are in place to support this. Testing of new systems, processes and products should not be exclusively supplier-led, benefitting from heavy participation and design by council officers.**

- **Recommendation: The council should make available <u>independent assurance and monitoring of stage control procedures (in projects of any size, if deemed necessary)</u> by a third party (or possibly Internal Audit) to ensure projects have met all relevant entry and exit criteria before progressing to another project stage along their critical path, and to support the programme team and board in making good stage control decisions.**

- **Recommendation: The council's Transformation Support Unit should review existing protocols around effective *testing regimes, programme stage control,* and *environment management,* and make recommendations to the Resources & Performance Select Committee to help address the issues that occurred in this project and best ensure they do not reoccur in future council projects.**

- **Recommendation**: **Local authorities approaching ERP implementation programmes should secure <u>in-house ERP knowledge</u> of the target system to improve internal understanding of the product, promote understanding of the issues, support effective decision-making and aid in anticipation of any issues.**

D. ISSUES ARISING WITH LEADERSHIP AND GOVERNANCE

38. The governance model employed throughout the programme was adopted upon agreement by the DB&I Strategic Programme Board in 2020 and prescribed a Programme Board chaired by the Executive Director of Resources as the Programme Sponsor. It included senior management representation from all key corporate areas, and the typically monthly meetings were well attended, with structured agendas, actions recorded and delegated, and progress tracked.

Links between the Programme Board and Service Users

39. The adoption of this structure was well managed and scrutinised, though there are several ways in which the governance arrangements could have better benefited the project. A strongly emerging theme of this review is that stronger and more formalised links between the Programme Board and Subject Matter Experts (SMEs) would have been beneficial, allowing the senior management representatives on the Board to gain a deeper and more complete understanding of the challenges that the project would encounter. While the Highlight Reports received by the Programme Board carefully tracked the project's milestones, risks and issues, it appears that there were some points that did not appear in these reports, despite being ideal for inclusion. It may be the case that the more granular or operationally nuanced issues of which SMEs would have been aware did not appear on these reports as those staff lacked a forum with which to share them with Board members. It should be noted that a greater variety of meetings were arranged as the project progressed, such as the updates on one functional workstream at each meeting (included in Board meetings from Autumn 2021), and the weekly meetings arranged by the Chief Information Officer with his team and the Programme Director once concern with project progress increased. Various interviewees chorused the strength of holding a greater number of more informal meetings, a practice that was adopted later in the project.

40. This demonstrates that the project's leadership were responsive in meeting governance challenges as they became apparent, though having these arrangements in place at inception can now be identified as better practice. This could be pursued through the implementation of formal workstream boards within the governance structure, as other organisations have employed in ERP implementation projects. These can be chaired by a Board representative and attended by SMEs and other Programme Team colleagues, as well as the suppliers, helping to engender proper responsibility and accountability for issues by a Programme Board representative, relieving the reliance on the Programme Team for reporting of all operational issues, and formalising the structure for communication and resolution of issues. The incorporation of expert understandings that this model helps to facilitate would be more likely to detect

and resolve some of the operational issues that affected the *MySurrey* programme, such as the operational issues with Payroll, backlogs in that department, and the concerns of schools' staff in how the new system would work for them.

41. The absence of these linkages between subject matter experts and members of the Programme Board therefore contributed to an atmosphere in which certain key issues, such as those listed above, went unresolved. This aspect of the governance structure may therefore have contributed to a degree of optimism about the nature and number of problems which the project was likely to encounter, thereby falsely inflating the Programme Team's understanding of the likelihood of meeting deadlines and thus affecting their reports to the Programme Board.

Board ownership of the vision and of driving the behavioural change required

42. The Board continued to hold meetings with structured agendas at regular intervals, with actions and issues taken away from each one, though the nature of the feedback of information from SMEs meant that they did not have sufficient sight of issues that would affect the project. This is also seen to have impacted the way in which the leadership took 'ownership' of the vision for the programme and communicated this to staff and users through messaging. While members of the Board understood the transformations that the usage of *MySurrey* would involve, there were areas of this which were sometimes not entirely understood by less senior staff members. This was observed in end user communities, such as the schools' staff who did not fully appreciate the changes that a self-service system like *MySurrey* would bring, and some of those working on the design, where attempts to influence the design in the direction of *SAP*-like systems were observed. There is a range of evidence which shows that it is likely that many staff did not fully understand the ways in which *MySurrey* was intended to be transformational, deliberately working very differently to the legacy system that it would replace.

43. The Advocacy Network of *MySurrey* end-user staff that was put in place has been recognised as a good example of best practice and what would be a key means of bringing members of that community along by communicating with users. Stronger links between users and the leadership, and stronger messaging from the leadership to the user community, should however be recommended. Such messaging would have allowed the Programme Board to clarify to users how different the system was intended to be and advise that users expect a self-service model that was profoundly different from the way of working to which they were accustomed. Proclaiming this in clear messaging earlier in the programme would have foreclosed certain issues before they emerged, allowing staff to raise and resolve concerns in a less problematic way. The lack of clarity on this issue appears to have allowed some staff, both users and those involved in design, to continue to believe that the manual adjustments and modifications to which *SAP* was regularly subjected would be possible with *MySurrey*. As this is not the case with an SaaS-type (Software-as-a-Service) ERP solution, it is a recognised feature of their implementation that an organisation's processes change to accommodate the functionality of the new ERP, acknowledged as follows in the July 2020 Full Business Case to Cabinet "*[..] to ensure the*

organisation's leadership fully sponsors this principle and the programme team has a clear mandate to drive and support the organisation through the change.". Training for Programme Board members as to the importance of engaging staff and providing ownership and leadership for change in this way is necessary in future projects.

44. It should be recognised that the governance structure of the project also had the challenge of adapting to the many difficult changes imposed by the Covid-19 pandemic, including acclimating to unprecedented remote working, as well as the strategic, political, process and cultural change that is inevitable in a local authority over such a long project timeline. These challenges may have made it difficult for Board members to take full ownership and offer total engagement to the project at certain times, with new working procedures and the turbulence of the pandemic meaning that diaries were regularly full and many services strained. Engagement and awareness were likely also impeded by the restriction on holding any in-person meetings, with all meetings taking place remotely due to national restrictions, which may also have been the reason that SCC and supplier programme managers for a time gave their updates to the Board separately, rather than collaboratively (though this was later changed). It is likely that hybrid meetings would be the default if the Programme Board were meeting today, with in-person attendance encouraged.

45. Generally, a sense emerged from witness sessions that Programme Board discipline was good but that Board level ownership of the issues arising and the work required to resolve them was lacking. A change did take place later in the programme with a notable shift amongst senior stakeholders from observing to owning the success of the project.

Reporting

46. The Task Group noted some changes in the ways in which the Programme Board received reports over the course of the project. Strengths of the initial reporting model were their regularity, the consistency of attendees in all parties, and comfort in discussing key issues directly – there are a wealth of Programme Board Highlight Reports from each year of the project, all of which include trackers closely following risks, issues and dependencies. This reporting methodology is a robust one that was well-implemented by the Board from early in the process. Nevertheless, the unusual characteristics of this project meant that this style left the Board less well served as the project progressed. As the project began to encounter difficulties in 2021, replans and go-live dates would increase the pace of work and create an atmosphere in which confusion was more likely. By late 2022, this trend had developed such that hourly changes in programme fundamentals were common. This meant that drafting reports for Board meetings a number of weeks in advance became difficult, as the author would have no means of knowing how vital information would almost certainly change before then. While professional, thorough and high-quality Project Board reports were still produced during this period, interviewees noted that this tendency may have meant that reports took on something of a 'forecasting' role given the rate of change throughout the reporting cycle. This 'information-lag' aspect then went on to affect the reporting to other committees, meaning that

councillors may have been receiving information that would have benefitted from review at certain stages of the project.

47. This mode of reporting gave way to a method more reliant on weekly informal meetings that allowed the Board to be more agile and candid, in which it has been made clear that risks and issues were constantly under prudent discussion. Board members were engaged with individually before and outside of the meetings, which would then galvanise smaller meetings between senior officers and members of the Programme Team to discuss specific items '*RAG-rated*' as Amber or Red, and the mitigation path that would be used to provide a solution.

Leadership capacity

48. Irrespective of the impositions of the Covid-19 pandemic, ensuring full and adequate resourcing of leadership is recommended for future projects. While those in governance roles were unquestionably dedicated to this project, ensuring those in these positions are best able to carry out their responsibilities is in the council's interest for all future projects - considering the provision of a separate full- or part-time Senior Responsible Officer role, separate from the Programme Director, for future projects for which it is appropriate is therefore advised. Alongside the inclusion of Workstream Boards to better benefit from the knowledge of SMEs and ensuring greater 'ownership' of the programme's purpose and vision at all levels of the organisation, this provision will help in ensuring projects' leadership and governance arrangements are best facilitated.

The role of the Cabinet Member

49. The Cabinet member with executive responsibility for the project received regular updates from the Programme Sponsor and the Executive Director for Finance & Corporate Services, but was not a member of the Programme Board or party to Board discussions. This meant that while democratically responsible and accountable for implementation of the system and for answering to Council on progress or requests for additional funds, the Cabinet Member had little direct control over the project and associated 'stage-gate' decisions. Ensuring that the lead Cabinet Member is adequately involved and briefed is recommended for futures projects. It is vital that those with democratic accountability have sufficient visibility and detailed knowledge of the issues to provide constructive challenge and influence outcomes. Officers must be encouraged to provide realistic, not over-optimistic, reports to Cabinet member leads.

<u>*Recommendations*</u>

- **Recommendation: Ensure that the council has sufficient leadership capacity to manage a programme of this scale and complexity by appointing a full-time senior responsible owner (SRO) within the organisation to work alongside the Programme Director. This should be a distinct, full-time senior leadership role for an experienced individual at the level of council leadership, and should not be performed by someone with significant other time commitments. This role should work closely with the Programme Director to provide strategic direction, helping the Director to**

focus on managing and directing the programme itself while the SRO engages with senior leadership and helps to ensure adequate resourcing and ownership among management.

- **Recommendation: Ensure that there are <u>stronger links between board representatives and their service users</u> to deliver a better understanding of service weaknesses and issues at leadership and Programme Board level. This can be achieved by implementing clear workstreams and sub-boards, chaired by Board Member service leads, for resolving in-function issues. This would help mitigate the risk of disconnection and over-optimism among Board members concerning challenges faced and the likelihood of meeting deadlines.**

- **Recommendation: Quality stakeholder engagement and leadership are required to enable effective delivery of programmes of this scale, as well as the associated behavioural change. The council should provide <u>training for Programme Board members</u> on the importance of staff engagement and providing effective ownership and leadership for change when undertaking change programmes.**

- **Recommendation: <u>Lead Cabinet Members</u> should have routine access to copies of all relevant Programme Board papers, updates, schedules, proposed decisions, and any other relevant materials. The task group discussed the benefits of inviting the Cabinet Member to attend meetings of the Programme Board *ex-officio,* as an observer, to ensure full visibility of the project. This may have unproductive outcomes on the dynamics of these meetings and won't lead to improvements in this area. As a suggested improvement we recommend that the Lead Cabinet Member is consulted at each critical gate/stage in the programme to ensure full visibility and is included as part of that decision-making process.**

E. USER ENGAGEMENT

50. The *MySurrey* project was a large and transformational undertaking, intended to alter how people worked across many different areas of the council to best pursue efficiency across core council functions, rather than simply amounting to the installation of a new piece of software. The significance of such a piece of work is considerable; an organisation must effectively communicate the scale of such a decision to its employees. This therefore necessitates thorough and well-executed user engagement be carried out throughout such projects.

51. Evidence provided to this review highlighted that good structures and plans for user engagement and change management were in place at the outset - the Advocacy Network of *MySurrey* end-user staff being a prime example of best practice. Nevertheless, witnesses were also agreed that more could have been done with communications and training and that, although a lot of training was undertaken, the project replans created a significant discrepancy between material provided at training and the reality once the system was operational, with insufficient focus on user engagement and change management in the later

stage of the programme, when the priority became resolving outstanding technical issues. In hindsight, more attention was needed on these preparations at Board level. Greater focus would have benefitted work surrounding the preparedness of the user-community throughout the duration of the programme, and particularly towards the end.

52. Consensus emerged among those interviewed throughout this review that there was something of a resistance to change among certain parts of the user community, with many staff reluctant to adopt an ERP solution that required such a degree of change to working practices. End user staff often felt a lack of consultation in the process. The poor engagement in such a vital piece of work likely engendered a sense of resistance among some end-user staff, the unstraightforward implementation contributing to lower user awareness and acceptance, therefore reducing the robustness of the processes of core business functions.

53. While communications to schools will be elaborated on at greater length in section H, it should be noted here that communications with schools were particularly at issue. More could have been done to proactively engage with representatives from community schools, academies and MATs to capture their business requirements, take account of their concerns and communicate changes to the implementation timeline.

54. In addition, it appears that end-user engagement in the early design phases and during integrated acceptance testing was mixed, in part due to the remote nature of working during this phase, and in partl due to contractual stipulations that this phase should be supplier-led. It has been suggested that this approach did not encourage optimal user engagement and collaboration which resulted in a lost opportunity for early user engagement and familiarisation with the developing system. The lack of engagement with key stakeholders among staff also went on to impact integrated system testing, as certain key staff were unavailable for 'build walkthroughs'.

Recommendations:

Recommendation: Greater focus should be given to the <u>behavioural change</u> aspects of implementing new systems and the impacts on users who may be required to work in new ways, ensuring the provision of more, better-timed training, education and support for staff.

Recommendation: Ensure that <u>effective user engagement centred on all relevant users and clients</u> begins at the outset of the design process, and that the contract model encourages constructive collaboration and involvement from an early stage of the project. This should include key project stages being led by the appropriate participant, with effective knowledge transfer to the council reinforced by collegiate working.

F. IT & TECHNICAL

55. While the purview of this report is intended to be much wider than solely the technical aspects of the project, several technical matters have been identified by the Task Group's work.

Data

56. The group's research has identified considerable evidence that the council was beset by a number of data management issues prior to the commencement of the *MySurrey* project, and likely underestimated the difficulty and scale of the data migration that the project would mandate. While data migration formed a dedicated project workstream from the beginning, it appears that these measures were insufficient to fully reckon with the scale of this task.

57. Data 'cleanliness' and 'ownership' were categorised as problematic – it was not uncommon for the legacy *SAP* system to be populated by sometimes poor-quality data, or data of unknown ownership. In these instances, the databases would have benefitted from thorough and rigorous data 'cleansing' before the outset of the project as this would have streamlined the migration process, saving time and staff resource. In reality, gaps in this process were worsened by confusion surrounding ownership.

58. As aforementioned, the volume of data within *SAP* that would require migration was also a highly impactful factor. *SAP's* decade and a half of daily usage meant that the system was populated by an overwhelmingly vast array of data, some of which would most appropriately be scheduled for archiving or deletion, rather than whole cloth migration to *MySurrey*. This necessitated a great deal of work to map data and identify how it should be treated, as well as to understand how it would be migrated onto a new system where, for example, data capture forms[6] were differently formatted and bore different fields. There were also instances where data were held in fundamentally different ways by the two systems – such as concerning staff with multiple employments – which also contributed to increased confusion and difficulty.

59. It has been recognised that the data migration aspect of many projects is often challenging, with other authorities encountering issues in this field. From this, the Task Group took an understanding that data ownership practices should be improved to better solve pre-existing data problems, and should consider pre-programme data cleansing before undertakings where data will be handled, stored or used, in addition to considering the widespread usage of specialist data extraction tools (such as Avature) at the authority. All of these could aid the timely data migration that would have benefitted the *MySurrey* project. Contractual arrangements should also be considered here, as responsibilities for data migration and associated areas being clearly delineated and assigned to a

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[6] A form as may be filled out by a user and populated by different fields, such as 'Name', 'Age', &c.

specific party in the contract could be another vital way of preventing compromise to this important area in future projects.

60. An Internal Audit report completed in 2021 identified some of these issues and specified some objectives to best help improve the council's data practices. Actions were identified for each area of concern, set alongside named responsible officers and target implementation dates. While it was beneficial that these were accurately identified by the council's audit function, the future trajectory of the *MySurrey* project appears to show that these were not sufficiently embedded. Although Internal Audit continued to be involved over the length of the project and to raise concerns on these issues, they were to some extent auditing a 'moving target', including processes that had not been fully established or agreed.

61. This report also raised concern regarding the fact that the procedures listed in the Business Requirements Solution Design Documents would result in the council knowingly holding incorrect personal data within *MySurrey* and thus being in breach of GDPR. The Group therefore also makes a recommendation intended to address this area and ensure optimum compliance for future projects.

<u>**Recommendations**</u>

- **Recommendation: The council should ensure <u>thorough and rigorous data 'cleansing'</u> to streamline the migration process, saving time and staff resource, before the outset of future projects and programmes. This is also recommended for other local authorities approaching ERP implementation programmes.**

- **Recommendation: The council is recommended to engage in work to <u>audit and record the ownership of data more widely</u>, with some degree of sampling or 'dip testing' undertaken to test data management processes and the operational ability of related functions. Review of how these will interface with data migration procedures should also be carried out.**

- **Recommendation: GDPR and data governance requirements must be considered and engaged at early project stages.**

G. CONTRACT

Fixed-price v time-and-materials

62. The council entered into a fixed-price contract with Unit4 to replace the *SAP* ERP system. This is typically what would be advised in such a scenario, as a fixed-price contract allows pre-agreement of payment conditions and eliminates an element of risk. No local authority would be well advised to enter into a 'time-and-materials' contract for such a piece of work, as this would place a great deal of financial risk with the council because it would be liable to pay a supplier's

costs even in the event of severe overruns, though these models do confer useful agility to the contractor. Fixed-price contracts are thus recommended for work of this scale, with remunerations and implementation timelines agreed in advance.

Prescription of different options

63. Despite this, fixed-price contracting is not a perfect model, and is therefore subject to its own dynamics and limitations. While more likely to promote relatively fast and easy procurement, they can be more likely, in some situations, to engender oppositional or noncollegiate behaviour between client and contractor, particularly when a project arrives at difficulties or deadlines loom. Arriving at complex problems perhaps not prescribed in the original contract can also cause parties to expend valuable time in contractual discussion and negotiation, rather than designing the complex solutions to the problems that they have encountered. This may have helped foster a view among both parties that, at times, the other was not being optimally constructive or was failing to honour all parts of the contractual agreement.

64. There are a range of other options available outside of these two polar contractual models. Members of the Task Group discussed the consideration, when entering into projects on which a contractor must be engaged, of agreeing a hybrid model with fixed-price contracting for aspects of the work (such as, for instance, the design and implementation of a new software system to replace an old one) and agreeing a 'time-and-materials' contract for other aspects (such as post-implementation support arrangements, hypercare, &c.)

65. Another option would be to pursue the kind of arrangement seen in strategic partnerships, where a focus on equal partners engaging in collective problem-solving and building the relationship are key. These allow for a more sophisticated configuration that shares risk more equally, though developing such bespoke arrangements would be more time- and resource-intensive for each project, with a much longer process being necessary before the contract-award stage was reached.

66. The fixed-price nature of the contract clearly added strain to the council's relationship with its supplier, as complexities in the programme multiplied and were expected to be met and managed within the original budget and contract. Witnesses highlighted the inevitability of commercial strain in most such programmes. The considerable personal investment and dedication on all sides is noted by this group. Both sides attested to the importance of certain key relationships to achieving 'go-live' and, that despite inevitable periods of strain, they were ultimately able to collaborate successfully to achieve the objective.

Recommendations

- **Recommendation: The council should implement contracting procedures for new projects to ensure that the full range of different <u>contracting options</u> are considered before project initiation, including contracting**

different elements of work under different arrangements - such as limited *time-and-materials* contracting if deemed appropriate - in recognition of the fact that a hybrid contracting model is likely to encourage a more collaborative approach. These should complement the council's existing Procurement Strategy and Procurement Standing Orders in Part 5 of The Constitution of Surrey County Council.

H. SCHOOLS

Context

67. Surrey County Council had provided school payroll services to maintained schools, and as a traded service to some academies and MATs, prior to 30 May 2023, when Cabinet took the decision to exclude academies and MATs from this cohort and encourage them to seek their own payroll solutions.

68. This was decided in a context of reported issues with the pre-existing service. Market research conducted in the spring of 2022 demonstrated that only an approximate 30% of academies and MATs that responded to the survey described themselves as satisfied with the council's payroll service. Some of these dissatisfied academies and MATs were beginning to withdraw from the council's payroll traded service before the beginning of the ERP replacement project due to quality issues caused by insufficiently robust workstreams, discrepancies in service quality between maintained schools and academies/MATs, and low levels of engagement with the schools' community. The recognition of these concerns, alongside the knowledge that the *SAP* ERP would soon be out of support, can be seen as contributing to the desire for the council to protect and improve the service through procuring a new solution.

Communications

69. Communication began with community schools early in the project. Nevertheless, the limitations of the communications strategy emerged as a theme. It is recommended that implementing dedicated schools' communications workstreams would have been more beneficial. Greater resources and better co-ordination being dedicated to communicating directly with schools may have led to greater identification of issues by the Programme Board, meaning that earlier resolution of concerns around their specific needs, requirements and anxieties would have been more likely.

70. A consensus emerged in this group's research that schools' specific requirements were not adequately recognised, nor was their hesitation about usage of an ERP solution that employed a self-service model. As this self-service software model is significantly different from the previous *SAP* service that they were accustomed to after 15 years of usage, users in this group were understandably apprehensive. It appears that the communications strategy that the council employed did not help to address this hesitancy, exaggerating the sense in which schools felt ignored, lacking sufficient consultation on a significant change in process.

71. It was noted that schools working patterns became relevant here. Unlike the corporate body of the council, where the municipal and financial years are the most relevant frames for planning work throughout the year, the work of schools is built upon term dates, school holidays and exam periods. In the months and weeks before student exams, it is common for staff resource to be stretched and otherwise dedicated to examination-related duties, and schools are usually without any staff during the half-term period. This has known effects for scheduling work with schools in many different areas, where the date restrictions imposed by term time and holidays must be carefully planned around, such as in school placement appeals. While this is ingrained in teams that work with schools regularly, this may not have been fully appreciated by the Programme Board, the members of which mostly benefitted from more standard project management experience. The impact of this can be seen in the June 2023 payroll run for instance as, when issues were detected, there were no staff present in schools to co-ordinate a response with the Programme Board and helpdesk support, meaning that the feedback of issues, their investigation and search for a solution may have been more delayed.

72. At the programme's start, the number of schools (council-maintained, academies and multi-academy trusts) sat at approximately 450. Strategically, this group would have benefitted from being addressed as their own, cohesive caucus, one with their own throughgoing concerns that relate to their differing needs as opposed to the council's corporate body. Operationally, the roll-out of a payroll solution to each of these schools can best be thought of as equivalent to implementing an ERP software solution in 240 *separate* businesses. This helps to clarify why these demands would make more difficult an already challenging project.

Infrastructure

73. Another issue identified with the implementation of *MySurrey* in community schools is previously unacknowledged limitations with their technical infrastructure. The group heard evidence throughout this review that concerns with schools' IT resourcing and training may have been a contributory factor to difficulties with the adoption by schools. While maintained schools are supported by the council and so the council have more of an understanding and enmeshment with the configuration of their IT systems and processes, there are still levels of variance. The heterogeneity of different policies, IT systems and levels of investment, when considered alongside academies and MATs, compounded the challenges in this area – while the roll-out of *SAP* to the main corporate body of SCC took place across a comparatively well understood and homogenous set of systems and processes, the landscape of schools' policies and capabilities was much more varied.

74. It may have been the case that the absence of a sufficiently robust communications workstream along which these concerns could have been communicated to the council exaggerated these difficulties with infrastructure, which went unrecognised and thus unaddressed until later in the project.

Exclusion of MATs from the project

75. As other challenges with the *MySurrey* project materialised and became more apparent, the Programme Board realised that the requirements of implementing a payroll system also appropriate for academies and multi-academy trust schools could make the project inviable. Decreased service revenue and difficulties in staff resource within Business Operations made delivering the service to each MAT, with the complexities inherent in their each operating different terms and conditions, increasingly difficult. An options appraisal was therefore undertaken, and the decision was made at the 30 May 2023 meeting of Cabinet to exclude academies and MATs from the payroll service provided by the council, continuing only with maintained schools.

76. While this was a difficult decision that was taken after much consideration, it is widely considered a correct one, and one that may have been instrumental in helping *MySurrey* to 'go live' in June 2023. While we broadly believe that this was correct, this was nevertheless still a difficult choice that was taken after significant difficulty with implementation and engagement with schools' staff which, as stated above, may have been aggravated by insufficiently thorough and involving communications with our schools partners. It was therefore the case that the project may have benefited from this decision being made sooner, as this would have prevented it becoming overleveraged in its attempt to provide a wider, more complex solution to an even more varied number of clients. Focussing on the implementation within the corporate body and maintained schools allowed for the Programme Team's efforts to be better focussed, for the communications strategy to become more dedicated to the smaller pool of clients, and for resources in Business Operations to be relieved of the significant strain it had endured in attempts to accommodate the requirements of academies and MATs. Members concurred that a more proactive communications policy should allow all stakeholders to be informed of key developments and decisions in real-time.

77. The Task Group notes, however, that the decision to exclude academies and MATs from the provision of the payroll service was not taken solely to preserve the integrity of the *MySurrey* project. The delivery problems being faced by Payroll, and the Business Operations service more broadly, are well documented and, as aforementioned, the level of customer dissatisfaction was already high. It is clear that the decision to exclude MAT schools from the payroll service was taken chiefly due to problems of business integrity and service delivery within the payroll service. **While this had the effect of increasing the likelihood of the *MySurrey* project's success, and that fact likely featured in the reasoning for the decision, it was not the primary factor for which this business decision was taken, which was legitimate concern for the viability of a core business function.**

78. Throughout its work, several potential means of preventing such issues arising again in future projects became apparent to this Task Group, centring around emphasising robust involvement and distinct communications with schools in order to help the council centre their experience and collaborate more effectively.

Recommendations

- **Recommendation: The council should formalise arrangements for significant engagement with stakeholder recipient groups, potentially subject-matter experts, who will be involved or affected by an upcoming project. This can report to aspects of the committee structure as appropriate, such as the Schools' Forum in the case of any project involving schools, for instance.**

- **Recommendation: The council should undertake a review of its pre-procurement processes for stakeholder engagement and requirements capture so as to ensure that the needs of stakeholder communities are appreciated in the early stages of future projects.**

Conclusions

79. The long process of producing this final report of the Digital Business and Insights Task Group has involved a great deal of comprehensive review of the work of the Programme Board and Programme Team over the four-and-a-half-year life of the *MySurrey* project. Through that, the hard work, dedication and care taken by all involved in the project has shone through to every member of this Task Group.

80. The intent of this final report was to give an accurate overview of the project, highlight its varied successes, correctly understand the areas of challenge, and diagnose the reasons why these manifested. Our recommendations are then intended to improve the implementation of projects of this kind in the local authority sector.

81. Throughout its work, strong consensus has emerged among members that there was no one single point of failure which caused the time and cost overruns that the project experienced. There was, in fact, a complex patchwork of many different factors that intersected to increase the likelihood that the project would run into difficulty. The project was affected by a set of challenges that occurred together, implicating all the different areas listed in the report above.

82. As such, this report seeks to clarify how changes in contract & project management, stakeholder engagement, business readiness, organisational culture and many other areas should be pursued to help an organisation such as Surrey County Council embrace the learning that such a project imparts. As many of these areas are deeply entwined, it is hoped that an understanding of these connections can spur an ethos of collective learning that appreciates the holistic approach required for future projects.

83. The uncommon properties of the *MySurrey* project should be understood. Undertaking the replacing of an ERP system is a 'once-in-a-generation' project,

occurring once every 10-20 years. As such, it may be fair to state that the council should be somewhat cautious about drawing sweeping conclusions around how it engages in contracts of all sizes from this point forward. Despite this, it is certainly the case that there are a number of recommendations that this group can make as a result of this review as outlined in this report and summarised below.

Summary of Recommendations:

Recommendation 1: A robust <u>business readiness assessment</u> to test the functional services' capacity to receive any new system should be a prerequisite of any other programme of this scale or complexity, with weaknesses ideally addressed in advance or, if not, factored fully into the implementation plan, thus <u>enabling a realistic implementation timeline to be set</u>.

Recommendation 2: Future projects should employ <u>greater discipline in stage control,</u> even where there may be time/cost impact.

Recommendation 3: The Council must ensure that <u>robust testing strategies</u> are in place for all projects that require them, ensuring strong environment and data management practices are in place to support this. Testing of new systems, processes and products should not be exclusively supplier-led, benefitting from heavy participation and design by council officers.

Recommendation 4: The Council should make available <u>independent assurance and monitoring of stage control procedures (in projects of any size, if deemed necessary)</u> by a third party (or possibly Internal Audit) to ensure projects have met all relevant entry and exit criteria before progressing to another project stage along their critical path, and to support the programme team and board in making good stage control decisions.

Recommendation 5: The council's Transformation Support Unit should review existing protocols around <u>effective *testing regimes*, *programme stage control,* and *environment management*,</u> and make recommendations to the Resources & Performance Select Committee to help address the issues that occurred in this project and best ensure they do not reoccur in future council projects.

Recommendation 6:   Local authorities approaching ERP implementation programmes should secure <u>in-house ERP knowledge of the target system</u> to improve internal understanding of the product, promote understanding of the issues, support effective decision-making and aid in anticipation of any issues.

Recommendation 7: Ensure that the council has sufficient <u>leadership capacity</u> to manage a programme of this scale and complexity by appointing a full-time senior responsible owner (SRO) within the organisation to work alongside the Programme Director. This should be a distinct, full-time senior leadership role for an experienced individual at the level of council leadership and should not be performed by someone with significant other time commitments. This role should work closely with the Programme Director to provide strategic direction, helping the Director to focus on managing and directing the programme itself while the SRO engages with senior

leadership and helps to ensure adequate resourcing and ownership among management.

Recommendation 8: Ensure that there are <u>stronger links between board representatives and their service users</u> to deliver a better understanding of service weaknesses and issues at leadership and Programme Board level. This can be achieved by implementing clear workstreams and sub-boards, chaired by Board Member service leads, for resolving in-function issues. This would help mitigate the risk of disconnection and over-optimism among Board members concerning challenges faced and the likelihood of meeting deadlines.

Recommendation 9: Quality stakeholder engagement and leadership are required to enable effective delivery of programmes of this scale, as well as the associated behavioural change. The council should provide <u>training for Programme Board members</u> on the importance of staff engagement and providing effective ownership and leadership for change when undertaking change programmes.

Recommendation 10: <u>Lead Cabinet Members</u> should have routine access to copies of all relevant Programme Board papers, updates, schedules, proposed decisions and any other relevant materials. The task group discussed the benefits of inviting the Cabinet Member to attend meetings of the Programme Board *ex-officio,* as an observer, to ensure full visibility of the project. This may have unproductive outcomes on the dynamics of these meetings and won't lead to improvements in this area. As a suggested improvement we recommend that the Lead Cabinet Member is consulted at each critical gate/stage in the programme to ensure full visibility and is included as part of that decision-making process.

Recommendation 11: Greater focus should be given to the <u>behavioural change</u> aspects of implementing new systems and the impacts on users who may be required to work in new ways, ensuring the provision of more, better-timed training, education and support for staff.

Recommendation 12: Ensure that <u>effective user engagement centred on all relevant users and clients</u> begins at the outset of the design process, and that the contract model encourages constructive collaboration and involvement from an early stage of the project. This should include key project stages being led by the appropriate participant, with effective knowledge transfer to the council reinforced by collegiate working.

Recommendation 13: The council should ensure <u>thorough and rigorous data 'cleansing'</u> to streamline the migration process, saving time and staff resource, before the outset of future projects and programmes. This is also recommended for other local authorities approaching ERP implementation programmes.

Recommendation 14: The council is recommended to engage in work to <u>audit and record the ownership of data more widely</u>, with some degree of sampling or 'dip testing' undertaken to test data management processes and the operational ability of related functions. Review of how these will interface with data migration procedures should also be carried out.

Recommendation 15: GDPR and data governance requirements must be considered and engaged at early project stages.

Recommendation 16: The council should implement contracting procedures for new projects that ensure that the full range of different contracting options are considered before project initiation, including contracting different elements of work under different arrangements - such as limited *time-and-materials* contracting if deemed appropriate - in recognition of the fact that a hybrid contracting model is likely to encourage a more collaborative approach. These should complement the council's existing Procurement Strategy and Procurement Standing Orders in Part 5 of The Constitution of Surrey County Council.

Recommendation 17: The council should formalise arrangements for significant engagement with stakeholder recipient groups, potentially subject-matter experts, who will be involved or affected by an upcoming project. This can report to aspects of the committee structure as appropriate, such as the Schools' Forum in the case of any project involving schools, for instance.

Recommendation 18: The council should undertake a review of its pre-procurement processes for stakeholder engagement and requirements capture so as to ensure that the needs of stakeholder communities are appreciated in the early stages of future projects.

Next steps:

After submission to a special online meeting of the Resources and Performance Select Committee on Monday 1 July 2024, and subject to approval and noting by members at that meeting, this report will progress to the public meeting of Cabinet scheduled to take place on Tuesday 23 July 2024.

Report contact: Cllr Steven McCormick, Chair of the Digital Business and Insights (DB&I) Task Group.

Contact details: Jake Chambers, Scrutiny Officer.

Appendices:

1. Surrey County Council – Digital Business & Insights Programme Lessons Learned Review, by Phil Hall

Sources/background papers: [List of all documents used in compiling the report, for example previous reports/minutes, letters, legislation, etc.]

Digital Business & Insights Programme Outline Business Case Report – Cabinet – 29 October 2019

Digital Business and Insights Programme Update - 8 Oct 2020 - Resources and Performance Select Committee

Digital Business and Insights Programme Update - 18 March 2021 - Resources and Performance Select Committee

Digital Business and Insights Programme - Status Update and Lessons Learned Approach - 20 January 2022 - Resources and Performance Select Committee

Annex 1 - Digital Business Insights Programme Update

Annex 2 - Digital Business Insights Programme Update

Annex 3 - DBI Cabinet Report - December 2021 v1

Digital Business and Insights Programme Status Update and Lessons Learnt Approach - 18 October 2023 - Resources and Performance Select Committee

Digital Business and Insights Programme Highlight Reports (various)

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