Resources & Performance Select Committee

20 January 2022

DIGITAL BUSINESS & INSIGHTS PROGRAMME UPDATE

Purpose of report: To provide an update on the Digital Business & Insights programme including its projected benefits.

Executive Summary:

1. This report provides an update on delivery progress by the Digital Business & Insights (DB&I) programme since 24 September DB&I Strategic Programme Board, when it was agreed to develop a revised plan based on delaying go-live from December 2021 to April 2022. It also provides an update on the risks (see Annex 1), budget status and on the potential benefits from the programme (see Annex 2).

2. The full background including root causes of the delayed go-live is provided in the Digital Business & Insights Programme Cabinet Report, which is included in Annex 3 and was approved at Cabinet on 21 December 2021. The Cabinet report also secured the required additional funding of £3.2m to deliver the remainder of the programme, comprising £1.25m in revenue and £1.91m in capital costs. The financial implications to the council of the additional costs are described in the Budget Update section of this report.

3. Regular progress updates have been provided to the DB&I Strategic Programme Board and as of mid-September, the Finance and Procurement work streams remained on track for December go-live. However, at this time the following two key issues emerged and meant that the December go-live was no longer achievable:
   - Data migration – the quality of migrated data received in September was of insufficient quality and completeness to enable effective User Acceptance Testing (UAT), which is the process by which the council tests and confirms acceptance of the new solution. This severely impacted the coverage and pace of testing that could be conducted in the time available across all work streams.
   - HR requirements scope – The volume of new or clarified HR (Human Resources) requirements, which emerged during the Build stage and also the need for additional

forms for external customer payroll users, extended the Build timescales and caused a backlog of work for Unit4. The delay to build for HR had a consequent impact on the start and pace of UAT for HR & Payroll.

4.   Significant progress has been made since the re-plan was completed in October with improved performance and control around the delivery of data migration, which has enabled considerable momentum to build in UAT. Progress has also been made in HR, with the prioritised build for April go-live being completed by Christmas and a clear plan being in place to complete remaining lower priority build for implementation during the early post go-live life support period. Payroll parallel running (PPR), which is the process by which the programme will ensure that MySurrey (the council's name for the new Unit4 ERP system) pays people correctly, also continues but with ongoing challenges in aligning System, Applications and Products (SAP) with MySurrey staff data to enable an effective payroll comparison. These issues are continuing to be worked through and it is expected that a satisfactory match will be achieved before progressing to a third cycle of PPR in the New Year.

5.   The programme will continue at full pace to complete delivery of UAT and PPR by early February but there remains material risk to achieving the April go-live, in particular due to the current status of PPR and also the volume of user acceptance testing still outstanding. A Cutover Readiness Checkpoint scheduled on 28 January will assess delivery confidence for April go-live and determine next steps, i.e. whether to progress the cutover plan to start the transition from SAP to MySurrey or whether an alternative plan will be required for consideration by DB&I Strategic Programme Board in February.

Background:

6.   The Digital Business & Insights programme is implementing a new Enterprise Resource Planning (ERP) system, which will manage the council's back-office finance, procurement and HR and payroll processes. The contract to implement the new ERP system was awarded to Unit4 to implement their ERP system as a fully integrated solution to replace the council's existing SAP system.

7.   The implementation programme commenced in September 2020 with an ambitious 15-month programme to complete full go-live of the new system by December 2021. In September 2021 it became clear that the December timescale was no longer achievable and that a re-plan was required. Following

a review of potential go-live options, the DB&I Strategic Programme Board approved a re-plan for the programme to go-live in full in April 2022. A Cabinet report explaining the reasons for the delay, the revised plan and seeking required funds was approved at the 21 December 2021 Cabinet meeting.

8. At the time of writing a deed of variation to the original Unit4 contract has been drafted for signing, which sets out the revised implementation milestone schedule and associated payments. The deed also includes some additional clauses that describe the governance process in the event of further delay to a key milestone if Unit4 wish to claim that a supplier non-performance has been caused in full or in part due to the council not fulfilling a contractual responsibility. These clauses are designed to help the council and Unit4 avoid a dispute over liability in the event of any further delay beyond the April go-live and ensure a continued focus on successful delivery.

DB&I Progress Update

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9. A detailed revised plan was developed by Unit4 in early October reflecting the revised go-live date. In order to ensure alignment with council-led workstreams, the revised plan was shared with council workstream leads to revise their plans and resolve any dependency issues with Unit4 by the end of October. The re-planning exercise concluded with a Programme Reset Meeting held on 2 November, where the confirmed revised plan was formally communicated to programme stakeholders. The revised plan was also shared via engagements with in-scope corporate management teams.

10. The December 2021 Cabinet report explains that data migration and HR requirements scope were two key issues that emerged by mid-September and directly resulted in the delayed go-live. There has been the following progress with these issues since October:
   - Data migration – Unit4 provided additional management and technical resource for this stream and the joint council and Unit4 team organisation has been improved to expedite issue resolution. This has included establishing a data migration tracker to improve monitoring of the status of delivery and clearly identified business data subject matter experts for each data item to help resolve any questions or issues that arise during data migration. Fresh data for UAT cycle 5 is currently in the process of being loaded during w/c 20 December to enable UAT cycle 5 to start from 7 January.

- HR requirements scope – Unit4's revised plan included additional capacity to complete the outstanding build required for HR by 24 November. Good progress has been made but this timeline has been further delayed to 24 December due to the volume of work to be completed. To ensure no further slippage, a prioritisation exercise has been completed and critical and high priority processes, which affect peoples' pay or are high volume, will be completed by Christmas and included for the April go-live. Other in-scope processes will be built and tested between January and March and will be implemented during the post go-live support period, which ends on 4 July. A strict triage process is also in place to review all new requirements if they are identified to ensure that only essential new features are built for April go-live.

11. User Acceptance Testing (UAT) completed cycle 3 on schedule on 19 November and started cycle 4 on 2 December. This was just over a week later than the planned 22 November start for cycle 4 due to slight delays in UAT data being ready to commence testing. Testing activity is progressing well in cycle 4 but with the volume of tests and the Christmas break it is likely that a significant number of tests will need to be rolled over into cycle 5, which commences execution on 7 January. By the 21 December, 381 tests of a total to do of 1052 had been completed. Of these tests, 322 passed and 59 failed. The additional volume of tests in cycle 5 increases the risk that further time will be required, which will extend User Acceptance Testing into February.

12. Payroll parallel running (PPR) started its second of three cycles on 25 November. The scope of PPR2 is to run comparisons of corporate and local authority schools' staff pay for June between MySurrey and SAP. Unfortunately, there was a three-week delay in starting to run the PPR2 comparison due to issues encountered in rolling forward the staff payroll data from May to June. Progress is currently being closely monitored and the expectation is that a satisfactory payroll match will be achieved. However, to mitigate the risk that this may not be the case, an alternative approach may be adopted using a fresh copy of SAP data to be taken on 24 December.

13. The integration workstream, which is responsible for integrating MySurrey with other council line of business systems, has completed integrated system testing and has started UAT of financial integrations (payments, journals, invoices and Adult Social Care customers on the 15 December. This is one month later than planned due to

various issues including data, access and changes in MySurrey and source systems that have resulted in required re-testing. Delivery risk remains due to the volume of UAT to be completed and also delays in Unit4 delivery of HR integrations, where mapping and development of these integrations is now one month behind schedule.

14. A Cutover Readiness checkpoint milestone on the 28 January 2022 has been included in the revised outline implementation plan, which forms part of the contract deed of variation. This will ensure that a set of objective criteria will be used to determine whether the programme is ready to progress the deployment activities required in preparation for go-live. A Go-live Readiness checkpoint key milestone on the 25 March 2022 has also been included, which provides equivalent objective criteria and will be used to determine whether the programme is ready to progress go-live in April.

15. In summary, significant progress has been made on the programme since the re-plan in early October with UAT having now developed considerable momentum. All aspects of the Finance and Procurement build is expected to be complete by Christmas and have progressed into UAT. There is now greater control around HR requirements and we have clarity on the scope of delivery for April go-live and what will follow during the post go-live support period. There is also better control around data migration due to the implemented improvements described above. However, there remains material risk to achieving the April go-live, in particular due to the status of PPR and also the volume of user acceptance testing still to be completed due to the prior delays.

16. The programme will continue to progress user acceptance testing at maximum pace to complete cycle 4 and progress cycle 5 to complete by the end of January. The Cutover Readiness Checkpoint on 28 January will then be used to assess delivery confidence to determine next steps including achievability of the April go-live date.

Benefits Update

17. The DB&I programme's full business case was approved at Cabinet in July 2020 and identified the following financial and non-financial benefits. As an enabler of these benefits, it was agreed that the programme would capture and drive benefits alongside wider agile and digital transformation across the council. The expectation at the time and still is that these programmes will generate significant efficiencies that will translate into cashable savings.

Type of Benefit	Detail

Financial Benefit
 	
(Enabling potential savings)
	• Avoided £4m capital cost of upgrading the existing SAP hardware, which would be required for an in-house hosted solution.
	• Improved processes through automation and self-service, and changes to ways of working will create efficiencies and potentially enable a reduction in back-office staff costs in the future within these areas:
	    ○ Professional corporate functions: Finance, HR & OD, Shared Services Procurement.
	    ○ Business Operations administrative staff.
	    ○ Business support teams within directorates.
	• Improved technologies may potentially reduce the number of IT support staff required to support the SaaS-based technology in the future.
	• Increased income from new and retained customers of Business Operations due to an improved SaaS ERP user experience.

Non-Financial Benefit	• In addition to the areas above, there will be efficiencies for council managers and staff through the implementation of intuitive digital manager and employee self-service processes. • More time for staff in support services to focus on higher value activities, adding insight and expertise rather than navigating inefficient processes. • Improved management decision making through reporting and analytics capabilities available through a SaaS solution, including integration and analysis of financial and non-financial data. • Increased flexibility of SaaS subscription licences, enabling improved scalability (ability to flex to accommodate changes in requirements) • Continuous improvement and future proofing of the solution through planned SaaS ongoing upgrades. • Improved agile / flexible working through improved access to the corporate system remotely via appropriate devices.

Source: DB&I Full Business Case Cabinet Report (July 2020)

18. A structured benefits realisation approach has been followed to capture specific financial and non-financial benefits over the life of the programme. As part of this process, benefits have been prioritised and business owners identified to take responsibility for measuring, baselining and driving the realisation of their potential benefits. The benefits realisation stream reports into the Corporate Benefits Board, where DB&I benefits are considered in aggregate alongside benefits from other corporate programmes with the objective of collectively delivering cashable budget savings.

19. At the time of writing, potential annual ongoing benefits have been identified so far at £2m, which relate to potential efficiencies that subject to validation may enable budget savings. In summary, these potential annual efficiencies comprise the following. Further explanation is included in Annex 2, Table 1.
   • Improved reporting: £200k
   • Efficiencies from improved employee self-service: £1.7m
   • Efficiencies from improved supplier self-service: £54k
   • Efficiencies in support: £29k
   • Total: £2m

20. In addition to these efficiency benefits, a direct and indirect cost avoidance benefit of £4.5m has been identified, resulting from the improved contract management enabled by the programme's implementation of the Proactis solution. Some of the direct financial element of this benefit is planned to be delivered through the Twin Track - Contract Management business case. Further explanation is included in Annex 2, Table 2.

21. Regular reviews of benefits will continue to be undertaken for the remainder of the programme. Following go-live, the benefits will be handed over to the benefit owners and their realisation as cashable savings will be governed by the Corporate Benefits Board, in aggregate with efficiencies collectively identified from other corporate programmes. An example of this already happening is in Business Operations, where benefits are being considered from the DB&I programme and other corporate programmes in aggregate to inform the development of the Business Operations target operating model.

Programme Budget Update

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22. The programme's cost forecast at the time of writing remains aligned with the funding request approved by Cabinet in December 2021. Details of the funding request, including financial implications, are included in the DB&I Programme Re-plan Cabinet report.

23. In summary, the total revised implementation cost is estimated to total £25.54m, comprising £8.87m in revenue and £16.68m in capital costs. This represents an increase of £3.2m, or 14%, compared to the original implementation budget of £22.39m approved by Cabinet in July 2020. This £3.2m increase comprises an additional £1.25m in revenue costs and £1.91m in capital costs.

24. As set out above the costs of delay impact both the capital and revenue budgets, with the impact being in both the current and next financial years.

25. The additional one-off revenue funding of £1.25m is already factored into the 2021/22 budget monitoring position and will be included in the final 2022/23 budget when it is presented to full Council for approval in February. The costs are containable within the contingency budget held in the Corporate Income & Expenditure budget envelope without requiring increases to the draft 2022/23 budget previously presented to Cabinet.

26. The additional capital required has been built into the draft capital programme. The resultant additional borrowing costs will be funded from within the Central Income and Expenditure budget initially, on the basis that once ongoing efficiencies are realised as a result of the new system, these costs are off-set before the recognition of efficiencies against other service budgets.

27. The costs of the implementation of the programme will be more than offset by the recurring nature of the potential benefits as set out in para 17 and Annex 2.

Next Steps

28. The programme will continue to deliver to the revised plan with the aim of completing User Acceptance Testing and Payroll Parallel Running activities by the end of January. At that point, a Cutover Readiness Checkpoint will be completed on the 28 January to assess readiness to progress with the cutover plan for an April go-live.

29. If the Cutover Readiness Checkpoint in January determines that the programme is not yet ready to progress the cutover plan, a report setting out the findings from the Checkpoint review and an alternative plan, including a recommended new go-live date if required, will be presented to DB&I Strategic Programme Board for consideration and approval in early February.

30. If the Cutover Readiness Checkpoint determines that the programme is ready to start cutover, the cutover plan will be progressed and the establishment and financial structure freeze in SAP will be implemented from 4 February (two months before go-live) as agreed by DB&I Strategic Programme Board.

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Sources/background papers:
- DB&I Programme Re-plan Cabinet Report (December 2021)
- DB&I Full Business Case Cabinet Report (July 2020)