

Agresso (Unit4 Business World) Implementation

To: LGSS Joint Committee

Meeting Date: 24 November 2017

From: LGSS Director of Business Services, Systems and Change

Electoral division(s): All.

Forward Plan ref: For key decisions *Key decision:* **No**
Democratic Services can provide this reference *(See Appendix 1 for Guidance)*

Purpose: To update Joint Committee on the progress of the programme to implement the Agresso (Unit4 Business World) ERP system

Recommendation: That Joint Committee note:

- a) progress on the implementation of Agresso (Unit4 Business World);
- b) additional funding requirement being requested of the partner councils; and
- c) recommendations in the Agilisys report and the LGSS responses.

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1. BACKGROUND

- 1.1 Joint Committee received an update on 28th September 2017, outlining the reasons for a revised target implementation date of April 2018 and a resulting increase in the forecast cost of the implementation project.
- 1.2 Northamptonshire and Cambridgeshire signed off the business case for the replacement of their shared ERP (Enterprise Resource Planning – large scale business system integrating HR, Payroll and Finance) Oracle system in May 2015, followed by a procurement process and planned implementation for April 2017. During the second half of 2015 LGSS began working on a joint business case for an extended shared service with Milton Keynes Council (MKC). MKC were also in the process of considering their options to replace their old SAP system which was out of support from July 2017. It was jointly agreed between the three Councils that there are major business benefits from a common ERP systems implementation, so the project was expanded to include the ERP systems for all three councils which included an updated ERP business case delivering £9.86m of cumulative savings over 7 years (excluding the £4.2m of shared services saving benefits from the jointly agreed business case for all three councils resulting from MKC joining). In addition, the replacement of SAP afforded MKC additional savings within their retained budgets. At the time and despite the additional complexity of adding a third Council and a SAP system migration requirement, it was agreed to still re-plan and resource but to try hold the original 'Go-Live' date of April 2017 (which was primarily driven to help mitigate the July 2017 MKC SAP out-of-support service constraints at that time).
- 1.3 Over the past two years a number of factors have contributed to make the original April 2017 'Go- Live' date become progressively unrealistic. With MKC joining the ERP Gold programme and factoring in their SAP replacement requirements into the programme since October 2015, it is clear that the project was made more complex than originally envisaged and subsequently put additional pressures on LGSS Business Systems development resources. Implementing across three partners has been a greater challenge given the need to be migrating three legacy data sets from two very different legacy ERP systems (i.e. SAP for MKC and Oracle for CCC and NCC). This was somewhat exacerbated by the lack of any inherited, in-house SAP expertise from MKC which necessitated LGSS to seek alternative external SAP support for MKC as a more cost effective interim arrangement for MKC. In addition, the ERP project has had to accommodate unforeseen major changes in Northamptonshire County Council's organisation for its newly formed federated vehicles, and this has added very significant new demands onto the existing LGSS ERP 'business as usual' resources. And for CCC the already stretched LGSS IT resources had to be prioritised during late 2016 / early 2017 to stabilise core IT Infrastructure problems affecting all existing CCC systems and services during the October 2016 to April 2017 period.
- 1.4 There has also been some change to the scope of the project since its inception, which although limited did place an additional burden on delivery and cost for an already very aggressive original go-live of April 2017, which when all taken together with hindsight was perhaps too challenging to have held the original April 2017 go live date for so long.

2 CURRENT PROGRAMME UPDATE

- 2.1 The latest programme highlight report reflects an improving situation, with progress being made following the re-planning activity undertaken. The overall status of the programme has been reduced from red to amber.
- 2.2 A most recent positive step forward has been that the 'Payroll parallel running' (PPR) testing of the system started as planned on Monday 13th November, a significant milestone in particular considering its reliance on data migration which had caused so many issues preventing this from being undertaken successfully before. Progress has been promising in the first week and whilst too early to take any significant indication on the whole outcome, the first payroll run (although one of the smallest) completed in less than the planned time and with an accuracy level higher than the target set for successful completion of the first parallel run.
- 2.3 Data migration from the Oracle ERP system has continued to prove extremely challenging due to its complexity, although again significant progress has been made. Additional specialist external support from Fujitsu has been engaged recently in order to supplement existing resources. All data sets have now been migrated and reconciled for all clients with the exception of open AR transactions for the NCC clients which is still underway at the time of writing. Full user testing is now underway for all system modules. This testing started later than planned due to issues with specific data sets, but the most challenging migration has now been successfully completed and reconciled. Individual data transformation or migration issues are being identified, including issues with data quality from legacy systems but this is expected and they are being prioritised, investigated and resolved.
- 2.4 An upgrade of the ERP system to the latest version has also been incorporated in to the revised programme plan, this update has been released during the period of the implementation. This will prevent the need for the upgrade to be undertaken after the system has gone live and also resolves a functional issue for which a workaround was planned and should now no longer be required.

3 REVISED COST FORECAST

- 3.1 The revised forecast cost of the programme has now been finalised for discussion with the individual partner authorities to approve the required funding.
- 3.2 Additional work has been undertaken to analyse the impact that the implementation of ERP Gold will have on the Finance Operations and Payroll teams. 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.
- 3.3 For both Cambridgeshire and Northamptonshire County Councils, additional capital costs will continue to be part mitigated by in-year LGSS revenue savings. The LGSS Business Systems team is currently fully budgeted for but will become more efficient after the new system has gone live and will be reviewed, as previously reported. This will give rise to savings in future years which will be embedded in the LGSS Strategic Plan.

- 3.4 In June 2017 the forecast total cost of the programme through to the 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 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.
- 3.5 The table below sets out the current forecast and how this is shared between the three authorities. The revised capital budgets 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. The CCC and NCC forecasts 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

- 3.6 The additional savings referred to in 3.2 and 3.3 above to offset the additional capital costs will pay back the forecast project overspend in five years.

4 EXTERNAL IMPLEMENTATION REVIEW

- 4.1 In order to provide a level of assurance as to the achievability of the revised delivery plan, an external organisation was engaged to undertake an independent review. Agilisys are an organisation with significant experience of similar ERP system implementations and were given open access to programme documentation and carried out a number of interviews with key programme employees and contractors.
- 4.2 The Agilisys report and findings are included in Appendix A to this report. Included in the report are LGSS responses to the findings and recommendations. As would be expected in a report of this type considering a 'snapshot' view of a long and complex programme, LGSS do not always completely agree with all of the detailed points made. However, we do concur with the overall findings of the report and have welcomed this constructive review. Agilisys have recognised the 'incredibly complex' programme which LGSS is undertaking and the fact that this has not been seen before.
- 4.3 The approach to detailed project planning was criticised in the report, in that this was being held across a number of detailed project plans for different elements of the programme, brought together in to a single high-level programme plan to outline the approach and critical path. It was recommended that for a programme of this scale and complexity, a

single detailed project plan should be maintained and this is something which was already under review. A single detailed project plan has now been developed, fully reviewed, updated and baselined. A dedicated Senior Project Manager has overall ownership of the plan and is supported by a further dedicated resource to ensure that individual tasks are checked and updated on a daily basis. Further administrative resource has also been allocated to ensure that a single view of the availability of all resources identified as supporting programme tasks is updated, so that any conflicts or issues with availability can be identified and action taken.

- 4.4 Programme management resources were also discussed in the report, where it was also highlighted by Agilisys that individuals with the type of skills and experience required for a programme such as this are rare and very difficult to secure.
- 4.5 Additional Programme Management capacity and support was identified in 2016 following the inclusion of MKC in to the implementation programme. A second Programme Manager was engaged and when an employee resigned in spring 2017, an experienced external ERP Project Manager already working on our programme was moved in to that role to maintain the increased capacity, with additional resources engaged at a Project Manager level. The recent end of the contract of one of our Programme Managers coincided with the Agilisys review. A specific recommendation was made to appoint a 'seasoned programme manager to oversee the programme'. Unfortunately Agilisys were unable to source such an individual, but LGSS has managed to successfully engage someone and a new Senior Programme Manager has been contracted to start on 27th November. This individual comes with very significant ERP and other large system implementation experience, including in a shared service environment, and with excellent references.
- 4.6 The adequate resourcing of the programme has been under continual review throughout the programme and actions have been taken to address this as appropriate. For example, additional independent external resources were engaged during 2016, following disappointing experience and performance of consultancy services from the software supplier. Since the beginning of 2017, 19 additional resources have been either engaged or diverted to support the programme.

Appendix A - Agilisys LGSS ERP Gold implementation review