

AGRESSO (UNIT4 BUSINESS WORLD) IMPLEMENTATION

To: General Purposes Committee

Meeting Date: 28 November 2017

From: LGSS Director Business Services, Systems and Change

Electoral division(s): All

Forward Plan ref: Not applicable *Key decision:* No

Purpose: To update General Purposes Committee on the progress of the programme to implement Agresso (Unit4 Business World) system to replace the existing Oracle system.

Recommendation: General Purposes Committee is requested to:

- a) note the progress on the implementation of Agresso (Unit4 Business World) and the revised Go Live date of 1 April 2018;
- b) approve a further £410k of capital spend to complete the implementation; and
- c) note the additional LGSS revenue savings identified for Cambridgeshire County Council (CCC) building to £150K pa from 20/21 which will improve the original business case and result from enlarged ERP Gold implementation including Milton Keynes Council (MKC) requirements.

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1. BACKGROUND

- 1.1 Northamptonshire and Cambridgeshire County Councils formally approved the original business case in May 2015 for replacing the existing Fujitsu / Oracle ERP systems (Enterprise Resource Planning is a large scale business system integrating HR, Payroll and Finance). The programme will still deliver the originally approved £7.3m over 7 years of LGSS net savings for Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) when implemented, albeit later than planned. In addition, LGSS has identified and will deliver additional savings of £150k pa for CCC as from 20/21. A joint public procurement was first undertaken during the summer of 2015 to select the most economically advantageous, modern and agile replacement shared ERP system for the ERP Gold programme delivery, to be subsequently planned with a requirement to replace the existing Fujitsu Oracle application before its primary contractual end date of November 2017 (so as to avoid the cost and need for any short term extensions). Following a successful procurement exercise the Unit4 Business World One (aka Agresso) ERP product was selected and licence agreements signed in September 2015 to allow the original ERP Gold Programme to be initiated and mobilised for CCC and NCC requirements only.
- 1.2 From November 2015 to March 2016 LGSS was also engaged on a joint business case development with Milton Keynes Council (MKC) in support of them joining the LGSS shared services partnership as a full partner. At that time MKC was also considering its existing ERP SAP systems replacement options and a key deadline for MKC was its primary contractual support service on SAP expiring in July 2017. A key part of the MKC business case and the shared business benefits for the three councils, was them joining the ERP Gold programme, which long-term enabled the £4.2m of shared saving benefits for the three councils. MKC and LGSS jointly planned for MKC SAP requirements to be planned into the ERP Gold Programme as from April 2016 with a necessary go-live date by MKC at the time of April 2017. The addition of MKC to the ERP programme increased the £7.3m of savings shown above to £9.86m over 7 years.
- 1.3 MKC subsequently joined LGSS as a full partner on April 2016, and the ERP Gold programme was then expanded and re-planned to incorporate MKC SAP replacement requirements and it was accepted and agreed to incorporate the pre-existing £1.600m of MKC SAP project budget into the wider ERP Gold plans on a shared project risks basis by the three councils, as part of the wider MKC OBC and PDA agreement for joining LGSS. Additional resources were therefore planned into the programme as from April 2016 to address what were known additional scale, complexities and risks that could be anticipated or foreseen at that time for the MKC SAP requirements. It also required the programme to plan against a 'hard-stop' go-live date of April 2017 to accommodate the MKC SAP support deadline of July 2017. LGSS has also subsequently identified additional savings for CCC (and NCC) resulting from the ERP Gold implementation which rise to £150K pa each from 20/21 onwards.

2. MAIN ISSUES

- 2.1 Since the last time that GPC was provided with an update, back in July, a number of factors have come together to make the planned October Go- Live unrealistic and the decision was taken by the ERP Board in September to reschedule the Go-Live to later in the year. The

Chief Finance Officers (CFOs) are members of the Board and were naturally involved in the decision and made aware at that time of the inevitable additional cost.

- 2.2 The programme has continued to struggle with Data Migration, mainly from the two Oracle systems. This has proven to be extremely complex and has meant that they have had to bring in some additional outside support from Fujitsu to help supplement their already overstretched technical resource. At the time of writing this report, they now believe that they have succeeded with the Data Migration challenge and are now ready to move forward into Payroll Parallel Running (PPR) and Regression testing (full end to end testing) phase of the programme.
- 2.3 The failure to achieve Data Migration in the timescale previously reported has meant that the Programme has had to move the go-live date back to April 2018.
- 2.4 Further, additional work has been undertaken to analyse the impact that the implementation of ERP Gold will have on the Finance transactions team and Payroll. This further analysis, completed with greater understanding as to how the system will eventually work, means that a further £75k of previously undisclosed annualised savings is available to each of the three Partners with effect from 2019.
- 2.5 In June 2017 the forecast total cost of the programme through to the 1st October 2017 was £7.138m. As a result of the further rescheduling the latest forecast of the total costs of the programme taking it to the 1st April 2018 is £8.709m. This is an increase of £1.572m. LGSS has identified some mitigating factors and through further revenue contributions of £268k and other capital funds of £28k, the remaining shared pressure is **£1.275m**.
- 2.6 The extended timeline for the ERP programme means there will be resultant additional costs for the implementation. For both Cambridgeshire and Northamptonshire County Councils additional capital costs will continue to be part mitigated by in-year LGSS revenue savings. The Business Systems team is currently fully budgeted for but will be slimmed down post completion of the build, as previously reported. This will give rise to savings in future years which will be embedded in the LGSS Strategic Plan

ERP Programme forecast outturn

- 2.7 The revised capital budgets below include the increase in relation to previous requests for additional capital funding of £187k for both CCC and NCC, and £634k for MKC, and £28k from other ERP/eform schemes.
- 2.8 The table below sets out the current forecast and how this is shared between the three authorities. The CCC and NCC amounts include £164k of specific costs in relation to extended support on the current Oracle ERP system. Also shown are the significant revenue contributions from CCC and NCC arising from the utilisation of the LGSS business systems and change team on this project. This results in a net capital cost of £6.767m which results in a variation on the plan of £1.275m (shared as shown across the three councils).

	Revised Capital Budget	Current Forecast	Revenue Contribution	Net Capital Cost	Variation
	£k	£k	£k	£k	£k
Cambridgeshire	1,615	2,959	935	2,024	410
Northamptonshire	1,643	2,959	935	2,024	382
Milton Keynes	2,234	2,791	72	2,718	484
Total	5,492	8,709	1,942	6,767	1,275

2.9 Inevitably the rescheduled Go Live means all of the project resources are required for a greater period of time, every additional month adds proportionately to the overall cost. The forecast includes specific recharge amounts for HR, Finance and some IT items, and has an additional estimated charges or contingency of £150k as well as £100k for programme management. The forecast also includes a CCC and NCC specific cost of extended support of Oracle, which has been allocated to the current forecast for just CCC and NCC.

2.10 After the revenue contributions the remaining capital pressures are as follows:

- CCC = £410k
- NCC = £382k
- MKC = £484k

2.11 The specific impact on Cambridgeshire County Council is as follows:

For CCC the capital budget includes the original £1.428m and the £187k additional capital funding ask. Throughout the programme this has been supplemented by the revenue budgets of the current business systems and LGSS Programme team by £935k over the three years, giving a total available budget of £2.550 million. The predicted forecast CCC spend for the programme is £2.959 million (up to 1 April 18). This leave a forecast capital overspend of £410k for CCC (i.e. which is just over an 18% increase in original cost estimate).

CCC	Revenue and Capital	Actuals	Actual	Actual Total	Outturn Variance
	Budget	Prior years	2017/18		
	£k	£k	£k	£k	£k
Capital	1,615	1,107	917	2,024	410
Revenue	935	533	402	935	0
Totals	2,550	1,640	1,319	2,959	410

2.12 An additional £410k capital resource will need to be secured for CCC. However, there will also be additional LGSS revenue savings delivered for CCC's benefit as detailed below for CCC of £50k pa from 2019/20 increasing to £75k pa from 2020/21 onwards in respect of the Business Systems team and a further £75k pa from 2019/20 in respect of Finance Transactions and Payroll i.e. this is a capital payback period on additional capital funds of circa. 5 years for CCC.

Additional Business Systems and Transactional Savings

- 2.13 Post-delivery it is anticipated that additional savings will be delivered from the Business Systems, Finance Transactions and Payroll teams to offset the additional capital costs. The additional savings will pay back the forecast project overspend in about four years. The table below sets out the CCC share of additional savings only.

Additional Savings	2018/19	2019/20	2020/21	2021/22	2023/24
	£k	£k	£k	£k	£k
Business Systems	0	-50	-25	0	0
Finance Transactions	0	-33	0	0	0
Payroll	0	-42	0	0	0
Totals	0	-125	-150	-150	-150

Current Strategic plan savings

- 2.14 The ERP programme is set to help deliver savings both on licence and support costs, but also from within the transactional teams. Any pressures on the delivery of these savings are set to be managed within the LGSS medium term plan and mitigated in full by the LGSS management board. This will mean short term negative impacts forecast on additional capital investment required from CCC is both fully mitigated by these additional LGSS savings to CCC which also gives a slightly improved business case return position for CCC over the 5 years.

Savings totals as per the LGSS Strategic Plan vs. Actual Delivery (the tables below are shown as the total LGSS savings delivery as per the Strategic Plan).

	2016/17	2017/18	2018/19
	£k	£k	£k
<u>ERP Savings</u>			
(CCC/NCC)			
Original Planned	-100	-400	-600
Cumulative	-100	-500	-1,100
Actual Delivery	0	0	-1,100
Difference	100	500	00
<u>Transactional savings</u>			
Service Reviews	n/a	-50	0
MK Partnership	n/a	-470	-240
Cumulative	n/a	-520	-760
Actual Delivery	n/a	-285	-760
Difference	n/a	235	0
Total Shortfall	100	735	0

- 2.15 The £100k pressure in 2016/17 has been reported as part of the LGSS Outturn Position throughout the 2016/17 financial year. The £235k savings pressures in transactional services during 2017/18 will be mitigated during the financial year through staff turnover and holding vacancies wherever possible. A contingency was established when MKC joined the partnership to address any timing difficulties such as this one in delivering the ERP and MKC business cases. There is sufficient in that contingency to meet these short term one off costs.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

- 4.1.1 There are resources implications for CCC which are detailed in the body of the report. £1.614m is the revised capital budget for the CCC's capital contribution to the total cost of the implementation. The current forecast as a consequence of rescheduling the Go Live to April 18 is a net capital contribution of £2.024m an increase of £410k.

- 4.1.2 Additional revenue savings of £125k in 2019/20 and a further £25k for 2020/21 and future years which mean the additional capital costs are effectively covered in 5 years.

The rescheduled Go Live does have an impact on the delivery of LGSS Strategic Plan savings, a relevant share of which is included in the CCC Business Plan. There is a delay in the delivery of the Business Systems savings. Contingency does exist to cover timing difficulty. There are also potential delivery challenges with the delivery of transactional savings. These will in part be met through turnover and vacancies but there is further contingency built into the MKC Partnership arrangements which could also meet this.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	None
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	None
Have the equality and diversity implications been cleared by your Service Contact?	None
Have any engagement and communication implications been cleared by Communications?	None
Have any localism and Local Member involvement issues been cleared by your Service Contact?	None
Have any Public Health implications been cleared by Public Health	None

Source Documents	Location
ERP Business Case	MAshton@northamptonshire.gov.uk